

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Council Chamber, Russell House, Rhyl on Tuesday, 15 April 2014 at 9.30 am.

### **PRESENT**

Councillors Stuart Davies, Peter Duffy, Martyn Holland, Gwyneth Kensler (Vice-Chair) and Jason McLellan (Chair).

Councillor M.LI. Davies and J. Thompson-Hill attended as observers.

### **ALSO PRESENT**

Head of Legal and Democratic Services (GW), Head of Internal Audit (IB), Chief Accountant (RW), Wales Audit Office Representatives (AV and GB) and Committee Administrator (CIW).

#### **1 APOLOGIES**

Apologies for absence were received from Councillors

#### **2 DECLARATION OF INTERESTS**

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

#### **3 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.

#### **4 MINUTES**

The Minutes of a meeting of the Corporate Governance Committee held on 29<sup>th</sup> January, 2014.

Accuracy:- Mr P. Whitham (Lay Member), Councillor M.LI. Davies and Wales Audit Office Representatives (AV) had attended the Corporate Governance Committee meeting on the 29<sup>th</sup> January, 2014.

14. Future of Clwyd Leisure Limited:- The name "Hugh Jones" be amended to read "Huw Jones".

Matters arising:-

6. Treasury Management Strategy Statement 2014/15 and Update:- The Chief Accountant confirmed that information on past long-term loans had been sent to Councillor P.C. Duffy as requested.

7. People Strategy 2011/12 – Closure Report:- It was agreed by the HLDS that an overview of responses to Staff Surveys in 2011-13 be provided to the Committee.

In response to a request from Councillor Kensler, in relation to the Modernisation Board, the HLDS agreed that a list of all Boards be provided.

13. Corporate Governance Committee Work Programme:- In reply to a question from Councillor G.M. Kensler, the HIA explained that work was currently being undertaken regarding governance arrangements pertaining to Arms-Length Companies, and a report would be presented to Committee in July, 2014.

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

## **5 BUDGET PROCESS 2015/16**

A copy of a report by the Head of Finance and Assets, which provided an update on the proposed process in the delivery of the revenue budget for 2015/16, had been circulated previously. The Council's approach to setting its revenue budget had been to incrementally reduce costs based on saving proposals from services and corporate budgets. The majority of proposals had been accepted and the process had delivered successful budgets.

Councillor J. Thompson-Hill introduced the report and explained that future settlements in the Corporate Plan had indicated that savings of approximately £12m might be required over the next two years and a new approach to savings might be required. Appendix 1 detailed how the process might work and further detail had been incorporated in the report. Budget saving targets would be divided into three strands for both 2015/16 and 2016/17 and a table indicating the strands, with approximate values, had been included in the report. The values for the first two strands could be estimated with a degree of certainty. The third strand would be more difficult to estimate and was currently shown as a balancing item to achieve a target of £12m savings over the next two years. Two services had undertaken pilot exercises which had been extremely useful in understanding how the new process would work. A summary of the Freedoms and Flexibilities (F&F) process had been outlined in the report.

The output from both the F&F and the service budget meetings would be collated and presented initially to SLT and then to three Member budget workshops in July, and a summary of the process had been included in the report. Budget workshops would provide an opportunity for wider Member input to the recommendations. Reference was made to Appendix 1 where the options were shown emerging from the Member workshops. Proposals supported by Members would be submitted to Council in September for approval. It was proposed that all budget workshops would be day events and a draft outline of the service areas focussed upon in each of the July workshops had been included. This would complete Phase 1 of the budget process and move into Phase 2. The same approval and consultation process would follow with more proposals being submitted to Council in December.

Phase 3 would be the most difficult stage of the budget to achieve as it was likely to include the most contentious proposals. The outcome of the first two phases would help plan the approach to the third and this may have to be revisited in the autumn.

Councillor Thompson-Hill provided a detailed summary of provisional key dates which had been indicated in a table included in the report, and he confirmed that some of the proposals submitted could be subject to public consultation.

