

To: Members of the Corporate
Governance Committee

Date: 19 September 2014

Direct Dial: 01824712575

e-mail: dcc_admin@denbighshire.gov.uk

Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **9.30 am** on **MONDAY, 29 SEPTEMBER 2014** in **CONFERENCE ROOM 1A, COUNTY HALL, RUTHIN.**

Yours sincerely

G. Williams
Head of Legal and Democratic Services

AGENDA

PART 1 - THE PRESS AND PUBLIC ARE INVITED TO ATTEND THIS PART OF THE MEETING

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members to declare any personal or prejudicial interests in any business identified to be considered at this meeting.

3 URGENT MATTERS

Notice of items, 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.

4 APPROVAL OF ANNUAL STATEMENT OF ACCOUNTS 2013/14 (Pages 3 - 4)

To consider a report by the Head of Finance and Assets (copy enclosed) presenting the Statement of Accounts 2013/14 for formal approval.

Statement of Accounts (copy to follow)

5 GOVERNANCE IMPROVEMENT PLAN (Pages 5 - 16)

To consider a report by the Head of Internal Audit (copy enclosed) which provides an update on the Council's Governance Improvement Plan arising from the Council's 2013/14 'annual governance statement' - 'Delivering good governance and continuous improvement'.

MEMBERSHIP

Councillors

Joan Butterfield
Stuart Davies
Peter Duffy

Martyn Holland
Gwyneth Kensler
Jason McLellan

Lay Member

Paul Whitham

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DEDDF LLYWODRAETH LEOL 2000

Cod Ymddygiad Aelodau

DATGELU A CHOFRESTRU BUDDIANNAU

Rwyf i,
(enw)

*Aelod /Aelod cyfetholedig o
(*dileuer un)

Cyngor Sir Ddinbych

YN CADARNHAU fy mod wedi datgan buddiant ***personol / personol a sy'n rhagfarnu** nas datgelwyd eisoes yn ôl darpariaeth Rhan III cod ymddygiad y Cyngor Sir i Aelodau am y canlynol:-
(*dileuer un)

Dyddiad Datgelu:

Pwyllgor (nodwch):

Agenda eitem

Pwnc:

Natur y Buddiant:

Llofnod

Dyddiad

Code of Conduct for Members

DISCLOSURE AND REGISTRATION OF INTERESTS

I, *(name)*

a *member/co-opted member of

*(*please delete as appropriate)*

Denbighshire County Council

CONFIRM that I have declared a ***personal / personal and prejudicial** interest not previously declared in accordance with the provisions of Part III of the Council's Code of Conduct for Members, in respect of the following:-

*(*please delete as appropriate)*

Date of Disclosure:

Committee *(please specify)*:

Agenda Item No.

Subject Matter:

Nature of Interest:

Signed

Date

Report To: Corporate Governance Committee

Date of Meeting: 29 September 2014

Lead Officer: Paul McGrady, Head of Finance & Assets

Report Author: Richard Weigh, Chief Accountant

Title: Approval of the Statement of Accounts 2013/14

1. What is the report about?

The council has a statutory duty to produce a statement of accounts that complies with approved accounting standards. The audited accounts have to be formally approved by elected members on behalf of the council.

2. What is the reason for making this report?

The financial statements for 2013/14 were approved, subject to audit, by the Chief Finance Officer on 30 June 2014. The draft accounts were presented to Corporate Governance Committee on 2 July 2014. At the meeting the Chief Accountant provided an overview of the Draft Statement of Accounts and the process underpinning it.

The Accounts and Audit Regulations require that the Council formally approves the audited accounts, containing the external auditor's opinion, by the end of September. The approval of the audited accounts has been delegated to the Corporate Governance Committee.

The Statement of Accounts is produced in compliance with the International Financial Reporting Standards (IFRS). The Chartered Institute of Public Finance & Accountancy (CIPFA) produces the IFRS based Code of Practice on Local Authority Accounting and the council has produced the 2013/14 accounts in compliance with the Code.

The accounts include an unqualified audit opinion and audit certificate.

3. What are the Recommendations?

That elected members approve the Statement of Accounts 2013/14 which is Appendix 1 to this report.

At the meeting, the Chair and Chief Finance Officer will be required to sign the Accounts and the Letter of Representation.

4. Report details

The accounts presented have been produced in compliance with the required accounting standards.

