

To: Members of the Corporate  
Governance Committee

Date: 9 April 2014

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Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **9.30 am** on **TUESDAY, 15 APRIL 2014** in the **COUNCIL CHAMBER, RUSSELL HOUSE, RHYL**.

Yours sincerely

G. Williams  
Head of Legal and Democratic Services

## AGENDA

**PLEASE NOTE THIS AGENDA ORDER HAS BEEN REVISED FROM THE VERSION CIRCULATED ON 26 MARCH 2014 AND CONTAINS THE ADDITIONAL ITEM ADDED 7 APRIL 2014**

### 1 APOLOGIES

### 2 DECLARATION OF INTERESTS

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 MINUTES** (Pages 5 - 12)  
To receive the minutes of the Corporate Governance Committee meeting held on the 29<sup>th</sup> January, 2014.
- 5 BUDGET PROCESS 2015/16** (Pages 13 - 20)  
To receive a report from the Head of Finance and Assets (copy enclosed) on the proposed process to deliver the revenue budget for 2015/16.
- 6 INTERNAL AUDIT CHARTER** (Pages 21 - 32)  
To consider a report by the Head of Internal Audit (copy enclosed) which presents the revised Internal Audit Charter.
- 7 DRAFT INTERNAL AUDIT STRATEGY REPORT** (Pages 33 - 40)  
To consider a report by the Head of Internal Audit (copy enclosed) which presents the draft strategy for the Internal Audit Service 2014/15.
- 8 INTERNAL AUDIT PROGRESS REPORT** (Pages 41 - 78)  
To consider a report by the Head of Internal Audit (copy enclosed) on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.
- 9 ANNUAL FINANCIAL AUDIT ONLINE 2013/14 - NOTIFICATION OF CERTIFICATION OF 2012/13 ACCOUNTS** (Pages 79 - 98)  
To consider a report by the Head of Internal Audit (copy enclosed) which provided formal notification that the audit certification process for the 2012/13cv Statement of Accounts had been completed.
- 10 DELIVERING GOOD GOVERNANCE AND CONTINUOUS IMPROVEMENT** (Pages 99 - 118)  
To consider a report by the Head of Business, Planning and Performance (copy enclosed) on the self-assessment of the Council's governance and improvement arrangements for 2013/14.
- 11 MEMBER REPRESENTATION ON OUTSIDE BODIES - UPDATE** (Pages 119 - 132)  
To consider a report by the Head of Legal and Democratic Services (copy enclosed) on Member representation on outside bodies.
- 12 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 133 - 138)  
To consider the committee's forward work programme (copy enclosed).

## **MEMBERSHIP**

### **Councillors**

Brian Blakeley  
Stuart Davies  
Peter Duffy

Martyn Holland  
Gwyneth Kensler (Vice Chair)  
Jason McLellan (Chair)

### **Lay Member**

Paul Whitham

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# Agenda Item 4

## CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 29 January 2014 at 9.30 am.

### PRESENT

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

Councillors, Huw Jones, Lead Member for Tourism, Youth and Leisure and Barbara Smith, Lead Member for Modernising and Performance.

### ALSO PRESENT

Corporate Director: Modernisation and Wellbeing (SE), Head of Legal & Democratic Services (GW), Head of Communication, Marketing & Leisure (JG), Lead Officer, Business and Performance (AMc), Head of Internal Audit (IB), Audit Manager (BS), Chief Accountant (RW), Technical Accountant (RIJ), Corporate Information Manager (CB), Deputy Monitoring Officer (LJ), Head of Strategic HR (LA) and Committee Administrator (SLW).

### 1 APOLOGIES

Apologies for absence were received from Councillors Brian Blakeley.

Apologies also received from Councillor Julian Thompson-Hill, Lead Member for Finance and Assets.

The Chair, Councillor Jason McLellan, began the meeting by thanking the Head of Internal Audit for the course presentation held the previous day. Councillor McLellan also thanked the members who had attended. Positive feedback had been received following the course.

### 2 DECLARATION OF INTERESTS

The Chair, Councillor Jason McLellan, declared a personal interest in Agenda Item 14 – Future of Clwyd Leisure.

### 3 URGENT MATTERS

No urgent items.

### 4 MINUTES

The Minutes of a meeting of the Corporate Governance Committee held on 18 December 2013 were submitted.

***RESOLVED** that the minutes of the Corporate Governance Committee meeting held on 18 December 2013 be received and approved as a correct record.*

At this juncture, the Chair agreed to vary the running order of the original Agenda published.

## **5 SETTLEMENT AGREEMENT UPDATE**

Councillor Barbara Smith, Lead Member for Modernising and Performance, introduced the Settlement Agreement Update Report (previously circulated) providing Members with details of the recent review undertaken by Audit.

The Council had no formal policy or code of practice with which to deal with cases and there were no formal procedures to follow to ensure consistency, fairness and openness or to provide an approved business case for each agreement.

A draft process had been developed which addressed the areas of concern raised during the audit review.

It had been agreed that updated figures be presented to the Corporate Governance Committee on a yearly basis. The Welsh Audit Office representative suggested the figures be submitted to Corporate Governance Committee in June of every year.

***RESOLVED** that Members of the Corporate Governance Committee note and agree the contents of the Settlement Agreement Authorisation Report.*

## **6 TREASURY MANAGEMENT STRATEGY STATEMENT 2014/15 AND UPDATE**

The Chief Accountant introduced the Treasury Management Strategy Statement (TMSS) 2014/15 and Update (previously circulated)

The TMSS showed how the Council would manage its investments and borrowing for the coming year and set the policies within which the Treasury Management function operated. The report also outlined the likely impact of the Corporate Plan on the strategy and on the Prudential Indicators.

The Treasury Management Update Report provided details of the Council's Treasury Management activities during 2013/14.

The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management, required the Council to approve the TMSS and Prudential Indicators annually.

Discussion took place and the issue of the PFI Building in Ruthin was raised.

PFI was a costly arrangement in the long term and had been grant funded. During the length of the contract, the contributions made by Denbighshire County Council would increase.

The Head of Legal and Democratic Services had scrutinised the PFI Agreement which was extremely complicated and the termination clauses were lengthy. External expert advice would be sought in the future to deal with the Agreement.

Councillor Peter Duffy requested information of the past longterm loans e.g. what they were for, and how long were left on the terms. The Chief Accountant agreed to send on this information.

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

- (a) *the reviews for the Treasury Management Strategic statement for 2014/15 and the Prudential Indicators for 2014/15, 2015/16 and 2016/17, and*
- (b) *the Treasury Management update report.*

## **7 PEOPLE STRATEGY 2011/14 - CLOSURE REPORT**

The Corporate Director: Modernisation and Wellbeing (CD: M&W), introduced the People Strategy 2011-2014 – Closure Report (previously circulated) which set out progress in delivering against the People Strategy identifying outstanding issues and recommendations for the next steps.

While the key themes within the Strategy had remained the same, the action plan had evolved over time to take account of significant changes. These had included:

- The new incoming Council in 2012 with agreement of new corporate priorities and the Corporate Plan
- The reduced emphasis on collaborative working
- Capacity issues arising from the need to pay urgent attention to day to day operations within HR – which led to the development of the HR Improvement Plan
- The Senior Leadership Team view that the action plan needed to be shorter and more focused.

The CD:M&W agreed to provide Members with an overview of responses to Staff Surveys in 2011-2013.

Most key activities had been delivered. However, appraisal of progress against the objectives set indicated some issues would need continued attention in taking strategic HR work forward. These were:

- Clear evaluation arrangements for the quality and impact of strategic HR work and programmes. Specific examples included the need for evaluation of the effectiveness of current systems of HR support, including HR guidance on the Intranet and the Corporate Training Plan. This work would be picked up as part of the HR Business Plan.
- The length of time it took to agree new policies and working practices and to ensure they were embedded. Examples included compliance with the

References Policy and would include the new Attendance Policy and policies/ guidelines supporting mobile working. There were general issues for the HR business Plan. In addition, SLT would continue to ensure effective delivery of the new Attendance Policy when agreed, and the Modernisation Board would maintain oversight of policies/ guidance relating to flexible working and effective implementation.

- Effective systems for sharing lessons learned and applying to new areas of work. The main example was efforts to promote effective change management. Given the extent of change arising from efficiencies, and the potential implications of the Williams review, making the effective delivery of change more consistent would continue to be a significant focus for SLT.

**RESOLVED** that the Corporate Governance Committee notes:

- (i) *The progress made and the arrangements to ensure there is continued attention to the outstanding areas*
- (ii) *That the scoping work is being undertaken setting out the strategic HR challenges arising for the council in the period 2014/17.*

## **8 INFORMATION MANAGEMENT STRATEGY - FORWARD WORK PROGRAMME**

The Corporate Information Manager introduced the Information Management Strategy – Forward Work Programme (previously circulated).

The Council's new Information Management Strategy had been previously presented to the Corporate Governance Committee on 18 December 2013. The Committee had acknowledged the need for such a Strategy and requested that a Forward Work Programme for its implementation be submitted to this meeting.

General discussion took place as the Corporate Information Manager gave clarification of the Forward Work Programme.

A training event would be taking place on 21 February 2014 entitled Access to Information training.

**RESOLVED** that the Corporate Governance Committee:

- (i) *Note the Forward Work Programme*
- (ii) *Agree an update on progress being made on implementing the Information Management Strategy be presented to the Committee in six months and thereafter on an annual basis.*

**At this juncture (11.15 a.m.) there was a 15 minute break.**

**Meeting reconvened at 11.30 a.m.**



## 9 REGULATION OF INVESTIGATORY POWERS ACT 2000

The Deputy Monitoring Officer presented the annual Regulation of Investigatory Powers Act 2000 (RIPA) report (previously circulated) to update Members of the Council's activities in this area.

The Home Office RIPA Codes of Practice require Local Authorities to report the Council's activities, in relation to any covert surveillance, to elected Members.

RIPA regulated the use of covert surveillance techniques employed by various bodies such as the Police, the armed forces, DWP and Local Authorities. RIPA had been enacted in order to ensure that an individual's human rights were protected.

In addition to human rights, covert surveillance operations had to have regard to any Home Office Codes of Practice. The Codes of Practice required elected members to receive regular (at least annually) reports on the Council's activities in this area.

There had been set up a RIPA Working Group who met bi-annually.

The Head of Legal & Democratic Services (Monitoring Officer) and the Deputy Monitoring Officer delivered RIPA training. Records were required to be kept as to who attended the training sessions.

**RESOLVED** that the Corporate Governance Committee note and receive the contents of the report.

## 10 INTERNAL AUDIT PROGRESS REPORT

The Head of Internal Audit introduced the Internal Audit Progress Report (previously circulated) to bring the Committee up to date regarding:

- Delivery of the Assurance Plan for 2013/14
- Recent Internal Audit reports issued
- Management's response to issues raised
- Internal Audit's Performance.

**RESOLVED** that the Corporate governance Committee:

- (i) Considered and noted the Internal Audit's progress and performance to date in 2013/14
- (ii) Considered and noted the recent Internal Audit reports issued and follow ups carried out.

## 11 CORPORATE GOVERNANCE FRAMEWORK ACTION PLAN

The Head of Internal Audit introduced the Corporate Governance Framework Action Plan (previously circulated) which provided Members with an updated Action Plan resulting from the review of the Council's governance framework and the Annual Governance Statement (AGS) 2012/13.

The Council's Governance Group managed the Corporate Governance Framework process and development of the Annual Governance Statement on an on-going basis during the financial year.

The Governance Group had developed the Action Plan which had been updated, since the last report was submitted, to show progress to date and proposed timescales where possible.

