

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 21 May 2014 at 9.30 am.

### **PRESENT**

Councillors Joan Butterfield, Peter Duffy, Martyn Holland, Gwyneth Kensler (Vice-Chair) and Jason McLellan (Chair) and Mr P. Whitham (Lay Member).  
Councillors M.L. Davies and J. Thompson-Hill attended as observers.

### **ALSO PRESENT**

Head of Legal and Democratic Services (GW), Head of Internal Audit (IB), Head of Business, Planning and Performance (AS), Chief Accountant (RW), Property Manager (DL), Facilities and Maintenance Team Manager (IT), Wales Audit Office Representatives (AV and GB) and Committee Administrator (CIW).

#### **1 APPOINTMENT OF CHAIR**

***RESOLVED** – that Councillor J.M. McLellan be appointed Chair of the Corporate Governance Committee for the ensuing year.*

#### **2 APPOINTMENT OF VICE CHAIR**

***RESOLVED** – that Councillor M.L. Holland be appointed Vice Chair of the Corporate Governance Committee for the ensuing year.*

#### **3 APOLOGIES**

Apologies for absence were received from Councillors Stuart Davies

#### **4 DECLARATION OF INTERESTS**

No Members declared any personal or prejudicial interests in any business identified to be considered at the meeting.

#### **5 URGENT MATTERS**

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

#### **6 MINUTES**

The Minutes of a meeting of the Corporate Governance Committee held on 15<sup>th</sup> April, 2014.

Accuracy:- It was noted that Mr P. Whitham, Lay Member had been in attendance at the Corporate Governance Committee meeting held on the 15<sup>th</sup> April, 2014.

Matters arising:-

11. Member Representation on Outside Bodies – In response to a request from Councillor M.L. Holland, the Head of Legal and Democratic Services agreed to circulate copies of documentation relating to a presentation pertaining to Outside Bodies which had been held at Caledfryn, Denbigh.

**RESOLVED** – *that, subject to the above, the minutes be received and approved as a true and correct record.*

## **7 PROCUREMENT REVIEW - SCHOOL BUILDING MAINTENANCE WORKS**

A report by the Wales Audit Office (WAO), on the procurement review of school Buildings Maintenance Works, had been circulated previously.

The WAO representative (WAOR) introduced the report, Appendix 1, which requested consideration of the recommendations and the Council's responses. Members attention was invited to the summary report, page 22, which detailed the purpose of the work undertaken following the receipt of correspondence from a contractor regarding specific issues in relation to procurement arrangements in respect of schools' building maintenance works, and wider elements of procurement specifically relating to construction contracts. The conclusions contained in the report were summarised by the WAOR for the Committee.

During the ensuing discussion the following questions and issues were raised and responses provided:-

- The Property Manager (PM) provided details pertaining to the number of Contractors on the Approved List (AP), the criteria and process for the inclusion of Contractors on the AP, the requirements of the pre-qualification questionnaire and the process for the removal and reinstatement of Contractors to the AP.
- Reference was made to the importance of the receipt of feedback from schools on the standard of work undertaken by contractors, and the possibility of undertaking spot checks to examine work carried out.
- The HLDS provided details of the legal implications in respect of public liabilities, and sanctions which could be imposed, if external Contractors or Council employees contravened or ignored statutory rules and regulations when undertaken work. The need to have procedures in place and to manage them adequately was emphasised. The PM stressed the importance of reporting any breach of rules and regulations, such as Health and Safety Regulations, to ensure that the appropriate sanctions could be imposed and risks eliminated.
- An assurance was provided by the PM that the framework for advertising for Contractors to be included on the Approved List would be reviewed once the disciplines to be covered had been determined.
- The WAOR referred to observations made regarding the need for improvements in quality control procedures, with regard to pricing, and to communication and the assignment, allocation and monitoring of jobs within the

process. Councillor J. Butterfield emphasised the importance of providing support for local communities in Denbighshire when forming the accredited list.

- There having been no evidence of the current use of aggregation was raised by Mr P. Whitham, and the WAOR confirmed that this could present a potential risk to the Council but had not been considered as part of the very specific scope review. Mr Whitham felt that the provision of a time frame for the introduction of a framework would be critical to the respective Contractors.
- Mr Whitham referred to paragraph 25 on page 26 and suggested that reference to “arrangements at a local level for officers to declare, manage and monitor relationships between Council officers and contractors” should also include gifts and hospitality.
- The PM responded to a question from Mr Whitham and confirmed that “with regard to client expectations to have service delivery restored ASAP”, page 26, each request received was treated as reactive works and not as an emergency.
- Confirmation was provided by the PM that preferred contractors requested by respective schools could be utilised if they were on the Approved List.
- Councillor P.C. Duffy expressed concern that estimates and quotations were not required for works under specified sums. The PM explained that the amounts had been specified within the procurement rules.
- The WAOR provided confirmation that the Procurement Review – School Building Maintenance Works Report would be available in Welsh.
- It was explained that the pricing of contracts with a view to securing the services of local contractors would primarily depend on price and quality, best value through volume and the demonstration of sound value for money.
- The HIA and WAOR agreed to liaise and present a joint follow up progress report to the 3<sup>rd</sup> September, 2014 meeting of the Committee, to include details of the Council’s response to the recommendations and details of the implementation dates.