International Financial Reporting Standards are a suite of accounting standards used across the world. IFRS has been developed for the private

sector but in theory the vast majority of transactions are the same in accounting terms regardless of the sector. As there are some areas where public sector accounting treatment diverges from IFRS (because for example of legislative requirements), an additional set of standards has been introduced to deal with these provisions called the International Public Sector Accounting Standards.

The accounts were made available for audit as required and have been open to public inspection. The accounts have been audited by the Wales Audit Office who will present an overview of their findings and assessment of the process in a report to the committee.

The audit process resulted in some technical adjustments and other corrections and amendments. More details of these will be presented in the auditor's report.

5. How does the decision contribute to the Corporate Priorities?

The publication of the Statement of Accounts underpins the financial stewardship and governance of the council and therefore supports all council services and priorities.

6. What will it cost and how will it affect other services?

There are no additional cost implications as a result of this report.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

Not applicable.

8. What consultations have been carried out?

The Wales Audit Office has worked closely with the Finance team to ensure the timely and successful finalisation of the audit.

9. Chief Finance Officer Statement

The Statement of Accounts has again received an unqualified audit opinion. This is a significant achievement given the scale and complexity of the accounts. Internal procedures will be reviewed annually to ensure that the council continues to deliver high quality financial statements.

10. What risks are there and is there anything we can do to reduce them?

The council would be in breach of its statutory duty if it could not approve the accounts by 30 September.

11. Power to make the Decision

Section 151 of the Local Government Act 1972 requires that the council has proper financial management arrangements in place. The Accounts & Audit Regulations require that the audited accounts are approved by 30 September.

Audit of Financial Statements Report

Denbighshire County Council

Audit year: 2013-14

Issued: September 2014

Document reference: 549A2014

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

Handling prior to publication

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Status of report

This document has been prepared for the internal use of Denbighshire County Council as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

The team who delivered the work comprised Derwyn Owen, Anthony Veale, Nick Raynor and members of the audit team.

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The Appointed Auditor intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2014 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative level at which we judge such misstatements to be material for Denbighshire County Council are £3,628,000 for income and expenditure items and working capital balances; and £4,551,000 for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Denbighshire County Council, for 2013-14, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2014 on 30 June 2014 and at the date of our presentation of this report the following areas of audit work were outstanding:
 - finalisation of the adjustments to asset valuations;
 - work on the segmental analysis;
 - completion of our work in respect of the treatment of internal charges within the Comprehensive Income and Expenditure Statement (CI&ES); and
 - completion procedures and review of the final financial statements.We will update the Corporate Governance Committee on the progress of these matters verbally on 28 September 2014.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Council officers, including the Head of Finance and Assets.

Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Audit risks

12. In our Financial Audit Strategy, we set out information regarding audit risks that were identified during the audit planning process. The table below sets out the outcome of our audit procedures in respect of those risks:

Risks	Action taken
Control environment risks	
Management override of controls The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk. In addition, the Council continues to face significant financial pressures, including funding cuts. The current financial pressures on the Council increase the risk that management judgements and estimates could be biased in an effort to meet its financial challenges.	<ul style="list-style-type: none">• We understood and evaluated internal control processes and procedures as part of our planning work.• We reviewed and tested the appropriateness of a sample of year-end journals.• We looked carefully at management estimations and considered if they were subject to bias.• We understood the business rationale for significant transactions which appeared out of the normal course of business.• Our audit procedures also included an unpredictable element that varies year on year. We have not identified any material misstatements as a result of our audit work.

Risks	Action taken
Financial systems risks	
<p>Risk that the Council's procedures high-level financial controls are not designed or operating effectively to prevent and detect material misstatements in the financial statements.</p>	<p>We reviewed the design and tested the operation of high-level controls in the:</p> <ul style="list-style-type: none"> • main accounting system; • budgetary control system; and • the accounts preparation process. <p>Our audit work confirmed that the controls were operating effectively.</p>
Preparation of accounts risks	
<p>Risk that the Council did not incorporate changes to the financial statements identified within the 2013-14 Code of Practice on Local Authority Accounting in the UK (the Code) into the financial statements.</p>	<p>We reviewed the draft financial statements to ensure that they have been prepared, in all material respects, in accordance with the Code. We have not identified any material misstatements as a result of this work, although we have made a number of adjustments which we have referred to in Appendix 3.</p>
<p>The preparation of the financial statements will involve the estimation of a number of account figures such as provisions for the Council's liabilities (eg, equal pay claims, and insurance provisions).</p>	<p>We reviewed:</p> <ul style="list-style-type: none"> • the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; and • documentation held to support estimates derived and judgements made, and made reference to papers provided in support of them. <p>Our work covered key estimates such as the provision for equal pay back pay and accumulated absences provision.</p> <p>We have not identified any material misstatements as a result of this work, although we have made a number of adjustments which we have referred to in Appendix 3.</p>
<p>Risk of material misstatement in the financial statements arising from the revaluation of property including council houses.</p>	<p>We assessed the revaluation process ensuring that the revaluation has been conducted in line with accounting policies and that it has been, in material respects, accurately reflected in the financial statements.</p> <p>We also reviewed the discount factor in respect of council house valuations to ensure that it is reasonable and has been properly applied to the council house valuations recorded within the 2013-14 financial statements.</p> <p>We have not identified any material misstatements as a result of this work, although we have made a number of adjustments which we</p>