***RESOLVED** that the Corporate Governance Committee receive and note the Corporate Governance Framework Action Plan.*

## 12 FEEDBACK ON CORPORATE EQUALITY MEETING

Councillor Martyn Holland gave a brief resume of the Corporate Equalities meeting which he had attended.

Discussions had taken place regarding the interpretation of services provided, not only in Welsh and English language but also in braille and also other languages.

There had been poor attendance recorded at Member Equality Training sessions.

Staff Equality training was ongoing.

***RESOLVED** that the Corporate Governance Committee noted the update received from Councillor Martyn Holland.*

## 13 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

The Head of Legal & Democratic Services introduced the Corporate Governance Forward Work Programme (previously circulated).

The Committee agreed the following reports be added to the Forward Work Programme:

26 March 2014:

- Fraud – Head of Legal & Democratic Services
- Draft Annual Governance Statement – Head of Internal Audit

May, 2014:

- Staff Survey issues – Head of Legal & Democratic Services

The Chair, Councillor Jason McLellan agreed to raise at Scrutiny Chairs & Vice Chairs Group clarification as to which Scrutiny Committee or Corporate Governance Committee items should be presented. The Head of Internal Audit informed the Chair Arms Length Companies would need to be presented but would require clarification to which Committee.

Consultation of future of External Audit was scheduled for the meeting taking place on 26 March. Gwilym Bury of the Welsh Audit Office informed the Committee that the Welsh Government were consulting on external audit as part of efficiencies and the Local Authority had to respond by 14 March 2014, therefore 26 March meeting would be too late.

The Head of Legal & Democratic Services confirmed an action meeting would take place imminently with the Chief Executive and other senior staff to consider the issue.

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

## **EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** that under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting for the following items of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 14 of Part 4 of Schedule 12A of the Local Government Act 1972

### **14 FUTURE OF CLWYD LEISURE LIMITED**

The Chair, Councillor Jason McLellan introduced the confidential report on the future of Clwyd Leisure.

The Chair confirmed the item had previously been presented at joint Rhyl and Prestatyn Member Area Group meetings and a report had been presented at Cabinet. Cabinet had recommended the future of Clwyd Leisure be presented at the Corporate Governance Committee.

The Head of Communication, Marketing and Leisure presented the report. The report detailed the issues which had arisen with Clwyd Leisure.

During indepth discussions, Councillor Hugh Jones paid tribute to the hard work undertaken by the Head of Communication, Marketing and Leisure, the Lead Officer, Business and Performance and their teams.

**RESOLVED** that the Corporate Governance Committee agreed:

- (i) The position be noted and that it was too great a risk to the Council to take over the Clwyd Leisure Company.
- (ii) That in light of the ongoing concerns and the due diligence exercise findings, that the Corporate Governance Committee recognised that the Council

*had no choice but to cease to fund Clwyd Leisure completely from 1 April 2014 onwards.*

*(iii) To endorse that the current funding available to support Clwyd Leisure (circa £200k in 2014/15) is used to support these changes and to develop an interim offer whilst the Council decides upon the longer term coastal offer.*

**The meeting concluded at 1.20 p.m.**

**Report To:** Corporate Governance Committee

**Date of Meeting:** 15<sup>th</sup> April 2014

**Lead Member / Officer:** Councillor Julian Thompson-Hill /Paul McGrady

**Report Author:** Richard Weigh, Chief Accountant

**Title:** Budget Process 2015/16

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**1. What is the report about?**

The report outlines the proposed process to deliver the revenue budget for 2015/16.

**2. What is the reason for making this report?**

To provide an update of the proposed process, including details of the timetable, meetings, consultation options and approval stages.

**3. What are the Recommendations?**

To consider the process and comment as appropriate.

**4. Report details**

The council's approach to setting its revenue budget has been to incrementally reduce costs based on saving proposals from services and corporate budgets. The proposals were presented to elected members and on the whole, have all been accepted. The process has worked well and delivered successful budgets - but it has now run its course. The budget settlement for 2014/15 was the toughest the council has ever faced and the outlook for the future remains bleak.

Assumptions about future settlements, inflation, council tax and investment in the Corporate Plan mean that savings of approximately £12m might be required over the next two years. The scale of the savings target, on top of the cuts already made means a new approach is needed.

Appendix 1 shows how the process may work with more detail presented below.

Budget saving targets will be divided into three strands for both 2015/16 and 2016/17. The table below shows the strands with approximate values attached:

	2015/16	2016/17
<b>Budget Strands</b>	<b>£'000</b>	<b>£'000</b>
1. Services identify savings equivalent to the cost of all pay awards, pension and NI cost increases	1,382	2,111
2. Corporate Budget Reductions	500	500
3. Service Reviews - Freedoms & Flexibilities (Balancing Item)	4,118	3,389
<b>Total</b>	<b>6,000</b>	<b>6,000</b>

The values for the first two strands can be estimated with a degree (but not absolute) certainty. The key assumptions underpinning Strand 1 are a likely pay award of 1% in both years, known increases to employer's pension costs and a proposed increase to National Insurance costs in 2016/17. The impact of these pay related costs is included as a pressure in the Medium Term Financial Plan. The proposal is that services will have to absorb the costs by making savings of a similar value. Finance will work through the details with Heads of Service over the next three months with the aim of having a range of proposals to consider in July (ready for discussion at the July budget workshops with elected members).

This part of the process will be similar to previous years and is likely to identify savings resulting from service restructures, vacancy control and other efficiencies. Modernisation measures will help services deliver these savings but won't be additional to them.

The values attached to Strand 2 are a reasonable estimate of what can be delivered from corporate budgets.

The third strand (services being reviewed under Freedoms & Flexibilities) is more difficult to estimate but at this stage is shown as a balancing item to achieve a target of £12m savings over the next two years. This is the most significant change to the budget process and will focus on what a service does, how much it costs and attempt to analyse whether tasks are statutory obligations, corporate priorities, etc. Two services have undertaken pilot exercises which have been extremely useful in understanding how this new process will work.

A summary of the F&F process is as follows:

- A standard template will be used for all services. It sets out the service budget over the functions and services it delivers
- The template will be used to inform a debate and highlight areas that require further information and analysis in terms of the service, financial and legal implications. This will reduce the amount of resource initially employed analysing the detailed implications of every element within the service and allow more focus to be given to credible proposals emerging from the first round of meetings.

- Finance will arrange and facilitate the F&F and service budget meetings. Invitees will be the Lead Member (Finance & Assets), service Lead Member, CET, Head of Service and finance managers
- CET, Cabinet Briefing and Corporate Governance Committee will be provided with monthly updates as the process develops. CET should review the process after the first two or three F&F meetings to ensure the process is working effectively.

The output from both the F&F and the service budget meetings will be collated and presented initially to SLT and then to two member budget workshops in July. Each proposal will come with a detailed analysis of the savings, implications (service, legal, equality) and picking up from previous members sessions, analysis of posts affected and the geographic impact (north, centre, south of the county). Those present at the F&F meetings will recommend how proposals are developed and consulted upon from thereon (e.g. a task and finish group, referral to a scrutiny committee or Corporate Governance Committee, more detail for the next workshop, etc). The budget workshops will provide an opportunity for wider member input to these recommendations, hence on Appendix 1, the options are shown emerging from the member workshops. For some proposals, it is hoped that members will support taking them to County Council in September for approval.

It is proposed that all budget workshops are all day events. A draft outline of the service areas focussed upon in each of the July workshops is as follows:

<b>Workshop 1 (Early July – TBC)</b>	<b>Workshop 2 (14<sup>th</sup> July)</b>
Adults & Business Services	Highways & Environment
Children & Family Services	Housing & Community Development
Education & Schools	Planning & Public Protection
Communication, Marketing & Leisure	Finance & Assets
	Business Improvement & Modernisation
	Strategic HR
	Legal & Democratic Services

This will complete Phase 1 of the budget process and move into Phase 2. The same approval and consultation process will follow with the hope of taking more proposals to Council in December. During Phase 2 of the process, some proposals may require public consultation.

In theory, Phase 3 will be the most difficult stage of the budget to achieve as it is likely to include the most contentious proposals. The outcome of the first two phases will help plan the approach to the third and this may have to be revisited in the autumn. The date of the fifth member workshop (currently in for 22<sup>nd</sup> December) is likely to be brought forward. A summary of the key dates is shown in the table below:

Key Events	Dates
Corporate Governance Committee	15 <sup>th</sup> April 2014
Council Briefing	28 <sup>th</sup> April
First Round of Budget Meetings with Services	7 <sup>th</sup> May – 30 <sup>th</sup> June
Update to Cabinet Briefing	12 <sup>th</sup> May
Update to Corporate Governance Committee	21 <sup>st</sup> May
Update to Cabinet Briefing	2 <sup>nd</sup> June
Update to Corporate Governance Committee	2 <sup>nd</sup> July
SLT	3 <sup>rd</sup> July
First Member Budget Workshop	Early July *
Update to Cabinet Briefing	7 <sup>th</sup> July
Second Member Budget Workshop	14 <sup>th</sup> July
Update to Corporate Governance Committee	3 <sup>rd</sup> September
County Council	9 <sup>th</sup> September
Second Round of Budget Meetings with Services	September/early October
Update to Cabinet Briefing	22 <sup>nd</sup> September
Update to Cabinet Briefing	6 <sup>th</sup> October
Third Member Budget Workshop	13 <sup>th</sup> October *
Fourth Member Budget Workshop	20 <sup>th</sup> October
Update to Cabinet Briefing	3 <sup>rd</sup> November
Update to Corporate Governance Committee	5 <sup>th</sup> November
Update to Cabinet Briefing	8 <sup>th</sup> December
County Council	9 <sup>th</sup> December
Update to Corporate Governance Committee	17 <sup>th</sup> December
Fifth Member Budget Workshop	22 <sup>nd</sup> December *
County Council	3 <sup>rd</sup> February 2015

(\* dates to be confirmed)

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

Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

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

The council needs to deliver savings of approximately £12m over the next two financial years.

**7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

An EqIA will be completed for all relevant proposals as the process develops.

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

This paper sets out the process and highlights the proposed consultation and approval points.

**9. Chief Finance Officer Statement**



This will be an extremely challenging process with some tough decisions to make along the way. The engagement and support of elected members in the decision making and scrutiny of the process is crucial.