Following further discussion, it was:-

**RESOLVED** – that Corporate Governance Committee:-

- (a) receives the report and notes the recommendations and Council’s responses, and
- (b) agrees that the Head of Internal Audit and Wales Audit Office present a joint report to the 3<sup>rd</sup> September, 2014 meeting of the Committee, to include details of the Council’s response to the recommendations and details of the implementation dates.

## **8 DATA PROTECTION ACT**

A report by the Head of Business, Improvement and Modernisation (HBIM) had been circulated previously.

The HBIM introduced the report which covered the period from April, 2013 to March, 2014 and detailed breaches of the Data Protection Act by the Council which had been subject to investigation by the Senior Information Risk Officer (SIRO). It also covered complaints about the Council relating to Freedom of Information legislation which had been referred to the Information Commissioner, and provided

some information about the Access to Information requests made to the Council. The Council's Data Protection Policy required an annual report on progress to the Corporate Governance Committee to allow Member oversight of the process.

Deficits in the information management system had been a risk for several years and a new approach had been introduced, including the appointment of a Corporate Information Manager and the review of key policies, particularly relating to Data Protection and Access to Information. Following the reviews, the Corporate Information Manager had published a strategic approach to information management in Denbighshire and would report on progress to the Committee on a regular basis.

The HBIM explained that developments had reduced the risks to the Council and the risk score on the Corporate Risk Register had now been reduced. Key to the improvements had been the development of improved training, greater clarity in the use of systems, and rigour in reporting and managing information. Alongside the Data Protection Officer, the Senior Information Risk Owner (SIRO) had an explicit responsibility to ensure that information held by the Council was managed safely, effectively and in accordance with the legislation. The systems designed to ensure that the roles were carried out successfully were dependant on transparency and openness, and it was especially important that Members had an oversight of the process.

The report formed part of the commitments made in the Council's Data Protection and Access to Information policies. The appendices detailed some of the key actions over the year to 31<sup>st</sup> March 2014, focusing on the Data Protection breaches reported to the SIRO (Appendix A). Other information had been included to inform Members: a list of complaints made to the Information Commissioners Office (ICO) about the Council, and the outcome (Appendix B); statistics relating to the receipt of Access to information requests (Appendix C) and a table setting out the disputes handled by the Access to Information Panel and the outcomes (Appendix D).

There had been no major breach of the Data Protection Act by the Council, although some had been considered to be sufficiently serious to report them to the ICO. A common feature had been the poor addressing of letters, so that personal information goes to an unintended recipient. Training and improved checking procedures could help reduce this sort of error, and ultimately, the increasing use of automatic systems would reduce this further. The Council had so far avoided the significant losses of personal information which had befallen many organisations, often incurring significant civil penalties. However, it was the person whose data had been lost or incorrectly disclosed who had suffered the greater hardship. As awareness amongst staff increased and the systems for managing information gradually improved breaches would become more uncommon.

Details of the volume of access to information requests received by the Council had been included in the report. Details of the five most frequent areas of inquiry over the last few months had been included in the report, and Appendix D set out the source of Access to Information requests to the Council by requestor type.

In some instances decisions regarding access to information were challenged by the requestor or there was no agreement internally about whether information held by the Council should be released or not. These cases were reviewed by a Panel; Chaired by the HLDS, and a list of the cases reviewed along with the outcomes had been included in Appendix E.

Mr P. Whitham explained that he was disappointed that issues raised at Access to Information Training in February, such as the management and proactive prevention and reduction of requests received, had not been reflected in the report. The HBIM explained that the report related to activity and avoided the duplication of work undertaken by the Corporate Information Manager, who would be presenting a report to the Committee which would address the issues raised. He provided confirmation that the publication scheme and disclosure log were being progressed. The HLDS outlined the need to ascertain the volume and nature of information which could be made publicly available to respond openly and transparently to requests received from the public.

The HLDS responded to concerns raised and provided details of the Welsh translation service provided by Conwy County Borough Council.

**RESOLVED** – *that Corporate Governance Committee receives and notes the contents of the report.*

## **9 INTERNAL AUDIT ANNUAL REPORT 2013/14**

A report by the Head of Internal Audit (HIA), which detailed the HIA's overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year that informs the 'annual governance statement, had been circulated previously.