Risks	Action taken
	have referred to in Appendix 3 .
<p>I have identified a number of disclosures as being material by nature. These include the disclosure of Related Parties, Remuneration note and Members Allowances.</p> <p>There is a risk that exit packages paid by the Council do not fully comply with the requirements of the Code and Council policy. We have considered such payments as sensitive items of expenditure and therefore material by nature.</p>	<p>We designed detailed testing to obtain the required assurance that disclosures identified as material by nature have not been misstated.</p> <p>We have not identified any material misstatements as a result of this work, although we have made a number of adjustments which we have referred to in Appendix 3.</p>
<p>Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure.</p>	<p>On receipt of the 2013-14 draft financial statements in June 2014, we undertook a review of the statements and updated our risk assessment accordingly. We designed audit testing programmes to focus our work on material balances and transactions. We have not identified any material misstatements as a result of this work, although we have made a number of adjustments which we have referred to in Appendix 3.</p>

Other significant issues arising from the audit

13. **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
14. **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
15. **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
16. **There are some matters significant to the oversight of the financial reporting process that we need to report to you.**
Timeliness of the valuation process - the annual financial statements are heavily dependent on the provision of timely and accurate information from the Council's Property Services Department. Our audit identified that the valuation information provided to the Finance Department was received late. In our view, the receipt of this information can result in an increased risk of error when the valuation information is transferred into the fixed asset register, financial ledger and the financial statements.

Whilst our audit did not identify any material misstatements in this respect, nor did it identify any issues in respect of the quality of information provided by the Property Services Department, we would recommend that the Council reviews its current valuation processes to ensure the Finance Department is in receipt of timely valuation information to assist in the production of the year-end financial statements and the Whole of Government Accounts exercise.

Annual fair value assessments - the Council revalued a proportion of its fixed asset portfolio at 31 March 2014 in accordance with its accounting policy to revalue assets on a rolling five year basis. Our audit focused on the robustness of the calculations performed by the Council's qualified internal valuer and the assumptions used in the valuation. As part of our work, we sought evidence from the valuer in respect of their assessment as to whether the value of those significant categories of land and property not formally valued in the year to 31 March 2014, may have been materially misstated. We received this information on request, but recommend that this assessment is formally incorporated into the annual valuation exercises undertaken by the valuer. The annual assessments need to be submitted to the Finance Department and external audit as part of the working papers supporting the valuation process.

Pension fund information - International Accounting Standard 19 (Employee Benefits) requires Employer bodies to disclose in their accounts the assets, liabilities and transactions, together with certain information regarding underlying assumptions, in respect of retirement benefits. The actuary prepares both a triennial funding valuation and an annual valuation of the pension fund liabilities, on an IAS19 basis, which provides both revenue and balance sheet disclosures for inclusion in the financial statements. This is prepared using a range of data, provided by the administering authority, and actuarial assumptions. It is critical therefore that the administering authority's membership records are up to date and accurately record data for active, deferred and pensioner records. Both the employer body (via its payroll team) and the administering authority need to work together to ensure that membership records are kept up to date. This not only has implications for the IAS19 disclosures in the financial statements, but also for the individuals concerned.

Whilst the administering authority process changes notified to them by the employer throughout the year, the employer also submits an annual contributions return. This allows for the data to be reconciled and often identifies changes, e.g. starters, leavers or additional roles, for which the administering authority has not been notified. The administering authority are keen to move to a monthly process and whilst we appreciate that there are resource implications for both the administering authority and the employer bodies, we would encourage this move as it is critical that membership data is accurate.