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

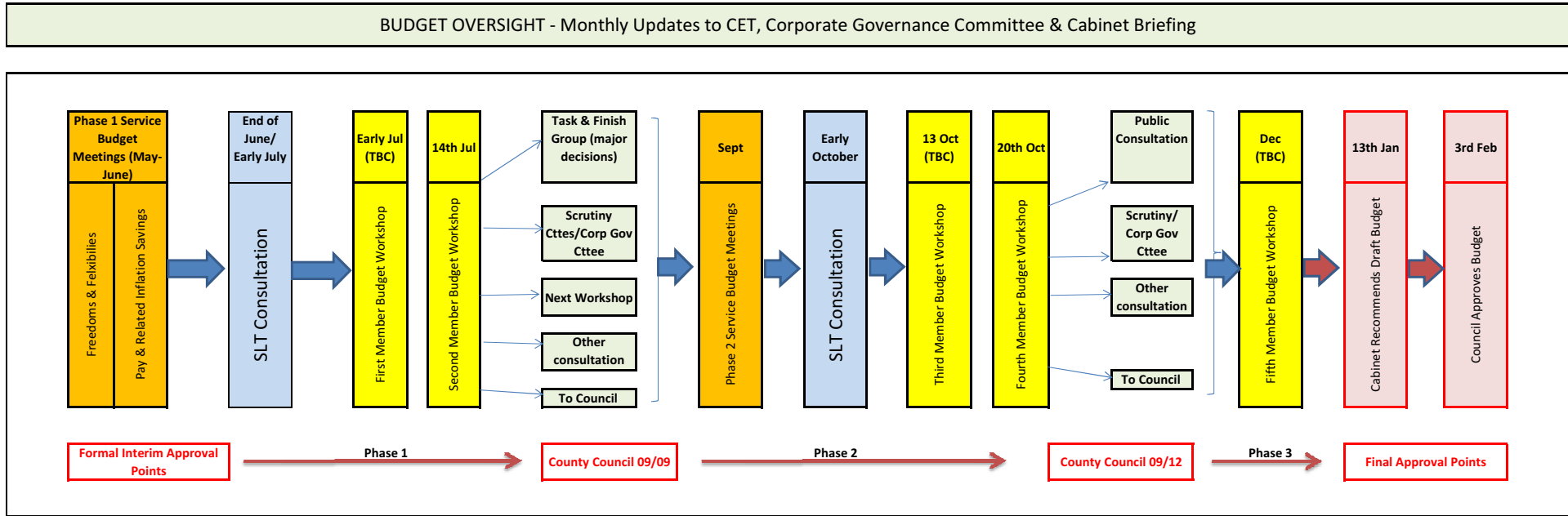
This is the most challenging financial period the council has faced and failure to deliver an effective budget strategy will put further pressure on services in future financial years.

**11. Power to make the Decision**

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.

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**BUDGET PROCESS 2015/16**



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**Report To:** Corporate Governance Committee

**Date of Meeting:** 15 April 2014

**Lead Member / Officer:** Ivan Butler – Head of Internal Audit

**Report Author:** as above

**Title:** Internal Audit Charter

## **1. What is the report about?**

This report presents a revised Internal Audit Charter.

## **2. What is the reason for making this report?**

Corporate Governance Committee needs to approve a revised Internal Audit Charter to take account of revised reporting lines, following the team's move to the Business Improvement & Modernisation Service.

## **3. What are the Recommendations?**

Committee approves the revised Internal Audit Charter.

## **4. Report details.**

In January 2014, Internal Audit moved from Finance & Assets to Business Improvement & Modernisation, which means the reporting lines of the service have changed. The Public Sector Internal Audit Standards require the service to have an up to date charter to show its purpose, scope, authorisation, reporting lines, resourcing and arrangements for avoiding conflicts of interest. Full details of these are shown in the revised Charter in Appendix 1.

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

The Internal Audit Service provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. Its work focuses on governance, risk management, performance, efficiency and operational and financial control, all of which are essential to the achievement of corporate priorities. It also carries out projects to ensure that the Council is on target to deliver its corporate priorities and specific projects to improve service efficiency and modernisation.

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

There are no specific cost or service implications arising from 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.**

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 report does not require any consultations.

**9. Chief Finance Officer Statement**

There is no financial impact; therefore a statement is not required.

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

This report is a minor revision of the current Internal Audit Charter; therefore there are no risks relating to this report.

**11. Power to make the Decision**

There is a requirement under the local Government (Wales) Measure 2011 for the 'audit committee' to oversee the Council's internal audit arrangements.

# Denbighshire County Council

# Internal Audit Charter

March 2014

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## Background to the Internal Audit Charter

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- The Public Sector Internal Audit Standards define the nature of, and set out basic principles for, internal auditing in the UK public sector. The Standards require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter.
- The Standards use generic terms, which this Charter defines as:

<b>Standards</b>	<b>Denbighshire County Council</b>
Chief Audit Executive	Head of Internal Audit Services
Senior management	Chief Executive Officer (CEO)
The Board	Corporate Governance Committee

- The Head of Internal Audit Services must develop and maintain an up to date Internal Audit Charter that establishes:

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**Internal Audit’s purpose and position within the organisation;**

**the nature of the Head of Internal Audit’s functional reporting relationship with the CEO and Corporate Governance Committee;**

**authorisation to access records, personnel and physical properties relevant to the performance of Internal Audit’s work;**

**the scope of Internal Audit’s activities, including the nature of assurance services, consultancy services provided and its involvement in any fraud-related work;**

**arrangements for appropriate resourcing of the Internal Audit service; and**

**arrangements for avoiding conflicts of interest if Internal Audit undertakes any non-audit activities.**

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- Final approval of the Internal Audit Charter rests with the Corporate Governance Committee.

## Internal Audit in Denbighshire County Council

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### **Definition of Denbighshire County Council's Internal Audit Service**

The Internal Audit Service is an independent and objective internal team that provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. We particularly focus on governance, risk management, performance, efficiency and operational and financial control.

- Internal audit is one of the cornerstones of effective governance. Through our annual internal audit opinion and other reports, we give assurance to elected members and management, highlighting areas for improvement.
- Our role is a unique one, providing effective challenge and acting as a catalyst for positive change and continual improvement in governance in all its aspects. Our role is particularly important when the Council is facing uncertain and challenging times.

### Our main objectives are to...

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- provide independent assurance and advice to management and elected members on risk management, governance and internal control;
- develop and promote our role to make a significant contribution to the Council's priority to modernise and deliver efficiencies and improve services for our customers; and
- add value in all areas of our work, providing excellent service to our customers.

## The Head of Internal Audit's reporting lines

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- Although reporting to the Head of Business Improvement & Modernisation, the Head of Internal Audit also has direct access to the Council's Head of Finance & Assets (S151 Officer), the Chief Executive, Cabinet, Corporate Governance Committee and Scrutiny Committees.
- The extended reporting lines provide Internal Audit with sufficient independence of the activities that it reviews to enable our auditors to perform their duties objectively, allowing us to make impartial and effective professional judgements and recommendations.
- The Head of Business Improvement & Modernisation annually appraises the Head of Internal Audit's performance with input and feedback from the CEO and Chair of the Corporate Governance Committee. This ensures that the Head of Internal Audit's opinion and scope of work cannot be limited or affected by his functional line management position within the Council.

## **Internal Audit's access rights**

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- The Council's Financial Regulations provide the Internal Audit with authority to:

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**access Council premises at reasonable times;**

**access all assets, records, documents, correspondence and systems;**

**receive any information and explanation considered necessary concerning any matter made under consideration;**

**require any employee of the Council to account for cash or any other Council asset under his or her control; and**

**access records belonging to third parties, such as contractors, when required.**

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## The scope of Internal Audit's work

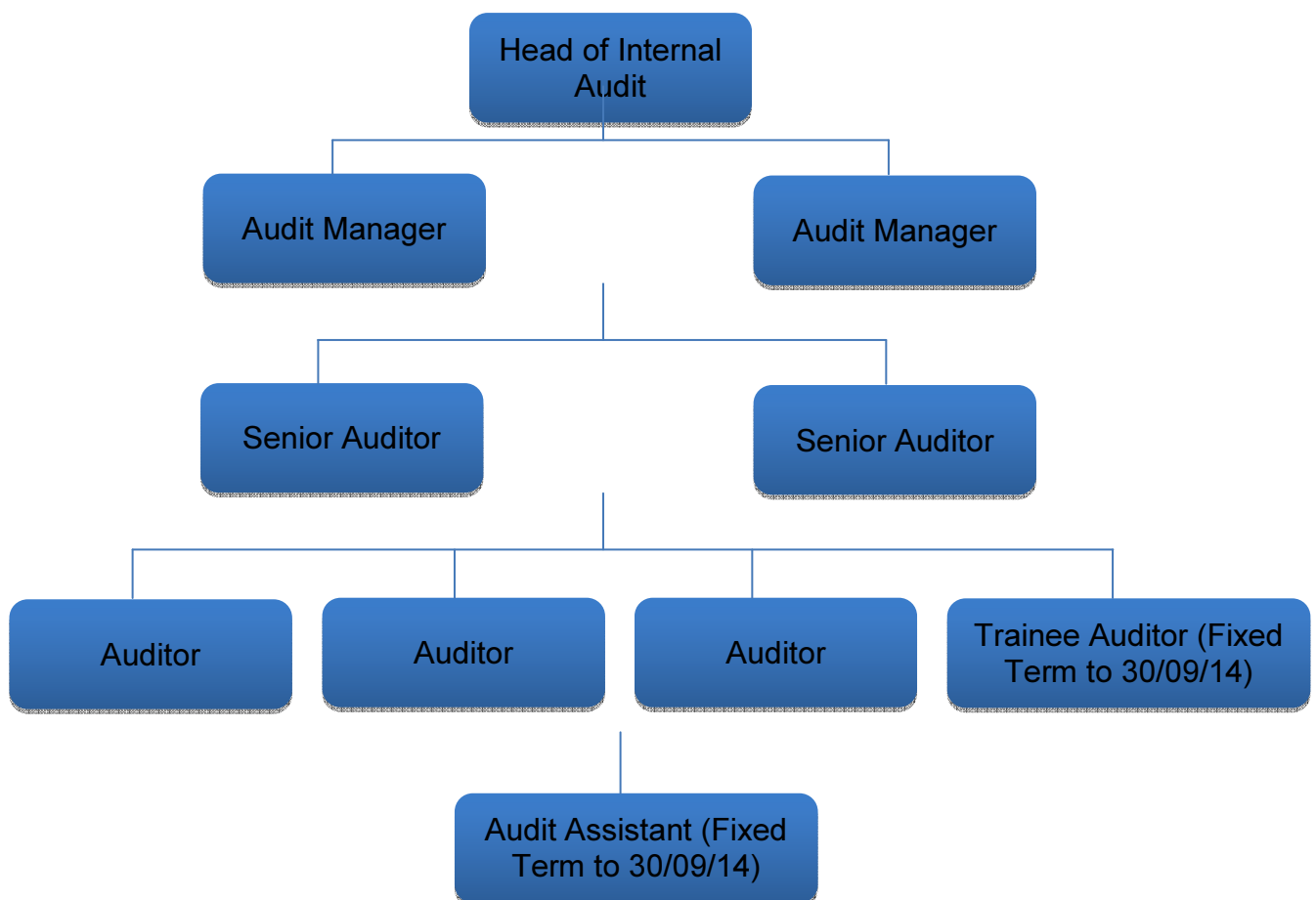
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- The Internal Audit service is very proactive and innovative, constantly aiming to improve. We have a customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management and operational staff.
- Our Internal Audit Assurance Plan links closely to the Council's Governance Assurance Framework, taking account of other assurances that the Council may receive, internal or external, to prevent duplication and co-ordinate regulatory work. It also takes account of discussions with senior management.
- Our work provides a risk-based approach that allows the Head of Internal Audit to form and evidence his opinion on the control environment to support the Council's Annual Governance Statement.
- Internal Audit is not responsible for managing the risk of fraud or carrying out investigations into alleged fraud; however, the Council's Financial Regulations and investigation procedures require notification to the Head of Internal Audit of any suspected fraud so that he can decide on an appropriate course of action.
- Internal Audit has no responsibility for providing any other services within the Council but, we occasionally provide guidance and advice e.g. on new systems or may help to develop new processes using our specific skills. On these occasions we are working on a consultancy basis rather than internal audit basis and are careful to ensure that services are aware of this and that we are not necessarily giving audit assurance on these occasions.

## Internal Audit's resources

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- Internal Audit also provides a service to North Wales Police and Natural Resources Wales. Our budget is mainly employee based (90%), and is subsidised by income earned through our external contracts.
- The service structure below has all posts currently filled. Two posts are on fixed term contracts.
- We have a well-qualified and experienced team, mainly following the Chartered Institute of Internal Auditors (CMIIA) qualification route.