The Public Sector Internal Audit Standards (PSIAS) required the 'Chief Audit Executive' to deliver an annual internal audit opinion and report which the Council could utilise to inform its governance statement. The Internal Audit Report 2013-14 had been included as Appendix 1 and indicated:-

- that the HIA had provided 'medium assurance' in the overall adequacy and effectiveness of the Council's internal control environment, including its arrangements for governance and risk management;
- there were no qualifications attached to the HIA's 'opinion';
- the level of work that Internal Audit carried out to arrive at this overall 'opinion';
- how Internal Audit complied with the PSIAS; and
- a summary of Internal Audit's good performance during the year.

Following a brief discussion, it was:-

**RESOLVED** – *that Corporate Governance Committee receives and notes the contents of the report.*

## 10 INTERNAL AUDIT ANNUAL ASSURANCE PLAN 2014/15

A report by the Head of Internal Audit (HIA), which provided details of the proposed Internal Audit projects for the year which would allow the HIA to provide an 'opinion' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year, had been circulated previously.

The Public Sector Internal Audit Standards (PSIAS) required the 'Chief Audit Executive' to develop a risk-based internal audit plan which takes into account the requirement to deliver an annual internal audit opinion and report which the organisation could use to inform its governance statement. The Committee's terms of reference require it to consider Internal Audit's planning strategy.

The Committee had considered and commented on the Internal Audit Strategy 2014-15 at its meeting on the 15 April, 2014. An overview was provided of where IA was likely to spend its time during 2014-15 following its move to the Business Improvement and Modernisation service. At that stage, the HIA was still consulting senior management on a more detailed operational plan. A summary was provided of the Internal Audit Annual Assurance Plan 2014/15, Appendix 1, which included the proposed plan of work and allowed the HIA to provide an overall 'opinion' in the Annual Report for 2014-15. It was confirmed that regular updates on progress with delivery of the Plan would be presented to the Committee.

Members were informed that the HIA had met with all members of CET and SLT to discuss proposed Internal Audit work.

The following responses were provided to questions from Members:-

- The number of days allocated to Affordable Housing and Street Cleansing would be sufficient to identify any inadequacies in service provision in the respective areas. The HIA confirmed that issues relating to performance and good practice would be examined during the scoping process, and the number of days allocated could be adjusted accordingly if necessary.
- Details of the maximum working capacities of Internal Audit Services, in relation to staffing numbers, were provided by the HIA.
- It was explained that governance arrangements in respect of arm's length organisations had not been included in the Plan, but would be included at a future date. The processes for addressing emergency situations which may arise were outlined for the Committee by the HIA.

**RESOLVED** – that Corporate Governance Committee receives and notes the contents of the report.

## 11 DELIVERING GOOD GOVERNANCE AND CONTINUOUS IMPROVEMENT

A report by the Head of Internal Audit (HIA), which provided the final consultation with the Committee on the self-assessment report on the Council's governance and improvement arrangements for 2013/14, had been circulated previously.

The report replaced the Council's Annual Governance Statement, by combining the previous governance self-assessment and corporate self-assessment. It was good practice to consult widely on the self-assessment with Members and senior management and to develop an 'annual governance statement' (AGS) which formed part of the Council's Statement of Accounts. However, there had been some duplication between the self-assessment needed for the AGS and the corporate self-assessment which focused more on continuous improvement. It had therefore been decided to combine the documents to provide an innovative approach which saved resources and provided a joined-up approach to self-assessment within the Council.

The HIA explained that Appendix 1 provided a Draft document "Delivering Good Governance and Continuous Improvement" which was now in its final stages of consultation with Members and senior management. Minor changes had been included and the last quarter's performance figures would be added when finalised. The CEO and Leader would be required to sign the agreed final version by the 30<sup>th</sup> June, 2014 and it would be presented to the Committee with the Statement of Accounts in September, 2014.

Members were informed that the document had been discussed at:-

- Corporate Executive Team on 17<sup>th</sup> March, 2014
- Corporate Governance Committee on 15<sup>th</sup> April, 2014
- Council Briefing on 28<sup>th</sup> April, 2014
- Senior Leadership Team on 1<sup>st</sup> May, 2014

It had also been distributed to Cabinet Members and the WAO for comment.

The HIA made reference to two significant governance issues included in the report which related to procurement of construction services and arm's length organisations, and provided a summary of the information contained in the report.