17. **We did not identify any material weaknesses in your internal controls.** However, our audit work identified a potential risk of income and expenditure being potentially double counted within the Consolidated Income and Expenditure Statement (particularly in respect of recharges). The Council has a process for accounting for internal recharges for central support services such as HR, legal and accountancy. This ensures that the expenditure on these services only appears once in the

accounts. The Council also has processes for internal invoicing where one service provides a service to another or one element of a service provides services to other elements within the same service. These processes are reasonable for budgetary control purposes at a service level but mean that, at a Council level, there is the potential for income and expenditure to be recorded twice in net cost of services in the statement of accounts. We worked with the Council to identify and eliminate any double counting of income and expenditure. The result of this work resulted in an adjustment of £3.4 million being eliminated from the consolidated income and expenditure statement within the financial statements (see [Appendix 3](#)). For future years' accounts, the Council has agreed to review their current arrangements to ensure that they eliminate these transactions from the draft accounts presented for audit.

- 18. There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

- 19.** As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 20.** We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Denbighshire County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

29 September 2014

Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements of Denbighshire County Council for the year ended 31 March 2014 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the 2013-14 Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

-
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
 - The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - Our knowledge of fraud or suspected fraud that we are aware of and that affects Denbighshire County Council's and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
 - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no misstatements identified in the financial statements that remain uncorrected.

We confirm that we have identified to you all members of key management, as defined by IAS 24, and included their remuneration in the disclosures of key management compensation.

We confirm that we are satisfied that the figures given in respect of Fixed Assets and Investment Properties in the Statements of Account represent our best estimate of the value of those assets and that the valuation methods used are appropriate.

The underlying assumptions and membership data used in the actuarial valuation of the pension scheme are appropriate for Denbighshire County Council.

The Council has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Representations by those charges with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Corporate Governance Committee on 28 September 2014.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Paul McGrady
Section 151 Officer

Signed by:

Councillor Jason McLellan
Chair of the Corporate Governance
Committee

Date: 29 September 2014

Date: 29 September 2014

Appendix 2

Proposed audit report of the Appointed Auditor to the Members of Denbighshire County Council

I have audited the accounting statements and related notes of Denbighshire County Council for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

Denbighshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Denbighshire County Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Denbighshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2014 and of its income and expenditure for the year then ended; and

-
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Denbighshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett
Appointed Auditor

Wales Audit Office
Unit 4, Evolution
Lakeside Business Village
St David's Park
Ewloe
CH5 3XP

30 September 2014

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Corporate Governance Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

	Value of correction	Nature of correction	Reason for correction
1	£3,395,000	In year expenditure relating to the Foryd Harbour scheme was incorrectly classified as assets under construction. This is a classification adjustment and has no impact on the Council Fund presented in the draft statement of accounts.	To ensure that infrastructure assets and assets under construction, disclosed in Note 13 (Property, Plant and Equipment), are correctly stated.
2	£2,586,000	Amendments required to the presentation of the cash flow statement and related notes 25, 26 and 27. This is a classification adjustment and has no impact on the Council Fund presented in the draft statement of accounts.	To ensure that the presentation of the cash flow statement and related disclosures are recorded in accordance with the CIPFA Code.
3	£3,400,000	Amendments required to Consolidated Income and Expenditure Statement to eliminate income and expenditure (relating to fleet managements costs) recorded twice within this primarily financial statement. This adjustment has no impact on the Council Fund presented in the draft statement of accounts.	To ensure that the income recorded in the consolidated income and expenditure account is correctly recorded.
4	£4,994,000	Amendments required to Note 28 ensure that the income and expenditure disclosed in the segmental analysis note, agrees to the income and expenditure within the Comprehensive Income and Expenditure Statement. This is a disclosure adjustment and has no impact on the Council Fund presented in the draft statement of accounts.	To ensure that the presentation of Note 28 agrees to the disclosure included within the Comprehensive Income and Expenditure Account.
5	£138,000	Amendment required to the classification of the provision for welfare reform from non-current to current	To ensure that the presentation of provisions note correctly reflects the disclosure split between current and