## Internal Audit's responsibilities

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### All internal auditors must...

- work with others to promote and demonstrate the benefits of good governance throughout the Council;
- promote the highest standards and ethics across the Council based on integrity, objectivity, competence and confidentiality;
- exercise sound judgement in identifying weaknesses in the Council's control environment and provide a balanced view on how significant these are;
- be committed to continuous improvement;
- demonstrate integrity;
- report on what is found, without fear or favour;
- give clear, professional and objective advice; and
- hold an appropriate qualification and have an active programme for personal professional development.

### In addition, the Head of Internal Audit must...

- be a senior manager with regular and open engagement across the Council, particularly with the leadership team and the Corporate Governance Committee;
- be suitably qualified and experienced;
- give assurance on the control environment, including risk and information management and internal controls across the Council;
- produce an evidence-based annual internal audit opinion on the Council's control environment, reflecting the work done during the year and summarising the main findings and conclusions, highlighting any specific concerns;
- liaise closely with the Council's external regulators to share knowledge and use audit resources most effectively;
- determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet its objectives and provide an annual audit opinion; and
- adhere to and ensure internal audit service compliance with professional internal audit standards.

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**Report To:** Corporate Governance Committee

**Date of Meeting:** 15 April 2014

**Lead Officer:** Ivan Butler – Head of Internal Audit Services

**Report Author:** as above

**Title:** Draft Internal Audit Strategy 2014-15

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## **1. What is the report about?**

This report presents the draft strategy for the Internal Audit Service 2014-15 for the Committee's consideration and comment.

## **2. What is the reason for making this report?**

The Committee's terms of reference require it to consider the audit planning strategy of the Council's internal audit service; therefore this report is for information and consideration only.

## **3. What are the Recommendations?**

The Committee considers and comments on the proposed draft Internal Audit Strategy 2014-15.

## **4. Report details.**

The draft Internal Audit Strategy 2014-15 is attached as Appendix 1. As the service recently moved to the Business Improvement & Modernisation Service, the Strategy is an overview of where the service is likely to spend its time during 2014-15, pending a forthcoming review of how the Council can improve and co-ordinate its approach to providing assurance and service improvement.

The Head of Internal Audit is currently consulting with the Senior Leadership Team and will then work with other managers in Business Improvement & Modernisation by the end of August to develop an approach to assurance and improvement work that will culminate in a new Internal Audit Strategy from September 2014.

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

The Internal Audit Service provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. Its work focuses on governance, risk management, performance, efficiency and operational and financial control, all of which are essential to the achievement of corporate priorities. It also carries out projects to ensure that the Council is on target

to deliver its corporate priorities and specific projects to improve service efficiency and modernisation.

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

There are no specific cost or service implications arising from 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.**

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?**

There has been no consultation on the draft Strategy at this stage but the Head of Internal Audit is currently consulting the Senior Leadership Team on the more detailed requirements for the service and how it can co-ordinate its approach in future.

**9. Chief Finance Officer Statement**

There is no financial impact; therefore a statement is not required.

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

As the Internal Audit Strategy is at a very early draft stage, there are no risks associated with it at present but these will be considered as consultation with the Senior Leadership Team progresses.

**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 internal audit arrangements.

# **Denbighshire County Council**

# **Draft Internal Audit Strategy**

**Arrangements for delivering an  
effective internal audit service**

**2014-15**

## Contents

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## Background to the service

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The Internal Audit Service is an independent and objective internal team that provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. We particularly focus on governance, risk management, performance, efficiency and operational and financial control. We also provide internal audit services to Natural Resources Wales (NRW) and North Wales Police (NWP). This Strategy refers primarily to the service provided to Denbighshire County Council.

### Our main objectives are to...

**...provide independent assurance and advice to management and elected members on risk management, governance and internal control;**

**...develop and promote our role to make a significant contribution to the Council's priority to modernise and deliver efficiencies and improve services for our customers; and**

**...add value in all areas of our work, providing excellent service to our customers.**

Our team is very proactive and innovative, constantly aiming to improve and we have recently moved to the Business Improvement & Modernisation Service to develop our role and to help co-ordinate assurance and improvement work across the Council. We have developed a very successful customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management and operational staff that has made us a valued service within the Council, contributing to service improvement as well as providing assurance.

Our work provides a risk-based approach that allows the Head of Internal Audit (HIA) to form and evidence his opinion on the control environment to support the Council's annual review of its governance arrangements. Our Internal Audit Strategy therefore links closely to the Council's Governance Assurance Framework, taking account of other assurances that the Council may receive, internal or external, to prevent duplication and co-ordinate regulatory work. It also takes account of discussions with senior management.

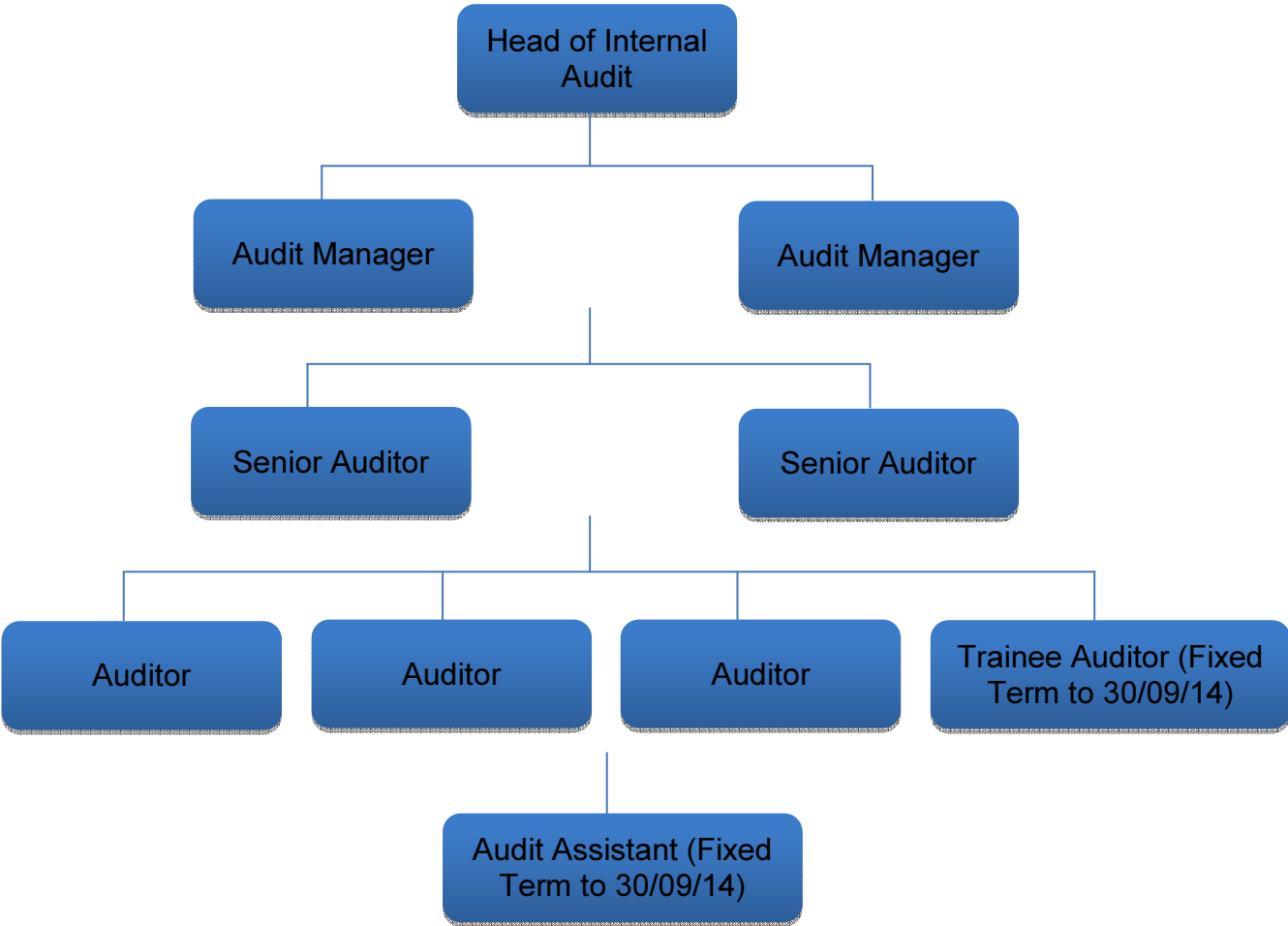
As the service is going through a transitional period following its move, this Strategy is in draft format and provides a general overview of where we will spend our time during 2014/15. The HIA is currently holding discussions with the Senior Leadership Team on how the service can be improved and co-ordinated and the internal audit requirements for 2014/15. He will then work with other managers within Business Improvement & Modernisation by the end of August 2014 to develop an approach to assurance and improvement work that will culminate in a new Internal Audit Strategy from September 2014.

# Summary of proposed service delivery

The following provides an overview of how we plan to spend our time during 2014/15. It shows broadly how we will use our time to gather the necessary evidence to form our overall audit opinion and provide the necessary levels of assurance for the annual assessment of corporate governance.

At this stage, the Strategy is based on 2150 days, but this will reduce as we have one member of staff due to commence maternity leave during the year, but we have not yet been informed of the proposed length of absence. We will not be covering this post during the maternity leave.

The service structure below has all posts currently filled. Two posts are on fixed term contracts.



# Internal Audit Assurance Strategy 2014/15

ESSENTIAL STATUTORY & GOVERNANCE ASSURANCE (22%)		
Financial Assurance	100 days	<ul style="list-style-type: none"> <li>Financial systems for S151 assurance</li> <li>Education grants for Welsh Government assurance</li> </ul>
Grants & Other Certification	60 days	<ul style="list-style-type: none"> <li>Reviews for assurance on good corporate governance</li> </ul>
Corporate Governance Assurance	280days	<ul style="list-style-type: none"> <li>Reviews for assurance of delivery of corporate priorities</li> </ul>
High Corporate Risks	30 days	<ul style="list-style-type: none"> <li>Assurance on management of high inherent risks in Corporate Risk Register</li> </ul>
ESSENTIAL CORPORATE & SERVICE IMPROVEMENT ASSURANCE (24%)		
Corporate Projects	60 days	<ul style="list-style-type: none"> <li>Cross-cutting projects e.g. sickness absence, Town &amp; Area Plans, Arms-length organisations</li> </ul>
Service Operational & Improvement Assurance	460 days	<ul style="list-style-type: none"> <li>Reviews within specific services identified as high-risk, poor performing, in need of improvement or requests from Head of Service to look at modernisation and efficiencies</li> </ul>
EXTERNAL CONTRACTS (15%)		
Natural Resources Wales	100 days	<ul style="list-style-type: none"> <li>Agreement ends 31 March 2015</li> </ul>
North Wales Police	200 days	<ul style="list-style-type: none"> <li>Contract ends 31 March 2017</li> </ul>
School Funds	20 days	<ul style="list-style-type: none"> <li>On request</li> </ul>
OTHER ESSENTIAL WORK (15%)		
Project Follow Up Work	50 days	<ul style="list-style-type: none"> <li>Project follow up to ensure improvements implemented</li> </ul>
Special Investigations & Proactive Fraud Prevention	100 days	<ul style="list-style-type: none"> <li>Reactive &amp; proactive fraud work to provide assurance to S151 officer</li> </ul>
Consultancy & Corporate Work	150 days	<ul style="list-style-type: none"> <li>Reporting, advice &amp; support to Corporate Governance Committee, Performance Scrutiny Committee etc.</li> </ul>
IA Collaboration	20 days	<ul style="list-style-type: none"> <li>General support, guidance &amp; advice to services</li> <li>Research &amp; horizon scanning for new and emerging risks, good practice etc.</li> <li>Working with other internal audit services to provide assurance e.g. for partnerships</li> </ul>
IA SUPPORT (24%)		
IA Management & Admin	400 days	
IA Training & Development	120 days	<ul style="list-style-type: none"> <li>Management &amp; training of IA team</li> </ul>

## Internal Audit performance & customer standards

To measure how well we deliver our essential audit work and a customer-focused service, we use following performance measures:

Assurance Measures	Target
Complete financial assurance reviews	100%
Complete grants & other certification assurance	100%
Complete corporate governance assurance reviews	100%
Complete high corporate risk reviews	100%
Customer Service Standards	Target
We will contact you at least 2 weeks in advance to arrange a suitable date for our visit.	100%
We will discuss, agree & send you the Internal Audit Project Scoping Document before we commence work.	100%
At the conclusion of our work, we will hold a closing meeting with all relevant people to discuss the outcome of our work, and then send you a draft report within 10 working days of that meeting.	90%
Once we have agreed the draft report and any actions plan with you, we will send you the final audit report within 5 working days.	90%
We will seek feedback on the review and our service and respond to you with 10 working days explaining any improvements made to our service or, if we have taken no action, explaining the reason.	100%



**Report To:** Corporate Governance Committee

**Date of Meeting:** 15 April 2014

**Lead Member / Officer:** Ivan Butler – Head of Internal Audit

**Report Author:** as above

**Title:** Internal Audit Progress Report

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## 1. What is the report about?