Mr P. Whitham suggested that consideration be afforded to project or programme management with regard to the risk and mitigation process, which could assist the reporting mechanism in relation to summarising key issues. The CA outlined the process adopted to ensure that all proposals and details were captured for deliberation, and he provided details of the new template developed to assist the Freedoms and Flexibility process.

Councillor S.A. Davies emphasised the importance of Member involvement and the need for openness and transparency in the budget process.

The following response was provided to questions submitted and issues raised by Councillor G.M. Kensler:-

- Correspondence would be circulated to Members prior to budget meetings.
- Single Status work had been completed. However, elements pertaining to back pay would require finalisation.
- There had been minimal impact to date on the Council following the introduction of the Bedroom Tax.
- Issues pertaining to Town and Area Plans would be incorporated in the budget process, together with, Public Realm and Heritage issues.
- Details were provided of financial working practices in terms of Net and Gross figures.

In reply to concerns raised by Mr P. Whitham regarding the need for assurances that the budget process was acceptable and compliant, it was agreed to include in the timetable of key events the process review to be undertaken by CET, after the first two or three F&F meetings, and the inclusion of the provision for reporting the outcomes and progress of the review to the Corporate Governance Committee.

The CA agreed that details of the pilot exercises undertaken by two services could be presented to Council Briefing, together with, copies of the template to be utilised for all services which sets out the service budget over the functions and services it delivers. The HLDS and HIA provided details pertaining to the identification of the provision of Statutory Services by the Authority and the need to focus on potential outcomes.

Councillor J. Thompson-Hill referred to the key events programme and confirmed that it would not be viable to repeat sessions. He explained the onus would be on Members to attend meetings where possible or pursue any outcomes. The Committee agreed that details of Members invitations to attend meetings be included in the key events programme.

Following further discussion, it was:-

**RESOLVED** – *that, subject to the issues raised and comments made by Members, the Corporate Governance Committee:-*

- (a) receives and notes the contents of the report.*
- (b) agrees the inclusion, in the timetable of key events, the process review to be undertaken by CET, and provision for reporting the outcomes and progress of the review to the Corporate Governance Committee.*
- (c) requests that details of the pilot exercises, and copies of the template, be presented to Council Briefing, and*
- (d) agrees that details of Members invitations to attend meetings be included in the key events programme.*

## **6 INTERNAL AUDIT CHARTER**

A report by the Head of Internal Audit (HIA), which presented the revised Internal Audit Charter, had been circulated previously.

The HIA explained that, following the team's move to the Business Improvement and Modernisation Service, the Committee were required to approve a revised Internal Audit Charter to take account of revised reporting lines. In January, 2014 the reporting lines of Internal Audit changed following their move from Finance and Assets to Business Improvement and Modernisation. The Public Sector Internal Audit Standards required the service to update the Charter to show its purpose, scope, authorisation, reporting lines, resourcing and arrangements for avoiding conflicts of interest. Full details had been included in the Charter in Appendix 1.

The Internal Audit Service (IAS) provided assurance and advice to all levels of management and Members on the quality of operations within the Council. It focused on governance, risk management, performance, efficiency and operational and financial control, all of which were essential to the achievement of the Corporate Priorities. It also carried out projects to ensure that the Council was on target to deliver its Corporate Priorities and specific projects to improve service efficiency and modernisation.

In response to a question from Councillor M.L. Holland, the HIA explained that he would, during the summer period, be examining the future interaction between Business, Improvement and Modernisation and the Internal Audit Service with a view to ensuring best working practice and avoiding any duplication of work.

**RESOLVED** – *that Corporate Governance Committee receives and approves the revised Internal Audit Charter.*

## **7 DRAFT INTERNAL AUDIT STRATEGY REPORT**

A report by the Head of Internal Audit, which presents the draft strategy for the Internal Audit Service 2014/2015, had been circulated previously.