	Value of correction	Nature of correction	Reason for correction
		within Note 21 (Provisions). This is a classification adjustment and has no impact on the Council Fund presented in the draft statement of accounts.	non-current.
6	£40,000	Adjustment required to the fixed asset register to reflect the correct valuation of the Rhyl Recycling Centre (originally included as £nil). This adjustment has no impact on the Council Fund presented in the draft statement of accounts.	To ensure that the financial statements record the correct in year revaluation.
7	£4,000	Adjustment to reflect the full year amount of performance related pay awarded to the Chief Executive.	To ensure Note 3 (officers' remuneration) is correctly stated by ensuring the amount is accounted for on an accruals rather than a cash basis.
8	£29,000	Adjustment to reflect the decrease in actual audit fees in respect of external audit.	To ensure Note 34 reflects: <ul style="list-style-type: none"> the external audit fee payable for the 2013-14 financial year; and the payment from the Wales Audit Office as a result of a redistribution of reserves to local government bodies.
9	£24,000	Adjustment to reflect an over-valuation of stocks held at Aberwheeler Nurseries.	To ensure Note 16 (Inventories) are recorded at the lower of cost or net realisable value.
10		In addition to the above, a number of other adjustments were made to the draft financial statements which included: <ul style="list-style-type: none"> minor adjustments to Note 13 (property plant and equipment) to reflect a small number of fixed asset disposals, minor adjustments as a result of in-year revaluations and minor adjustments to ensure that the fixed asset register reconciled to the ledger and the financial statements; minor adjustments to Note 24 (Unusable reserves – the capital adjustment account) to reflect the correct value for revaluation losses on Property, Plant and Equipment; disclosure amendments made to related companies and partnerships with the Council; disclosure adjustments made to the Housing Revenue Account to reflect the correct disclosure of arrears and accounting policies; and a number of other disclosure amendments were made to the financial statements. 	

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Report To: Corporate Governance Committee

Date of Meeting: 29 September 2014

Lead Member / Officer: Barbara Smith – Lead Member for Modernising & Performance
Ivan Butler – Head of Internal Audit

Report Author: Ivan Butler – Head of Internal Audit

Title: Governance Improvement Plan

1. What is the report about?

This report provides an update on the Council's Governance Improvement Plan arising from the Council's 2013/14 'annual governance statement' - *'Delivering good governance and continuous improvement'*.

2. What is the reason for making this report?

This report provides information to the Committee on progress being made with implementation of the various actions included in the Governance Improvement Plan to ensure that the Council has robust and effective governance arrangements in place.

3. What are the Recommendations?

- The Committee reviews and comments on the progress report, deciding whether it needs any further information.
- As not all officers have provided responses to the Head of Internal Audit's request for progress updates, the Committee should decide what action is needed to provide updates as soon as possible and to ensure that they are promptly received for future updates.

4. Report details.

The Council's latest 'annual governance statement' was entitled *'Delivering good governance and continuous improvement'*. This document provided a transparent and balanced self-assessment of the Council's governance arrangements, highlighting any significant governance weaknesses and other areas for improvement.

The improvement areas were included in a Governance Improvement Plan that also provided proposed actions to address the weaknesses, officers responsible for the actions, and timescales. This report provides the first update on progress with the Governance Improvement Plan included as Appendix 1.

Unfortunately, at the time of writing this report, not all officers had provided a progress update, therefore the Plan is not fully complete. Where responses were received, actions are either complete or in progress. In some cases, the Committee has received separate update reports, e.g. on Strategic HR, arms-length organisations, and strategic procurement.

5. How does the decision contribute to the Corporate Priorities?

While the 'annual governance statement' self-assessment does not directly contribute to Corporate Priorities, it provides an assessment and assurance on the delivery of the Corporate Plan, the Council's operational and financial performance, governance arrangements, community engagement etc. that are all directed towards delivering the Corporate Priorities.

6. What will it cost and how will it affect other services?

There are no costs attached to this report and the only impact on services is where the report identifies improvement areas; however, services will already be aware of these and should be building this into their service planning.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

This report does not require a decision or proposal for change, so there is no impact on people who share protected characteristics.

8. What consultations have been carried out with Scrutiny and others?

This is an information report only. The only consultation has been with the officers with responsibility for implementing the actions identified within the Governance Improvement Plan.

9. Chief Finance Officer Statement

There are no financial implications attached to this report.

10. What risks are there and is there anything we can do to reduce them?

If the Governance Improvement Plan is not implemented, weaknesses will remain in the Council's governance arrangements, which could lead to:

- adverse regulatory reports;
- poor use of public money;
- failure to improve key corporate and service areas;
- loss of stakeholder confidence; and
- an adverse impact on the Council's reputation.