This report updates the Committee on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

## 2. What is the reason for making this report?

To bring the Committee up to date regarding:

- delivery of our Assurance Plan for 2013/14 (Appendix 1)
- recent Internal Audit reports issued (Appendix 2)
- management's response to issues we have raised (Appendix 3)
- Internal Audit's performance (Appendix 4)

## 3. What are the Recommendations?

- Committee considers and comments on Internal Audit's progress and performance to date in 2013/14
- Committee considers and comments on recent Internal Audit reports issued and follow ups carried out

## 4. Report details

### ***Delivery of the Internal Audit Assurance Plan 2013/14***

- 4.1 Appendix 1 provides a breakdown of our work during 2013/14, compared to the Internal Audit Strategy. It includes assurance scores and number of issues raised for the completed reviews, definitions used to form our audit assurance and the ratings used to assess the risk-levels for issues raised.
- 4.2. Due to moving service, tendering for external contracts, IT problems with old laptops, implementing EDRMS and working on special investigations, we have been prioritising those projects deemed as 'Essential Assurance' over the last few weeks to ensure that they are completed to at least draft report stage by 31

March 2014. This means that some projects will be deferred until after 1 April 2014 and will form part of next year's assurance work.

**Summary of Recent Internal Audit Reports**

4.3. Our reports use colours for assurance ratings as follows:

<b>Green</b>	High Assurance	Risks and controls well managed
<b>Yellow</b>	Medium Assurance	Risks identified but are containable at service level
<b>Amber</b>	Low Assurance	Risks identified that require meeting with Director/Lead Member
<b>Red</b>	No Assurance	Significant risks identified that require member / officer case conference

4.4. Appendix 2 provides a summary of the final Internal Audit reports issued since my report in January 2014. Executive summary reports and action plans are also included for further information.

**Management's response to issues raised by Internal Audit**

4.5. Most of our Internal Audit reports identify risks and control weaknesses. We rate these as critical, major or moderate risk. Management agrees actions to address the risks, including responsibilities and timescales.

4.6 We report all instances where management fails to respond to our follow up work or where they exceed the agreed implementation date by more than three months. This Committee decides whether it needs to take further action, e.g. by calling the relevant people to its next meeting or asking for a written report to explain lack of progress.

4.7 Appendix 3 shows the follow up reviews completed since my last report to this Committee, including full details of the response to the Procurement of Construction Services follow up that the Committee previously requested.

**Internal Audit Performance**

4.8 Internal Audit measures its performance in two key areas:

- *Provision of 'Essential Assurance'* - These projects ensure that the Council delivers its S151 Officer obligations, is managing its main corporate risks and has robust arrangements in place for corporate governance and delivery of its corporate priorities.
- *'Customer Standards'* - A range of indicators to ensure that we deliver a good service to our customers.

4.9 Appendix 4 shows our performance to date for 2013/14. We are on target to deliver 100% of 'Essential Assurance' projects by 31 March 2014. We should achieve 100% on all 'Customer Standards' with two exceptions:

- For one project, we gave 8 working days' notice of a project commencement rather than the required 10 days.

- For one project, due to work pressures, we issued a draft report after 14 days rather than the agreed 10 days. I approved this delay rather than compromise the quality of the draft report.

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

The Internal Audit Service provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. Its work focuses on governance, risk management, performance, efficiency and operational and financial control, all of which are essential to the achievement of corporate priorities. It also carries out projects to ensure that the Council is on target to deliver its corporate priorities and specific projects to improve service efficiency and modernisation.

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

There are no specific cost or service implications arising from 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.**

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 a progress report and does not require any consultations.

## **9. Chief Finance Officer Statement**

There is no financial impact; therefore a statement is not required.

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

This is a progress report that shows good progress towards the end of the financial year, therefore there are no risks at this stage.

## **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 internal audit arrangements.

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### Internal Audit Work 2013/14 – progress as at 16/02/14

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>Financial Assurance</b>								
Financial systems – Ruthin based 2012/13	0	1	Complete	Medium	0	1	7	Completion of 2012/13 review
Financial systems – Rhyl based	48	42	Complete	High	0	0	3	
Financial systems – Ruthin based	30	27	In progress					Nearing draft report stage
Financial systems - Activedata testing 2012/13	16	14	Complete	Medium	0	0	0	
Settlement agreements	5	4	Complete	n/a	0	3	0	Summary report
<b>Sub-totals</b>	<b>99</b>	<b>88</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 4.6%		Actual to date: 5.0%
<b>Performance</b>	4 planned projects - 3 completed to draft report stage = 75%							
<b>Grant &amp; Other Certification Assurance</b>								
Sustainability/Climate Change	3	4	Complete	High	0	0	4	
Welsh Government (WG) education grant certification	15							Completion of 2012/13 review
- Breakfast initiative Grant		5	Complete	High	0	0	0	
- Thinking & Assessment for Learning Grant		3	Complete	n/a	0	0	0	
WG 6 <sup>th</sup> Form Funding – Ysgol Brynhyfryd, Ruthin	15	17	Complete	Medium	0	0	3	
WG Student Finance certification	5	6	Complete	High	0	0	0	
WG 6 <sup>th</sup> Form Funding - Denbigh High School	15	14	In progress					Nearing draft report stage
<b>Sub-totals</b>	<b>53</b>	<b>49</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 2.5%		Actual to date: 2.8%
<b>Performance</b>	5 planned projects - 4 completed to draft report stage = 80%							

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>Corporate Governance Assurance</b>								
Risk management	0	5	Complete	Medium	0	0	4	Completion of 2012/13 review
Procurement	20	36	Complete	Low	0	6	5	
Corporate Plan Projects	41	10	In progress					Due for completion before 31 March 2014
Customer Service Standards	7	3	In progress					Due for completion before 31 March 2014
Customer feedback process	10	10	In progress					Due for completion before 31 March 2014
Partnerships & collaboration - N. Wales Commissioning Hub	15	0	Preparation					Due March 2014
Partnerships & collaboration New Work Connections Exit strategy		5	Complete	Medium	0	0	2	
Project management	20	27	In progress					
- Rhyl Foryd Harbour Pedestrian & Cycle Bridge			Draft report					
Management of human resources - disciplinaries & difficult situations	20	0	Postponed					To be included in review of Strategic HR in April 2014
Management of human resources - cessation of employment	20	1	Preparation					Due March 2014
Roles & responsibilities of elected members & senior officers	5	0	Complete					Reviews included in Annual Governance Statement self-assessment work
Scheme of delegation for decision making	5	0	Complete					
S151 Officer Role	6	5	In progress					Nearing draft report stage
Equalities	15	0	In progress					Due March 2014
Leadership	1	0	Complete	High	0	0	0	Assurance taken from outcome of staff survey
Corporate Governance Framework	15	10	Draft report					On-going work during the year

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>Sub-totals</b>	<b>205</b>	<b>112</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 9.6%		Actual to date: 6.4%
<b>Performance</b>	13 planned projects - 6 completed to draft report stage = 46%							
<b>High Corporate Risk Assurance</b>								
Collaboration agenda	3	0	Cancelled					No longer high risk in Corporate Risk Register
Change/ modernisation projects	3	0	Complete					Covered under Corporate Plan work
HR framework	3	0	Complete					Update reports to Corporate Governance Committee
ICT investment	3	1	In progress					Due March 2014
Corporate Risk - Safeguarding	3	3	Complete					Informal feedback to Corporate Director
Corporate Risk - Economic Environment	2	1	In progress					Due March 2014
Corporate Risk - Arms Length Organisations	2	3	Complete					Review of risks associated with Clwyd Leisure Ltd.
Corporate Risk - BCU Health Board Partnership	3	1	Complete					
<b>Sub-totals</b>	<b>22</b>	<b>9</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 1.0%		Actual to date: 0.5%
<b>Performance</b>	7 planned projects - 5 completed = 71%							
<b>Risk-based Assurance</b>								
Corporate Health & Safety	20	25	Complete	Medium	0	1	5	
Sickness absence management	25	0	Postponed					Postponement to 14/15 to allow implementation of new policy and procedures
Travel & subsistence - pool cars	20	21	Complete	n/a	n/a	n/a	n/a	Review of viability only
Welfare advice	30	41	Complete	Medium	0	1	7	
Management of Council buildings	20	24	Complete	n/a	n/a	n/a	n/a	Verbal update on request of S151 Officer

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Adult Services - improvement & priority areas from self-assessment 2013/14	5	3	Complete	n/a	n/a	n/a	n/a	Email feedback to service only
Adult Services - residential care	20	24	Complete	Medium	0	0	13	
Adult Services - Deputy for Finance (Court of Protection)	12	12	Complete	Medium	0	0	4	
Children's Services - improvement & priority areas from self-assessment 2013/14	5	3	Complete	n/a	n/a	n/a	n/a	Email feedback to service only
Children's Services - cash payments to clients	15	11	Complete	n/a	0	0	4	Informal summary report
Children's Services - performance	1	1	Completed	n/a	n/a	n/a	n/a	Review of specific performance indicator only
Library Standards	2	1	Cancelled					Review not needed
School admissions	10	0	Postponed					Service requested review in May 2014
21st Century Schools programme	10	0	Cancelled					Assurance provided by external consultant
School themed visits - governance	20	24	Complete					Outcomes discussed with service and on-going work for 2014/15
School themed visits - physical security / health & safety	30	1	Postponed					To be included in 2014/15 Assurance Plan
School themed visits – procurement	20	1	Postponed					To be included in 2014/15 Assurance Plan
School themed visits - safeguarding	15	1	Postponed					To be included in 2014/15 Assurance Plan
School themed visits - School Fund management	15	1	Postponed					To be included in 2014/15 Assurance Plan
Blessed Edward Jones School, Rhyl	15	22	Complete	Medium	0	0	13	
Special Education	30	0	Postponed					To be included in 2014/15 Assurance Plan



Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Flying Start Grant	5	0	Complete	n/a	n/a	n/a	n/a	Project no longer necessary
School Improvement performance	1	0	Cancelled					No longer required as performance improved
School Improvement - review of admin, terms & conditions, TOIL & travel costs	20	32	Complete	n/a	0	0	9	No formal opinion issued.
Fly tipping	1	1	Complete					Review of specific performance indicator only
Public conveniences	10	20	Complete	Medium	0	0	4	
Highways network services	10	0	Not started					Due March 2014
S106 Agreements	10	1	Cancelled					Head of Service no longer requires project
Legal Services	25	0	Not started					Likely to be postponed to 2014/15
Coroners Service	20	0	Not started					Likely to be postponed to 2014/15
Taxi driver & vehicle licensing	25	0	Not started					Due March 2014
IT assurance work	10	1	Cancelled					No specific projects identified
Fostering Service	0	8	Complete	Medium	0	0	2	Completion of 2012/13 review
Adults services - efficiency of charging processes	0	8	Complete	n/a	n/a	n/a	n/a	Completion of 2012/13 review
Modernising Education	0	4	Complete	n/a	n/a	n/a	n/a	Completion of 2012/13 review
Ysgol Clawdd Offa, Prestatyn	0	4	Complete	Low	0	7	21	Completion of 2012/13 review
Winter maintenance	0	1	Complete	Medium	0	0	10	Completion of 2012/13 review
Countryside Services	0	23	Complete	Medium	0	0	8	Completion of 2012/13 review
Housing Services	0	7	Complete	Medium	0	0	8	Completion of 2012/13 review
Consultant payments	0	10	Complete					On-going work from 2012/13

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Review of corporate petty cash accounts	0	12	In progress					Issue noted during another project
Revision of schools audit programme & 6th form terms & conditions	0	4	In progress					Work needed in advance on 2014/15 projects
Management of human resources - agency / relief staff	10	16	In progress					
<b>Sub-totals</b>	<b>487</b>	<b>368</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 22.7 %		Actual to date: 21.0%
<b>Modernising &amp; Efficiency Projects</b>								
Leisure Services information management system	2	0	Cancelled					Not required by service
Fleet management & vehicle maintenance	15	1	Cancelled					Not required by service
Reablement service	3	5	Complete					
Disabled Facilities Grants	10	3	In progress					To be completed in March 2014
Housing responsive repairs & voids - continuation of performance measurement	10	4	Complete					
Planning & Public Protection - process reviews of various services	10	9	Complete					
IT Service Desk	10	9	Complete					
Contingency for future reviews	16							
<b>Sub-totals</b>	<b>76</b>	<b>31</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 3.6%		Actual to date: 1.8%
<b>External Contract Work</b>								
Natural Resources Wales	165	135						
North Wales Police	225	207						
School Fund Audits	40	16						
<b>Sub-totals</b>	<b>430</b>	<b>358</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 20.1%		Actual to date: 20.5%

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>Other Areas of Work &amp; Contingencies</b>								
Consultancy & Corporate Work	120	137						
Follow up reviews	53	49						
IA collaboration	20	17						
Frauds & Investigations	50							
- National Fraud Initiative		7						
- Council Tax complaint		6						
- THI Grants		19						
- general enquiries		18						
IA relationship management	25	8						
<b>Sub-totals</b>	<b>268</b>	<b>261</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 12.5%		Actual to date: 14.9%
<b>IA Support</b>								
Management & administration	400	323						
Training & development	100	151						
<b>Sub-totals</b>	<b>500</b>	<b>474</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 23.4%		Actual to date: 27.1%
<b>Grand Totals</b>	<b>2140</b>	<b>1750</b>						

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## Appendix 2 - Recent Internal Audit Reports

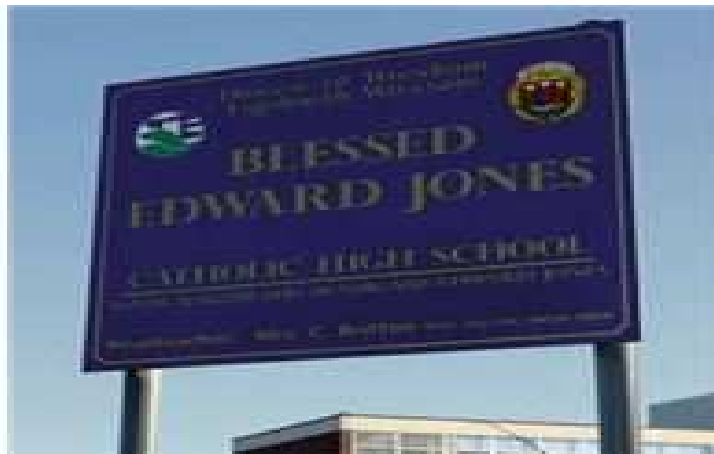
Audit Report	Audit Opinion	Issues Raised			Comments
		Critical Risk (Red)	Major Risk (Amber)	Moderate Risk (Yellow)	
Blessed Edward Jones RC High School	Medium	0	0	13	
School Improvement - review of admin, terms & conditions, TOIL & travel costs	n/a	0	0	9	No formal opinion issued. Report not presented to Corporate Governance Committee yet due to on-going TU negotiations
Financial Payments to Care Leavers	n/a	0	0	4	Informal summary report only. No formal opinion issued.

***Denbighshire Internal Audit Services***  
*Caledfryn, Smithfield Road, Denbigh, LL16 3RJ*

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# **Blessed Edward Jones R.C. High School**

February 2014



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**Ivan Butler CMIIA, MBA, Head of Internal Audit Services**

## Purpose & Scope of Review





We carried out a review of Blessed Edward Jones R.C. High School in October 2013 as part of our risk-based Internal Audit Assurance Plan. Our review focused on the following areas:

- Governance arrangements
- Financial management
- Purchasing controls
- Income controls
- School Fund management
- Health, safety and security
- ICT and information security controls
- Admissions

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## Assurance Rating

(Based on areas reviewed)

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

## Audit Opinion

Overall, the School has shown significant improvement since our last review three years ago, particularly in its governance arrangements and financial management.

Although governance has improved, there are further improvements needed to ensure that arrangements are more robust, in particular relating to Disclosure and Barring Service (DBS) checks and other qualification/disqualification checks. However, the School complies with the Government of Maintained Schools (Wales) Regulations 2005 in the composition of its Governing Body and committees and has all the required policies in place.

The School faces financial pressures due to deficits brought forward and falling pupil numbers. The deficit has already been significantly reduced and the School is developing a financial recovery plan to avoid having its delegated powers removed.

Specific financial operational areas have also been improved, for example purchasing, income and, in particular, management of the School Fund, which was very poor during our previous review. There are a few improvements needed, such as making sure that purchase orders are issued more often, paying invoices promptly and ensuring that supporting documentation for School Fund expenditure is in place, but the main controls are evident and working effectively.

The remaining areas covered in our review are also well-managed overall, with a few operational improvements needed, for example, to improve some areas of health, safety and access security, data security and compliance with the Welsh Admissions Code 2013.

Although we have raised 13 issues in our report, these are mainly operational and, given the level of improvement made since our last review, we have provided a Medium Assurance Rating for the School.

# Action Plan

**Audit Review of:** Blessed Edward Jones R.C. High School

**Date:** February 2014

**Action Plan Owner:** Head teacher - Dominic Tobin

Corporate Risk/Issue Severity Key	
	<b>Critical</b> – Significant CET and Cabinet intervention
	<b>Major</b> – intervention by SLT and/or CET with Cabinet involvement
	<b>Moderate</b> – Containable at service level. Senior management and SLT may need to be kept informed

Risk/ Issue No.	Risk/Issue	Action	Who	When
1.	The composition of the Governing Body is incomplete as there is a vacancy for a LEA governor and also a vacancy for the clerk to the governors.	<ul style="list-style-type: none"> <li>Propose to advertise externally for a Clerk to the Governors. Job description &amp; person specification being prepared.</li> </ul>	Business & Finance Manager	January 2014
		<ul style="list-style-type: none"> <li>Chair of Governors aware of the vacancy and approach to be made to prospective governor</li> </ul>	Chair of Governors	February 2014
2.	Not all governors have been checked by the Disclosure and Barring Service (DBS) and other qualification/disqualification checks, including Bankruptcy and Company Directors Disqualifications need to be completed for all governors.	<ul style="list-style-type: none"> <li>DBS packs requested again for 3 new governors 4 December 2013</li> </ul>	Personal Assistant to Head teacher	January 2014
		<ul style="list-style-type: none"> <li>Other checks to be investigated and undertaken for all governors when new Clerk is appointed.</li> </ul>	New Clerk to the Governors	February 2014
3.	Not all members of staff who can influence financial decisions have completed declaration of business interest forms.	Review of declaration of business interest forms to be undertaken and omissions completed.	Personal Assistant to Head Teacher	January 2014



Risk/ Issue No.	Risk/Issue	Action	Who	When
4.	<p>Governing Body minutes need to be improved in the following areas:</p> <ul style="list-style-type: none"> <li>• They do not include who is to complete actions and by when.</li> <li>• They lack evidence to show the Governing Body acting as a critical friend.</li> <li>• They do not show that the Governing Body discusses and agrees all action.</li> <li>• Some minutes were missing</li> <li>• The Chair had not signed most sets of minutes that we saw.</li> </ul>	<ul style="list-style-type: none"> <li>• New Clerk to receive training to ensure actions agreed in meetings are allocated to members with estimated time for completion.</li> <li>• New Clerk to receive training to ensure that discussions which evidence Governing Body acting as critical friend are documented correctly.</li> <li>• Minutes template to be revised to include update/ review of actions from previous meetings</li> <li>• Review of minutes for last 12 months to be undertaken by new Clerk when in post and copies taken for the minutes file</li> <li>• When new Clerk appointed, all minutes will be reviewed to ensure that they are all signed by the Chair.</li> </ul>	New Clerk to the Governors	As soon as possible after appointment – by February 2014
5.	<p>The financial management document is out of date and does not agree with the current committee list. There is also no reference to health and safety in the terms of reference for the H&amp;S and Resources Committee.</p>	<ul style="list-style-type: none"> <li>• Governance of Financial Management Policy to be reviewed and amended in line with recent personnel/ process changes.</li> <li>• Terms of Reference for H &amp; S and Resources Committee to be revised for consideration at next meeting.</li> </ul>	<p>Business &amp; Finance Manager/ Finance Committee</p> <p>New Clerk/ Finance committee</p>	<p>May 2014</p> <p>May 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
6	The School needs a robust financial recovery plan to significantly reduce its budget deficit and prevent removal of its delegated powers.	<ul style="list-style-type: none"> <li>Budget figures for 2014/15 awaited, together with projections for next two years. Upon receipt, revised three-year projections to be prepared.</li> <li>Full restructure of teaching and support staff to be undertaken starting in January 2014 to remodel workforce requirements.</li> <li>Close monitoring of expenditure to continue with monthly finance reviews between Head teacher &amp; Business &amp; Finance Manager</li> </ul>	Business & Finance Manager  Head Teacher/ Business & Finance Manager/ Governing Body  Head Teacher/ Business & Finance Manager	January 2014  By May 2014  Ongoing
7	The number of stand-alone invoices that the School processes is too high, increasing the risk of unauthorised purchases and making budgetary control more difficult.	<ul style="list-style-type: none"> <li>List of annualised expenditure in key areas, e.g. supply, general maintenance, etc. being compiled to identify areas for improvement</li> <li>Purchase orders to be raised in April 2014 for all areas identified above so that invoices received can be matched upon receipt.</li> <li>All employees to be reminded to follow authorisation process for all planned expenditure.</li> <li>Data to be obtained from Proactis team to monitor % improvement during the year.</li> </ul>	Finance & Administration Officer/ Business & Finance Manager  Finance & Administration Officer/ Business & Finance Manager  Head Teacher  Business & Finance Manager	Ongoing to March 2014  April 2014  February 2014  December 2013 (ongoing data collection)