The Committee's Terms of Reference required it to consider the Audit Planning Strategy of the Council's Internal Audit Service (IAS), and the draft Internal Audit Strategy 2014-15 had been included as Appendix 1. The Strategy was an overview of where the service was likely to spend its time during 2014-15, pending a forthcoming review of how the Council could improve and co-ordinate its approach to providing assurance and service improvement.

The HIA was currently consulting with SLT and would work with other managers in Business Improvement and Modernisation to develop an approach to assurance and improvement work to culminate in a new Internal Audit Strategy from September.

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Mr P. Whitham referred to the Internal Audit Assurance Strategy 2014/15, Other Essential Work 15%, and any movement in the balance between Project Follow Up Work 50 days and Consultancy and Corporate Work 50 days. The HIA confirmed there had been little change in the figures and percentages since Internal Audit's move to the Business Improvement and Modernisation Service. Councillor M.L. Holland highlighted the importance of ensuring that there was no duplication of work.

The WAO Representative explained he was pleased to note the inclusion of a 100 days provision for Financial Assurance work. The HIA explained that the Chief Executive had recognised the importance of the retention of controls during the implementation of service reductions and budget pressures.

The HIA explained that new projects had been introduced which related to income controls and fraud prevention. Mr P. Whitham felt it would be important to ensure that controls were cost effective and addressed any identified risks.

***RESOLVED*** – that Corporate Governance Committee receives and approves the proposed draft Internal Audit Strategy 2014-15.

## **8 INTERNAL AUDIT PROGRESS REPORT**

A report by the Head of Internal Audit, which provided an update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement, had been circulated previously.

The report provided an update on the following:-

- delivery of our Assurance Plan for 2013/14 (Appendix 1)
- recent Internal Audit (IA) reports issued (Appendix 2)

- management's response to issues we have raised (Appendix 3)
- IA's performance (Appendix 4)

Details pertaining to the delivery of the Internal Audit Assurance Plan 2013/14 had been included in the report and Appendix 1 provided a breakdown of the work undertaken during 2013/14, compared to the Internal Audit Strategy. It included assurance scores and number of issues raised for the completed reviews, definitions used to form the audit assurance and the ratings used to assess the risk-levels for issues raised.

Following the service move tendering for external contracts, IT problems, implementing EDRMS and working on special investigations, IA had prioritised projects deemed as 'Essential Assurance' to ensure completion to at least draft report stage by the 31<sup>st</sup> March, 2014. Some projects would be deferred until after the 1<sup>st</sup> April, 2014 and form part of next year's assurance work.

The final IA reports issued since January, 2014 had been included in Appendix 2. Executive summary reports and action plans had been provided, together with, details of the colours for assurance ratings. Management's response to issues raised by IA had been summarised, and Appendix 3 detailed the follow up reviews completed since the previous report, including full details of the response to the Procurement of Construction Services follow up.

The HIA explained that IA measured its performance in two key areas:-

- Provision of 'Essential Assurance'
- 'Customer Standards'

Appendix 4 detailed IA's performance to date for 2013/14. IA were on target to deliver 100% of 'Essential Assurance' projects by the 31<sup>st</sup> March, 2014, and were expected to achieve 100% on all 'Customer Standards' with two exceptions:-

- one project had been given 8 working days' notice of a project commencement rather than the required 10 days.
- one project, due to work pressures, had been issued a draft report after 14 days rather than the agreed 10 days. The delay had been approved rather than compromise the quality of the draft report.

The HIA explained that a further more detailed plan, based on the Freedom and Flexibility Structure, would be submitted to the May, 2014 meeting of the Committee.

In response to concerns raised by Councillor P.C. Duffy, the HIA explained that the school themed visits in respect of physical security/health & safety, procurement, safeguarding and School Fund management had been postponed due to excessive workloads. However, they were scheduled to be undertaken as a matter of urgency.