11. Power to make the Decision

There is no decision required for this report but there is a requirement under the local Government (Wales) Measure 2011 for the 'audit committee' to oversee the Council's corporate governance arrangements.

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Governance Improvement Action Plan – Progress Report September 2014

Improvement Area	Action	Responsibility	Timescale	Progress to Date
Significant Governance Issues				
In future, we accept that some services and functions will stop or be transferred to others who may be able to deliver them at lower or no extra cost. We need to review our governance arrangements to take account of this, ensuring that public money is spent wisely and the public continues to receive good services and value for money.	<p>We will be implementing new monitoring arrangements during 2014 to ensure that any third party or arms-length service providers have robust governance arrangements, and will implement scrutiny arrangements to monitor their financial and operational performance.</p> <p>The Head of Internal Audit produced a 'good practice' report in May 2014 that CET will discuss in July 2014 to agree the way forward.</p>	Initial review by Head of Internal Audit, which will lead to further action plan for implementation of new arrangements	Preliminary report by 31 May 2014, with further action plan for implementation of new arrangements to be agreed	<p>In progress</p> <p>'Phase 1' report to CET in July 2014 and Corporate Governance Committee in September 2014.</p> <p>CET commissioned Head of Internal Audit to lead 'phase 2', which is development of framework for DCC by 31 March 2015. This will commence in October 2014.</p>
<p>Our Internal Audit service provided a critical report on the procurement of construction services that highlighted several weaknesses, including that our procurement strategy is out of date. Internal Audit's recent follow up of the improvement action plan shows that, although we have developed a new draft strategy and Contract Procedure Rules, progress with improvement is slow and behind schedule.</p> <p>Also in procurement, we are involved in the development of some key projects but the creation of the National Procurement</p>	There is a separate action plan for dealing with the issues raised in the Internal Audit report.	Head of Finance & Assets	As per action plan	<p>In progress</p> <p>Follow up of IA & WAO Action Plans reported to Corporate Governance Committee in September 2014. Progress reported as slow and behind schedule.</p>
	The Council is fundamentally changing significant elements of its procurement. In May 2014, Cabinet approved the merger of Flintshire and Denbighshire procurement teams to create a larger more robust team. It also approved the move towards category management in conjunction with Flintshire and Gwynedd.		New team in place July 2014. Move to Category Management to take place up to 2016.	No progress update response received

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<p>Service has also added to the complexity of procurement arrangements and led to a loss of staff to the new organisation, with potential further staffing losses.</p> <p>We are aware that we are entering a critical period in relation to strategic procurement and the major changes that we are making; therefore, we will need to keep this area under regular review to ensure that the identified improvements are implemented and that the strategic programmes of change are successfully delivered.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 32</p>	<p>A training programme has begun with relevant finance staff attending first.</p>		<p>Training programme is underway.</p>	<p>In progress</p> <p>36 finance staff have undertaken the Introduction to Procurement course in June 2014. The course is being arranged for the schools Business and Finance managers in October 2014.</p>
	<p>The Procurement Strategy is being re-drafted to better link with the Economic Development Strategy. Contract Procedure Rules are overdue but are currently with Legal Services for review.</p>		<p>Strategy due by August 14, as are CPRs</p>	<p>In progress</p> <p>Strategy is due for completion by the end of October 2014.</p> <p>The Contract Procedure Rules are being presented to Corporate Governance on 5 November 2014 and County Council on 9 December 2014.</p>
	<p>The E-Sourcing project is due for implementation over the summer, along with Centralised Invoice Registration and improvements to Proactis for purchase order numbers.</p>		<p>Centralised Invoice Registration going live from July 2014.</p>	<p>In progress</p> <p>E-sourcing templates to be completed by the end of October 2014 and departmental roll-out complete by the end of Q1 2015</p>
Partnership Governance				
<p>We are aware that not all partnerships use the partnership toolkit, so, as part of a comprehensive review of the partnership landscape, we need to review the guidance to ensure that it is user-friendly and effective. This review will also provide a greater knowledge and understanding of partnership activity and develop a better corporate understanding of the challenges of operational partnerships.</p>	<p>Practice-based review of governance toolkit</p>	<p>Head of Business Improvement & Modernisation</p>	<p>October 2014</p>	<p>In progress</p> <p>The review of the toolkit will form part of the Head of Internal Audit's review of third party and arms-length organisations. The deadline for this project is 31 March 2015.</p>