Risk/ Issue No.	Risk/Issue	Action	Who	When
8	Invoices are not always paid promptly, increasing the risk of suppliers claiming interest for late payment.	System to be set up by Business & Finance Manager/Finance Officer to chase progress of purchase orders on a weekly basis to ensure that invoices are received and paid within terms of credit agreement	Business & Finance Manager  Finance & Administration Officer	End March 2014.
9	<p>There are some security and access issues that the School needs to address:</p> <ul style="list-style-type: none"> <li>• Pupils are gaining access through an exit only route.</li> <li>• Reception staff allow pupils access to the administration corridor through a fob-controlled door without checking whether there is someone there to meet them. This allows pupils access to unlocked offices.</li> <li>• Fob keys are not reconciled, so members of staff no longer working at the School may still have access.</li> <li>• It would be beneficial to carry out a risk-assessment of the Reception area, where there is no CCTV, panic alarms and limited exits.</li> </ul>	<ul style="list-style-type: none"> <li>• Reception staff to be advised not to allow pupil access to the admin corridor without checking that members of staff are available.</li> <li>• Members of staff occupying offices along the administration corridor issued with keys for their offices. All members of staff advised that offices should be locked when empty.</li> <li>• Caretaker to complete audit of fobs each term, making adjustments as and when required. Records to be maintained as evidence</li> <li>• Risk assessment of the Reception area to be completed as advised</li> </ul>	<p>Business &amp; Finance Manager</p> <p>Business &amp; Finance Manager</p> <p>Caretaker</p>	<p>December 2013</p> <p>December 2013</p> <p>From January 2014</p>
10	Members of staff do not have any formal guidance on lone working, which is needed for robust health and safety management.	Lone working policy to be developed using DCC guidance and made available to all staff. Hardcopy to be issued to key holders(Caretakers/ Head teacher/ Business & Finance Manager)	Business & Finance Manager	February 2014

Risk/ Issue No.	Risk/Issue	Action	Who	When
11	The School's CCTV in the 'Inclusion' Room may be breaching Data Protection requirements relating to overwriting and retention of data.	Review of School's CCTV usage and data retention requirements to be undertaken. Data Protection guidance to be reviewed and CCTV policy to be prepared for Governing Body approval.	Business & Finance Manager  Governing Body	March 2014
12	Computers are not always locked when members of staff leave them unattended, increasing the risk of unauthorised access and data security breaches.	All members of staff to be reminded, monthly, to lock computers when they are left unattended.	Personal Assistant to Head Teacher/Head Teacher	January 2014
13	The School's admissions policy does not fully comply with the Welsh Admissions Code 2013, as there are some areas of the Code that are missing from the admissions policy.	Admissions policy to be reviewed in consultation with the Welsh Admissions Code 2013 and amended as required.	Admissions Committee  New Clerk to the Governors	March 2014

## ***Denbighshire Internal Audit Services***

***Caledfryn, Smithfield Road, Denbigh, LL16 3RJ***

**Report to:** Head of Children & Family Services

**Report By:** Brenda M Steed, Audit Manager

**Date:** March 2014

**Subject:** Financial Payments to Care Leavers

### **Introduction**

The Head of Children & Family Services asked us to review the current process for making payments to care leavers, in addition to young people who present themselves as homeless (under the Southwark Judgement agreement). He expressed concerns about the volume of payments being made and whether the ethos of this process is the best way to prepare the young person for independence and financial stability.

### **Background**

We undertook a review of the Leaving Care service in 2007/8 and concluded that the service would benefit from introducing a robust financial framework and set of procedures to ensure that payments being made to care leavers are consistent and only made in line with their individual Pathway Plans.

At the time of our final follow up review, all actions had been completed and an effective control framework was in place.

### **Audit Opinion**

Our current review confirms that the same financial framework exists but the volume of payments has increased significantly, in particular cash payments, and we question how robustly the framework is being followed.

Throughout our review we were mindful of the challenges that the service faces in supporting young people, many with complex needs, and helping them prepare for adulthood. We acknowledge that an assessment to make a payment needs to consider the needs of the individual and some degree of flexibility is required;

however, it may be an appropriate time to review the method used to make the payment, in line with the Council's modernisation agenda.

The Council's duty to support homeless young people (under the Southwark Judgement agreement) has impacted significantly on the client caseload and, ultimately, the leaving care budget in the last three years to the extent that, at the time of our review, approximately £193k of the £208k budget had been spent, with more than four months of the financial year still remaining. Expenditure is likely to increase by approximately 30% from 2012/13, with a projected overspend of £100k.

Overall, we conclude that a review of the current payment process is essential to control and mitigate the growing cost to the service, which is unsustainable. Further, the service should look to reduce the number of payments made in cash where possible and to modernise the way the payments are made, e.g. using prepaid cards as an alternative and raising the young people's awareness of the need to manage their budget. It may be that, after the review, a decision is required to ascertain who is best placed to administer the payments process, e.g. whether it would be better placed in a financially-related service outside of Children's Services, to ensure that it is robustly followed and payment decisions remain objective.

# Action Plan

**Audit Review of:** Care Leavers' Service – Financial Payments

**Date:** March 2014

**Action Plan Owner:** Head of Children & Family Services

Corporate Risk/Issue Severity Key	
	<b>Critical</b> – Significant CET and Cabinet intervention
	<b>Major</b> – intervention by SLT and/or CET with Cabinet involvement
	<b>Moderate</b> – Containable at service level. Senior management and SLT may need to be kept informed

Risk/ Issue No.	Risk/Issue	Action	Who	When
1.	<p>There is a need to undertake a review of the process currently in place for making payments to care leavers.</p> <p>Objectives should be considered to achieve the following:</p> <ul style="list-style-type: none"> <li>Setting up a bank account or alternative for every care leaver as soon as possible following referral to the service to equip them to receive payments in this way and to learn about budget management.</li> </ul>	<p>Set up a meeting with the Head of Revenues &amp; Benefits (and other staff as required) to discuss alternative methods of procuring goods and / or making payments to care leavers</p>	Rhian Morrle / Julie Lavin & Rod Urquhart	May 2014
		<p>Following the above, to undertake a review of the current payment process and implement changes as appropriate / required.</p>	Rhian Morrle	September 2014
		<p>Note: Bank accounts are set up for care leavers. There is a process to support some those who are unable to manage budgeting matters. Training, support and advice is in place and bank accounts applied for when the service is confident that this best meets the assessed needs of the individual young person.</p> <p>Set up a process where six-weekly reviews of the bank account situation for each young person is monitored</p>	Julie Lavin & other Social Workers	May 2014

Risk/ Issue No.	Risk/Issue	Action	Who	When
	<ul style="list-style-type: none"> <li>Maximising value for money through negotiating with third party suppliers, e.g. Arriva for bus passes or with white good suppliers, where greater discounts can be obtained through framework agreements.</li> <li>To explore more modern and secure ways of making payments, such as using pre-paid cards where the level of spend can be easily monitored and controlled. This would replace the need to administer transactions through the petty cash account, which is costly and labour intensive. (Appendix 2 provides details of some of the benefits of a pre-paid card process)</li> </ul> <p>Additionally, there is a need to consider cross-service working on this project to take advantage of skill sets outside the social care environment, e.g. price negotiation and marketing.</p>	<p>To be factored into the overall review.</p> <p>To be factored into the overall review.</p> <p>To be factored into the overall review.</p>		



Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	<p>The procedures currently in place for the Care Leavers service are in need of review but we accept that it may be practical to deal with this exercise after the previous issue has been addressed.</p> <p>Linked to this, associated areas of concern include the following:</p> <ul style="list-style-type: none"> <li>• The schedule of allowances payable should be reviewed and approved by an appropriate senior manager on an annual basis.</li> <li>• The same should be followed for the leaving care first home grants (if they are to continue in the same way after the review).</li> <li>• All social workers dealing with care leavers may require some refresher training to help raise awareness of the need to adhere to the procedures if the service is to ensure a fair and consistent process and that the financial framework is robust.</li> </ul>	<ul style="list-style-type: none"> <li>• Service Manager to review schedule</li> <li>• Service Manager to review schedule</li> <li>• Workshop within Practice Group meeting</li> </ul> <p>Further revision to procedures to be made to reflect any changes to the payment process (resulting from the work in Issue 1 above)</p>	<p>Rhiain Morrle</p> <p>Rhiain Morrle</p> <p>Julie Lavin</p> <p>Rhiain Morrle</p>	<p>April 2014</p> <p>April 2014</p> <p>April 2014</p> <p>After completion of the payment process review</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
3.	<p>Until legislation is provided in respect of the Council's duty and responsibility to young people who present themselves as homeless (under the Southwark Judgement agreement) there is a need for interim guidance on the financial support that is to be provided.</p> <p>All social workers dealing with the individuals will need to be aware of its content and to adhere to it when making payments.</p>	<p>Interim policy and guidance to be rewritten / updated and shared with all relevant staff.</p> <p>Further revision to procedures to be made to reflect any changes to the payment process (resulting from the work in Issue 1 above)</p>	<p>Rhiain Morrle</p> <p>Rhiain Morrle</p>	<p>April 2014</p> <p>After completion of the payment process review</p>
4.	<p>The service should consider setting up an agreement with the care leaver to ensure that they have a responsibility to declare a change of circumstances to their Personal Advisor or Social Worker as and when their circumstances change, e.g. when DWP benefits become payable, to mitigate the risk that the service may continue to make payments indefinitely.</p>	<p>Work in progress - DCC, DWP and Barnardo's are currently working on a three-way confidentiality agreement that will allow certain information to be disclosed (i.e. benefit start dates). This will be followed by work on an agreement where the Care Leaver can apply for benefit six weeks prior to their 18th birthday and payment to be made soon after their 18th birthday. This will eradicate the need for a balance or a compromise in our corporate parenting 'moral' duties and ensure that we are more aware of a young person's change of circumstances.</p> <p>A form for the care leaver will also be devised where they agree to inform of change of circumstances.</p>	<p>Julie Lavin, Debbie Rogers, Andrea Dixen</p> <p>Julie Lavin</p>	<p>May 2014</p> <p>May 2014</p>

### Appendix 3 - Internal Audit Follow up Reviews

Audit Report	No. of Issues Followed Up	Outcome of Follow Up
Project Management - IT Related Projects	5	<ul style="list-style-type: none"> <li>All issues from our report now addressed</li> </ul>
Winter Maintenance	1	<ul style="list-style-type: none"> <li>Final issue from our report now addressed</li> </ul>
Fostering Service	2	<ul style="list-style-type: none"> <li>All issues from our report now addressed</li> </ul>
Housing Services	4	<ul style="list-style-type: none"> <li>All issues from our report now addressed</li> </ul>
Procurement of Construction Services	18	<p><b>See copy of response below</b></p> <ul style="list-style-type: none"> <li>Only 3 actions fully completed</li> <li>13 issues due for completion are still in progress</li> <li>3 issues not responded to</li> <li>3 further issues not yet due for completion are in progress</li> </ul>
Corporate Health & Safety	6	<ul style="list-style-type: none"> <li>All issues due for completion at this stage have been addressed</li> </ul>
Deputy for Finance (Court of Protection)	5	<ul style="list-style-type: none"> <li>4 issues now addressed</li> <li>1 longer-term issue in progress and will be followed up again in May 2014</li> </ul>
Financial Systems – Rhyl-based Services	3	<ul style="list-style-type: none"> <li>2 of the 3 issues from our report addressed, and one is now being addressed corporately</li> </ul>