Mr P. Whitham referred to the WAO report on procurement of school building maintenance and the outcomes of the construction procurement audit. The WOA report had indicated a figure of approximately £0.5m in relation to the procurement directed by the Council to school building maintenance. He explained that the Chief Accountant had provided figures for the current financial year which indicated a figure of £28.4m capital expenditure for construction procurement and £9.3 for revenue totalling £37.7m per annum which was significantly more than the WAO report had indicated which he felt had highlighted a significant governance issue in terms of the work undertaken. Mr Whitham also referred to the adverse report previously received in respect of Strategic HR and the relevant budget issues which provided comparable figures, particular reference being made to the impact of the contract procedure rules on the budget figures provided. He expressed the view that Construction Procurement and Contract Procedures Rules could be viewed and addressed as separate governance issues, and the HIA agreed to liaise with the HFA in respect of this matter.

The HLDS made reference to the work currently being undertaken by the HFA in respect of Procurement issues and CPR's and he confirmed that a report would be

submitted to Cabinet on the 27<sup>th</sup> May, 2014 in respect of this matter. The HIA noted the comments made by Members of the Committee.

In response to concerns expressed by Councillor J. Butterfield that the latest resident survey had highlighted that most people do not feel well-informed about the Council's performance and a range of other issues asked in the survey, the HIA explained that this issue would be addressed and included in the report to be presented to the Committee in September, 2014.

**RESOLVED** – *that Corporate Governance Committee receives the report and notes Members comments.*

## **12 BUDGET PROCESS 2015/16**

A report by the Head of Finance and Assets, which provided an update on the process to deliver the revenue budget for 2015/16, had been circulated previously.

The report offered the Committee an oversight role of the budget process. Since the previous meeting of the Committee, the main activity had been to present a paper on the budget process to Council Briefing on the 28<sup>th</sup> April and to confirm the dates for the member budget workshops. Invites had now been sent to all Members and the details of the July workshops had been included in Table 1 in the report. Freedoms and Flexibilities budget meetings with services, service lead members and CET had all been arranged and the schedule had been included in Table 2 in the report.

The Chief Accountant provided an update on the outcome of the first two Freedom and Flexibilities Service Budget Meetings, which included Adults & Business Services and Business, Improvement & Modernisation. It was explained that the spreadsheet outlining the budget detail and notes of the outcome would be made available in the near future. The Chief Accountant explained that the two Service Budget Meetings had been reviewed at CET and the process had been amended slightly. Confirmation was provided that the table of key Events had remained largely unchanged and an updated version had been provided for the Committee.

The Chief Accountant responded to questions from Members and confirmed that effective management of the Council's budgets and delivery of the agreed budget strategy underpinned activity in all areas, including corporate priorities. The Council would need to deliver savings of approximately £12m over the next two financial years and the process had been considered by CET, SLT, Cabinet Briefing, Council Briefing and the Corporate Governance Committee.

In response to a question from the Chair, the Chief Accountant explained that there would be an overview of the devolution of functions to Town and Community Councils as part of the process, which would be addressed through the individual services.

Mr P. Whitham explained that his attendance at the briefing meetings had been beneficial and it was agreed that he be invited to attend future briefing meetings.



**RESOLVED** – that Corporate Governance Committee receives and notes the report.

### **13 FEEDBACK ON CORPORATE EQUALITY MEETING**

Councillor M.L. Holland explained that the Corporate Equalities Group had not met since the presentation of the previous report to the Corporate Governance Committee.

### **14 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME**

The Corporate Governance Committee's Forward Work Programme (FWP) (previously circulated) was presented for consideration.

The Committee confirmed the Corporate Governance Committee Forward Work Programme, subject to the following amendments:-

#### **2<sup>nd</sup> July, 2014:-**

- Feedback on Corporate Equalities Meeting to be withdrawn.
- Procurement of Construction Services Update to be rescheduled to the 3<sup>rd</sup> September, 2014.
- Report on Arm's Length Companies to be presented by the Head of Internal Audit.
- Wales Audit Office Improvement Report to be included.
- Draft Statement of Accounts 2013/14 to be included.
- Wales Audit Office Fees Letter to be included.

#### **29<sup>th</sup> September, 2014:-**

- Final Statement of Accounts 2013/14 to be included.
- Wales Audit Office Report on the Final Statement of Accounts 2013/14 to be included.

Mr P. Whitham referred to the agreed inclusion of regular reports on the agenda in respect of:-

- Review of Corporate Risk Register.
- Review of Progress on the Corporate Governance Action Plan.
- Information Management Update.
- Treasury Management Report.

The HLDS agreed to liaise with the Chair and Head of Internal Audit regarding the inclusion of the above business items in the Committee's Forward Work Programme. He also agreed to liaise with the Corporate Information Manager in respect of the Information Management report.

The Committee thanked the Chair and Mr Paul Whitham, Lay Member, for the work undertaken with the Committee.

**RESOLVED** – *that, subject to the above, the Committee approves the Forward Work Programme.*

Meeting ended at 12.20 p.m.