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<p>Our partnership governance toolkit provides guidance on defining each partner's role in the partnership, line management responsibilities for staff supporting the partnership and legal status but does not provide clear guidance on the roles of partnership board members. We have already identified the need to review this guidance, as we are aware that it is not always used by partnerships.</p>	<p>Practice-based review of governance Toolkit</p>	<p>Head of Business Improvement & Modernisation</p>	<p>October 2014</p>	<p>In progress</p> <p>The review of the toolkit will form part of the Head of Internal Audit's review of third party and arms-length organisations. The deadline for this project is 31 March 2015.</p>
<p>Constitution</p>				
<p>The Council's main governance guidance is provided in our Comprehensive Constitution that clearly sets out respective roles and responsibilities of elected members and officers, particularly relating to governance, although it needs to be updated to take account of changed role titles and elected member portfolios.</p>	<p>A new Model Constitution has been developed for Wales. The Council's current Constitution will be reviewed in light of the new model and updated to reflect changed job titles and portfolios.</p>	<p>Head of Legal & Democratic Services</p>	<p>Constitution working group to meet by September 2014, with further reports to Corporate Governance Committee and Council. New model to be adopted by 31 December 2014</p>	<p>In progress</p> <p>The working group will meet in October 2014, with a report to Corporate Governance Committee in December 2014. The new model to be adopted by County Council by no later than March 2015.</p>
<p>Our codes of conduct for elected members and employees form part of induction training, although we need to ensure that we have arrangements in place to ensure that we regularly raise awareness of these codes.</p>	<p>Elected members have been provided with several training sessions on the Code of Conduct and refresher sessions are made available each year. A strategy for maintaining awareness among employees will be developed.</p>	<p>Head of Legal & Democratic Services</p>	<p>Refresher sessions for elected members will be provided before March 2015. An awareness training strategy for employees will be implemented by March 2015</p>	<p>In progress</p> <p>Dates are currently being sought for the provision of these sessions, which will be completed within the timescale set out.</p>

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Equalities				
We are continuing our work to improve awareness of equalities issues. But Internal Audit's staff survey found that there is still work to do to improve awareness of corporate equalities arrangements.	The Corporate Equalities Group will discuss the Internal Audit report at its July 2014 meeting. At the same meeting, the Group will consider for approval a new e-learning training module on equalities issues. Following approval, this new module will be rolled out.	Head of Business Improvement & Modernisation	Autumn 2014	<i>No progress update response received</i>
Equality Impact Assessments are now mainstreamed into our decision-making process, but we still need to improve the quality of some of these assessments and will be introducing a quality assurance process during 2014.	The Head of Internal Audit will carry out a quality control review of a sample of Equality Impact Assessments during 2014/15 and feed back to Heads of Service to improve the quality of future Assessments.	Head of Internal Audit	Commencing September 2014	In progress This issue was debated at the Corporate Equalities Group and it is still under discussion as to whether this is the responsibility of Internal Audit. Alternative quality control ideas are being considered.
Policy Framework				
We have an anti-fraud and corruption policy, although we have not reviewed and updated this since 2006.	This policy has been reviewed and a new draft policy will be presented to Corporate Governance Committee.	Head of Legal & Democratic Services	November 2014	In progress The draft amended policy is to be considered by Corporate Governance Committee on 5 November 2014.
Our environmental policy is out of date and we do not have a formal corporate approach to environmental management that would help to demonstrate our values and ethics by committing to ensuring that we help to maintain, enhance and use natural resources sustainably now and in the future.	There are currently no plans to revisit our existing policies; however, sustainability is now a core principle in our community planning and is reflected in Denbighshire's draft Well-being Plan, due for publication in November 2014.	Head of Business Improvement & Modernisation	November 2014	<i>No progress update response received</i>