Members considered the following final IA reports, as included in Appendix 2, and Management's response to issues raised by IA in Appendix 3:-

**Procurement of Construction Services:-** The HIA explained that this was a follow up report requested by the Committee, and that progress had not been as prompt as anticipated and this would be pursued.

Mr P. Whitham endorsed concerns expressed by Councillor G.M. Kensler that staff employed in posts on a temporary basis, or in an acting capacity, had not always ensured that action plans were rolled out and could be viewed as a risk. The HIA agreed to examine concerns raised by Councillor G.M. Kensler that Denbighshire did not maintain a corporate contracts register which could be used to address or resolve disputes with any of its contractors.

Concerns were expressed regarding the number of completion dates which had not been met, and to delays in updating and revising Contract Procurement Rules (CPRs) and Financial Regulations which may have expedited the failure to implement changes and actions. The HLDS confirmed that the CPs had been forwarded to the respective services for comments and were now being processed by the Legal Department prior to being forwarded for approval by the respective officers and Committees.

The HIA informed Members that a further follow up report on Procurement of Construction Services would be submitted in July, 2014.

#### **Blessed Edward Jones RC High School:-**

In response to concerns expressed by Councillor B. Blakeley, the HIA confirmed that vast improvements had taken place within the school and particular reference was made to the significance of the implementation school's financial recovery plan. The Committee highlighted the importance of the financial stewardship of the school and the role of the Clerk to the Governing Body.

Members agreed that the Committee receive a follow up report on the school in July, 2014 which should include details of the Action Plan.

#### **Financial Payments to Care Leavers:-**

The HIA explained that concerns had been expressed by the Head of Service regarding the number of cash payments being made, and the Chair expressed concern that the budget within the service had been expended prematurely.

Mr P. Whitham invited attention to reference having been made to the current payment process being unsustainable and the need for a review, and a decision being required for payment administration, and questioned if the examples provided related to the Freedoms and Flexibilities process. During the ensuing discussion, the HIA agreed that a further progress report in respect of Financial Payments to Care Leavers be submitted to the Committee following the completion of the scheduled programme of work.

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

- (a) *receives and notes Internal Audit's progress and performance in 2013/14.*
- (b) *notes the recent Internal Audit reports issued and follow ups carried out.*
- (c) *agrees that further update reports be submitted in respect of:-*
  - *Procurement of Construction Services*
  - *Blessed Edward Jones RC High School*
  - *Financial Payments to Care Leavers*
- (d) *requests that the Head of Internal Audit examines issues raised pertaining to the maintenance of a corporate contracts register.*

## **9 ANNUAL FINANCIAL AUDIT ONLINE 2013/14 - NOTIFICATION OF CERTIFICATION OF 2012/13 ACCOUNTS**

A report by the Head of Finance and Assets, which provided formal notification that the audit certification process for the 2012/13 Statement of Accounts had been completed, had been circulated previously.

The Chief accountant introduced the report and explained that the WAO report, Appendix 1, set out matters such as roles and responsibilities, the audit approach, reporting, key elements of audit engagement and the financial audit team, and provided formal notification that the audit certification process for the 2012/13 Statement of Accounts certification process had been formally concluded. External auditors were required to present the report to discharge their requirements under auditing standards and proper audit practices.

An outline of the financial audit work required for the 2013-14 financial statements had been included in the WAO report. The WAO representative provided information on the audit approach including the key audit risks which had been identified during the initial planning process and the actions proposed to address them. The financial audit work on risk areas would be used to inform the audit opinion on the financial statements.

Part of the statutory audit process allowed for the public inspection of the accounts and invited interested parties to raise questions and objections about transactions within the financial year. Questions had been raised on a number of topics directly with the Council and information and copies of various documents had been provided by the Council. Some of the same issues had been raised formally as objections under the same process with the WAO. When the accounts were signed off by the Council in September 2013, WAO were in correspondence with two members of the public who had raised objections. Confirmation was provided that all correspondence had been concluded and matters resolved. None of the objections raised under the public inspection process resulted in changes to the figures or supporting notes disclosed in the 2012/13 accounts.

The WAO representative provided details of the fee setting process and confirmed that information pertaining to the fees for the current year would be confirmed and reported to the Committee. He outlined the significance of the inclusion of the risk of management override of controls in all entities with regard to audit checks and procedures. The WOA representative also provided a summary of areas within the Annual Financial Audit Online which included details of the audit team and its



independence, timetable, roles and responsibilities and the Auditor General's Regulatory Programme.

In response to a question from Mr P. Whitham, the WAO representative provided details of the reporting process to the Corporate Governance Committee of the financial accounts work included in the timetable under exhibit 7, Page 13 of the WAO Report.

Following further discussion, it was:-

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

- (a) receives and notes the content of the WAO report, and*
- (b) notes that the audit certification process had been formally concluded in respect of the 2012/13 Statement of Accounts.*

## **10 DELIVERING GOOD GOVERNANCE AND CONTINUOUS IMPROVEMENT**

A report by the Head of Internal Audit, on the self-assessment report on the Council's governance and improvement arrangements for 2013/14, had been circulated previously.

The Committee had previously approved the Council's Annual Governance Statement. However, this report replaced that process by combining the previous governance self-assessment and corporate self-assessment.

The HIA explained it was good practice to consult widely on the self-assessment with Members and senior management and this was the commencement of the process. It had been considered to be good practice 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. The documents had now been combined to provide an innovative approach to save resources and provide a joined-up approach to self-assessment.

A Draft named 'Delivering good governance and continuous improvement', Appendix 1, was currently open for consultation with Members and senior management. This was an early draft and work was in progress and required further discussion, particularly with SLT. The final version would be signed by the CEO and Leader by the 30<sup>th</sup> June, 2014 and presented to the Committee with the Statement of Accounts. Details of the contribution of the self-assessment to the Corporate Priorities, and the consultation process, had been incorporated in the report.

The HIA explained that work was currently being undertaken in respect of the production of an Anti-Fraud and Corruption Policy and its future implementation, which would incorporate changes pertaining to the Bribery Act.

The HLDS informed Committee that the Whistleblowing Policy had not yet been formerly adopted. He explained that the All Wales Model Constitution had now been prepared, which incorporated a Whistleblowing Policy, and it would be examined and comparisons made with the Council's draft version of the Whistleblowing Policy which would be submitted to Council this year as part of the overall review.

During the ensuing discussion the following issues were raised by Mr P. Whitham and responses provided:-

- Reference was made to Page 97 of the report and clarification requested as to whether or not the development of key projects included the Procurement and Construction Services.
- In response to question from Mr Whitham regarding the provision of details on the Council's guidance on the review of Policies, the HIA explained that had intended to undertake a general review of the Council's Policy Framework.
- Reference was made to "the review of the Corporate Risk Register twice a year", Page 103 of the report, and it was suggested that this should indicate the inclusion of the involvement of the Corporate Governance Committee.
- Concern was expressed that no reference had been made to Information Management being as significant governance weakness, and it was suggested that reference to Access to Information, Freedom of Information and Data Protection be included on Page 103 of the report. The need for the provision of training in respect of Information Management, and the associated risks, was also highlighted. The Committee agreed that the Chairs and Vice Chairs Group be requested to look at the possibility of examining best practice in dealing with freedom of information requests.

The HLDS confirmed that the Corporate Information Manager had written to all Heads of Service requesting information regarding the receipt of repeat requests.

In response to a question from Councillor G.M. Kensler, the HLDS explained that the possibility of developing e-learning modules for Elected Members could be examined and could prove to be beneficial.

The WAO representative referred to the composition of the report and explained that there were certain SITFA requirements with which the Government directed compliance and inclusion in the document. The HIA made reference to the previous year's report and the improvement in Human Resources, and significantly Information Management. He also referred to areas identified for improvement in the Action Plan which could be included in an Appendix to the final version of the report.