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Regulations & Standards				
<p>We have an independent and objective internal audit service providing assurance across the whole range of DCC's services, including partnerships. The service has not yet carried out the required self-assessment review to ensure that it complies with the new Public Sector Internal Audit Standards but plans to do this early in 2014/15.</p>	<p>Self-assessment review against Public Sector Internal Audit Standards and report outcome to Corporate Governance Committee.</p>	<p>Head of Internal Audit</p>	<p>Review complete by 30 September 2014 and reported to next available committee meeting</p>	<p>In progress Self-assessment in progress and will be completed within the timescale. Improvement plan to be developed and reported to Corporate Governance Committee for monitoring.</p>
<p>We have made significant improvements in information governance during the year; however, we recognise that we still have a lot of work to do but have identified this in our Information Management Strategy, for example:</p> <ul style="list-style-type: none"> • develop e-learning modules for several areas of training; • improve the policy framework in areas such as email, records management and information security; • digitise catalogues and collections in our archives; • enhance our Publication Scheme and Disclosure Logs; • revise and embed the corporate retention schedule; and • achieve PSN accreditation for 2014. 	<p>We will continue to implement the Information Strategy</p> <p>E-learning on data protection is now in place</p> <p>Other actions on-going</p>	<p>Head of Business Improvement & Modernisation</p>	<p>Roll out to be completed September 2014</p>	<p><i>No progress update response received</i></p>

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Elected Members				
Scrutiny Committees produce annual reports on their work to County Council but the Corporate Governance Committee's self-assessment highlighted that it had not formed part of this performance monitoring arrangement in recent years.	Head of Internal Audit to work with Chair of Corporate Governance Committee to produce report on the Corporate Governance Committee's performance and effectiveness for 2013-14.	Head of Internal Audit/Chair Corporate Governance Committee	Draft report by 31 July 2014	Complete Item for discussion at Corporate Governance Committee in September 2014.
Stakeholder Engagement				
Our latest resident survey highlighted that most people do not feel well-informed about the Council's performance and a range of other issues asked in the survey.	We will continue to publish user-friendly performance information on the Council's website.	Head of Business Improvement & Modernisation	On-going	<i>No progress update response received</i>
	The Council's Corporate Communications Strategy Year 2 Action Plan includes various actions that will improve communication with residents to raise more awareness. This Strategy forms part of the team's service plan for 2014/15.	Various	Various timescales but Strategy to be implemented fully by 31 March 2015	In progress Part of Internal Audit review 2014/15.
The value of effective business engagement is only just being recognised, which means that we have a lot more work to do before we see the benefits that result from recent developments. We need to ensure that effective opportunities exist for businesses to provide feedback on the delivery of the Economic and Community Ambition Strategy / Programme	Leader and Corporate Director for Economic and Community Ambition to undertake annual visits to Business Groups and to the Top 10 businesses in the county to ensure that we are doing all we can to support local businesses and facilitate easy and accessible contact with senior decision makers within the Council.	Leader & Corporate Director for Community Ambition	Annual	<i>No progress update response received</i>

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<p>and identify what we need to do to make engagement with the Council a valuable activity for businesses. In the longer term, as key stakeholders in the delivery of the overall vision for our economy, we need to increase business participation in making decisions about how we plan and invest Council budgets and resources for greatest economic effect.</p>	<p>A project to ensure that we are recognised as business-friendly. This will improve our engagement, both on a one to one business basis and also on a collective basis.</p>	<p>Public Protection Manager</p>	<p>Project timescales within Economic & Community Ambition Strategy</p>	<p>In progress</p> <p>A project proposal has been developed by the project manager, approved by the project sponsor and a project team has been set up.</p> <p>The Economic Ambition Board has approved the project and will receive regular reports, since it is one of the projects in the Economic Ambition Strategy</p> <p>Workshops have taken place with representatives of the business sector, including Chamber of Commerce, Federation for Small Businesses and Federation of Master Builders. We now have a set of outcomes, that have been shaped by industry.</p> <p>A business regulation survey and regulatory staff survey will now be undertaken, and task and finish groups set up to progress with other actions.</p>
	<p>Annual survey of businesses. The results of the first survey are currently being collated and will inform how we work with businesses in future.</p>	<p>Economic & Business Development Manager</p>	<p>Annually in June</p>	<p><i>No progress update response received</i></p>

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<p>Our Strategic HR service is working on a major programme to improve its performance since being identified as a significant governance issue in last year's Annual Governance Statement. The service has also reported its progress on implementing improvements arising from an adverse Internal Audit report to the Corporate Governance Committee. There are still concerns over the delivery of the improvement programme.</p>	<p>Internal Audit review to assess progress with improvement. Report to Corporate Governance Committee on outcome of review.</p>	<p>Head of Internal Audit</p>	<p>Review complete by 30 June 2014 and reported to next available committee</p>	<p>Complete Review completed and reported to Corporate Governance Committee in September 2014.</p>