Following further discussion, it was:-

**RESOLVED** – *that, subject to the issues raised by Members, the Committee notes the content and new approach to the combined self-assessment.*

## 11 MEMBER REPRESENTATION ON OUTSIDE BODIES - UPDATE

A copy of a report by the Head of Legal and Democratic Services (HLDS) had been circulated previously.

Members had previously considered a report on the Protocol for Members on Outside Bodies (OB's), and further information had been requested regarding the creation of a mechanism by which Members could report back to the Council on their work and the activities of the OB. The HLDS explained that the roles to which Members could be appointed on OB's could differ greatly. Some Members were appointed as Directors or Trustees, with both roles carrying specific legal duties and obligations to the body to which they had been appointed, and reference was made by the HLDS to the broad range of financial and reputational risks to the Authority. A description of the various roles had been incorporated in Appendix 1, the Protocol and Guidance for Elected Members appointed to OB's.

At its meeting in November, 2013, Members requested a list of OB's to which Members had been appointed as set out in the following categories:-

- Bodies which set a precept that the Council collects.
- Bodies to which the Council pays a subscription to be a Members.
- Bodies which receive a grant or other financial assistance from the Council.
- All other Outside Bodies.

The list had been included as Appendix 2. The Committee would need to consider the following issues when deciding how Members report back to the Council:-

- Whether there needs to be the same frequency and detail of reporting in respect of all OB's.
- Whether the frequency and detail of reporting depends on the level of risk posed to the Council e.g. financial, reputational.
- Directors and trustees will owe duties in law to the body to which they are appointed and may be bound by obligations of confidentiality to that body that restrict the level of detail included in any report.
- The forum to which the reports are made
- The potential overlap and duplication with the system of Annual Reports for Members on their activities as Councillors.

In reply to a question from Mr P. Whitham, the HLDS confirmed that the list of OB's, Appendix 2, was a working document and could be influenced by the Freedoms and Flexibilities process. With regard to the formation of companies by the Authority, it would be important to ensure a balance in respect of how it was managed and monitored.

A draft template report, Appendix 3, had been included for Members' consideration.

The Committee had been asked to consider issues set out in the report, which included how, when and to whom should Members report back, and to indicate their preferences to ensure a fuller consultation take place with all Members.

It was explained by the HLDS that the work of OB's could contribute to the delivery of the Council's priorities and regular information on their activities may assist the

Council in planning future activity. Some additional staff time could be incurred in administering the reporting process, but this should be contained within existing budget. The report was the commencement of a consultation with Members.

In considering the report the following views were expressed by Members and responses provided to questions presented:-

- Regular reports should be submitted by Member representatives on OB's which receive financial contributions from the Authority.
- Member representatives on OB's should report to Cabinet who are the appointing body.
- The need to produce a Corporate Policy to define the role of Member representatives on OB's.
- Concerns were raised regarding conflicts of interests, particular reference being made to Members appointed as Directors or Chairs of OB's.

The Chair and Members of the Committee felt that audit work currently being undertaken on arms-length organisations, and the review into the monitoring of Clwyd Leisure, could impact significantly on the mechanism adopted for Members on OB's reporting back to Council, and it was agreed that a further report be presented to the Committee following the completion of the work.

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

- (a) receives and notes the contents of the report, and*
- (b) requests that a further report be submitted to the Committee following the completion of the audit work on arms-length organisations and the review into the monitoring of Clwyd Leisure.*

## **12 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 inclusion of Business Items agreed during the course of the meeting.

The Committee agreed that a review of all decisions taken by the Committee, over the past 18 months, be undertaken to ensure that agreed actions had been included in the Committee's Forward Work Programme.

**RESOLVED** – *that:-*

- (a) subject to the above, the Committee approves the Forward Work Programme, and*
- (b) a review all decisions taken by the Committee over the past 18 months be undertaken.*

Meeting ended at 13.15 p.m.