# Action Plan

**Audit Review of:** Procurement of Construction Services

**Date:** February 2014

**Action Plan Owner:** Head of Finance & Assets

Corporate Risk/Issue Severity Key	
	<b>Critical</b> – Significant CET and Cabinet intervention
	<b>Major</b> – intervention by SLT and/or CET with Cabinet involvement
	<b>Moderate</b> – Containable at service level. Senior management and SLT may need to be kept informed

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Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
1.	The Council's Procurement Strategy ran until March 2012. Setting the direction for Council procurement is vital to ensure that it is aligned with national, corporate and service requirements. A risk analysis of current spend should be assessed against the Council's requirements to show how procurement can contribute more effectively.	Develop a robust Procurement Strategy that will encompass the requirements in the latest Denbighshire Economic and Community Ambition Strategy, the Welsh Procurement Policy Statement and the Welsh Government's Construction Procurement Strategy.  Strategic Procurement Manager – January 2014	<b>In progress</b> The revision of the Procurement Strategy is currently in progress with a target to have a draft document completed by 31 March 2014	Final version will require Council approval
2.	Given the high value of construction-specific procurement across various Council services, not having a construction procurement strategy could lead to the key issues continuing without effective action and the area showing little or no improvement. In addition, the Council could suffer scrutiny if it does not adopt the National Construction Procurement Strategy.	The construction procurement strategy will be incorporated within the corporate procurement strategy. The SPU and Property Services will develop the construction procurement strategy element jointly with input from the other Council services that undertake construction procurement activity. This will need to align with the National Construction Procurement Strategy  Strategic Procurement Manager & Property Manager– January 2014	<b>In progress</b> This is on-going through the Construction Procurement Working Group. The basic premise has been established comprising <ul style="list-style-type: none"> <li>• 21<sup>st</sup> Century Schools Framework for OJEU works</li> <li>• Advertising on Sell 2 Wales for project over £250K and frameworks for work below this threshold</li> </ul>	Development of the Frameworks

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
3.	<p>The SPU has previously identified several initiatives to improve construction procurement but little progress has been made, as resources are being pulled in different directions e.g. collaboration.</p> <p>Unless a clear procurement plan is developed and prioritised, with sufficient steer from a senior level, initiatives such as introducing an e-sourcing system corporately and category leads, are likely to slip further and result in longer delays.</p>	<p>E-sourcing will be rolled out by March 2014 but it does not include interfaces for third party job costing systems e.g. asset management. A project plan and Verto is being used for this.</p> <p>To ensure that this programme is rolled out effectively there is a need to establish a project board with a senior member of staff as chair to ensure the project plans are implemented efficiently.</p> <p>Acting Strategic Procurement Manager – March 2014</p>	<p><b>In progress</b> Delays in the creation of project templates and documentation have caused a slip in the expected roll-out date. This should now commence during April 2014. Some departments are using the system on small projects with assistance from the SPU.</p>	
4.	<p>Management information and performance measurement of construction-related spend has its limitations. This hinders the Council in identifying opportunities for price savings and cost reduction.</p> <p>The introduction of a corporate e-sourcing system over the next two years promises additional tools to help management and provide continuous improvement.</p>	<p>The SPU will develop reports to introduce better management information to services and senior managers. E-sourcing will introduce performance information by way of customer feedback logged against each supplier.</p> <p>Performance feedback will be input to the e-sourcing system and will be more transparent. The system can set reminders to prompt customers/clients to input their feedback.</p> <p>As part of the 21st Century Schools procurement project, KPIs are being established to promote continuous improvement.</p> <p>Acting Senior Procurement Manager – July 2014</p>	<p><b>Not yet due – in progress</b> This is currently on target. The introduction of M-Power in Finance will greatly assist this requirement.</p>	

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
5.	<p>Awareness of and adherence to CPRs are weak in some services. For example:</p> <ul style="list-style-type: none"> <li>when requested, Bridges and Structures were unable to produce a signed contract for works valued over £50k</li> <li>aggregate spend on suppliers on the approved lists often exceeds £100k, but little comparison is done to make sure the Council gets value for money</li> </ul>	<p>Revised CPRs have been developed and are currently out for consultation. CPR awareness workshops will be held with various services to promote awareness and understanding of CPRs. Schools and Public Realm are a priority for this training due to recent cases of non-compliance.</p> <p>Acting Senior Procurement Manager - January 2014</p>	<p><b>In progress</b> All comments have been correlated and issued to the individuals for further review. The comments are now under review by Legal Services. Once these have been received Procurement and Legal will meet to identify the issues raised. The intention is to have a final draft copy available for 31 March 2014.</p>	<p>Final version will require Council approval</p>
	<p>There is also limited awareness that the SPU could be contacted as a source of knowledge on procurement activity.</p> <p>The introduction of the e-sourcing system over the next two years along with associated training is an opportunity to reach out to service representatives and promote compliance.</p>	<p>A Construction Procurement Working Group has been convened comprising the main construction procuring services and the SPU. This group will consider and determine what is achievable and drive forward changes in respect of framework agreements and how to deal with reactive small works procurement. This will be tied in with the new framework manager role within Property.</p> <p>Acting Strategic Procurement Manager and Property Manager - Informally by August 2013 with more formal arrangements from March 2014. First group meeting held September 2013.</p>	<p><b>Complete</b> The working group has been established and meets monthly. It includes representation from Property, Procurement, Housing and Housing Renewals. An agreed way forward in terms of reactive maintenance and asbestos removal procurement has been agreed and frameworks for these elements are being developed. There are some issues with the procurement of Housing renewals works, which are individually tendered. The procurement of works between £5K-£250K is now being considered.</p>	<p>Framework development on-going. Review of Housing Renewal scheme procurement to determine best way forward.</p>

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
		<p>HR to be requested to provide a procurement training element into the standard induction training provided to all new starters within Denbighshire.</p> <p>Acting Senior Procurement Manager - October 2013</p>	<p><b>Complete</b> HR has been requested to include a Procurement Awareness session into their induction training. This will be a brief explanation on CPR's and Procurement procedures.</p>	<p>On-going discussions with the HR Trainer to ensure this takes place.</p>
6.	<p>The Council does not maintain a corporate contracts register, which is required for transparency and is an important management tool. Signed contracts are vital documents that should be easily accessible in case the Council needs to resolve disputes with any of its contractors.</p> <p><i>Note: Services may be spot purchasing goods or services but contracts specific to other departments may offer advantageous pricing if accessible.</i></p>	<p>Each service needs to start collating a list of service specific contracts in order to populate a central contract register. This requirement is already set within the revised CPRs for Heads of Service to action. In order to capture this information, the SPU has developed a spread sheet to issue to all 'tier 1' managers to populate with details of their current contracts. The spread sheet will be issued to departments in October 2013.</p> <p>Acting Senior Procurement Manager - January 2014</p> <p>Create contract register for Highways &amp; Environment.</p> <p>Performance Officer – December 2013</p> <p>E-sourcing will have a separate contract management module and any tenders going through this will automatically be included as and when services begin using it following roll-out.</p> <p>Acting Senior Procurement Manager - July 2014</p>	<p><b>In progress</b> Information has been received from the majority of departments and is currently undergoing review. Completion of the review by 31 March 2014</p> <p><b>No response</b></p> <p><b>Not yet due – in progress</b> Currently on target</p>	<p>Live contracts to be added to the Proactis e-Sourcing system when reviewed.</p>

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
7.	<p>The Council has several different lists used for construction-related works. All have control deficiencies to different extents that could put the Council at risk of health and safety sanction, financial losses and reputation damage.</p> <p>There is an opportunity to combine approved lists, which should reduce errors, improve consistency and remove the duplication of their upkeep to reveal efficiencies.</p>	<p>The revised CPRs (out for consultation at the time of this report) reduce the limit for using approved lists for construction works to £250k (these are for individual items). It also specifies that the 'Head of Procurement' must approve the use of approved lists.</p> <p>Acting Senior Procurement Manager - January 2014</p> <p>Highways will review the Highways &amp; Environment approved list to ensure that all suppliers and contractors comply with the Council's criteria for inclusion. In the medium to long term, framework agreements for highways minor works will negate the need for approved lists in this area (See Risk Issue 9).</p> <p>Performance Officer – November 2013</p>	<p><b>Complete</b> Following the establishment of the Construction Procurement Working Group the use of Approved Lists will be discontinued for the majority of services and replaced by Framework Agreements. This removes the need for the Head of Procurement to approve their use.</p> <p><b>No response</b></p>	
8.	<p>On occasion, services and schools contract suppliers that are not on an approved list and without first consulting Property Services for advice. A contributing factor may be that they have concerns about the transparency of the costs they are being committed to without their consent or knowledge. Without clear communication channels and more cohesive working relationships, the Council and schools could fail in their obligation to maintain suitable health and safety arrangements, and poorly specified jobs could result in higher costs and</p>	<p>CPRs will be formulated to cover schools using the same format as the revised Council CPRs. This will give the necessary guidelines on acceptable procurement practices, with scope for sanction where there are any breaches.</p> <p>To support this, the SPU, Property and Internal Audit will work together to provide awareness training for schools (Finance Managers) to promote compliance.</p> <p>Acting Strategic Procurement Manager, Education Planning &amp; Resource Manager, Property Manager and Head of Internal Audit – January 2014</p>	<p><b>In progress</b> The School Cluster Groups will be used to disseminate training once CPR's have been developed. Legal Services and School Improvement are currently working on a version for schools.</p> <p>An initial awareness session with schools Finance and Business Managers has been undertaken.</p>	



Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
	inferior quality work.	<p>Enhance the Purchasing Systems (Proactis P2P) to create additional workflow approval for construction-related purchase orders i.e. before placing an order with a supplier, a nominated construction lead will have to approve it. A prototype has been tested in Flintshire County Council. A pilot project using the procurement of furniture will be established in this Council in October 2013. This will then be extended to other commodity areas including construction once the principle has been proved.</p> <p>Acting Strategic Procurement Manager to lead, with assistance from Construction Working Group and Senior Management Accountant – April 2014</p>	<p><b>Not yet due – in progress</b> Further discussion is required with Finance on this in order to create the additional workflow required.</p>	
9.	<p>There is an opportunity for services to collaborate and pool resources to reduce costs on minor works. A framework agreement, if arranged properly, should save time and money in the long term. The challenge is to maintain a transparent and fair process that gives local suppliers (Small Medium Enterprises) an equal opportunity to win the tender. This promotes diversity and competition and ties in with the National and Council's Corporate priority of economic</p>	<p>The SPU will formulate a working group to develop both projects (Highways and Property minor works framework agreements). The building minor works framework agreement will be developed separately to highways but using the same method/approach (see specific action below). The working group will carry out analysis of all construction spend. Based on the analysis, procurement action plans will be developed for the different areas of spend.</p> <p>Acting Strategic Procurement Manager &amp; Construction Working Group – September 2013</p>	<p><b>In progress</b> Working groups for both Highways and Property have now been established. Spend analysis is ongoing at this point in time along with identification of areas of spend to establish frameworks. The intention is to commence work on establishing frameworks for asbestos removal during April 2014 with other areas by July 2014.</p>	

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
	regeneration.	<p>Property Services will work with the SPU business partner to develop frameworks for lower value work. Efficiencies should be possible through reducing management costs, but the cost needs to be balanced with quality and legislative compliance.</p> <p>Acting Strategic Procurement Manager &amp; Procurement Manager - Proposals will be developed by March 2014</p>	<p><b>In progress</b> As above</p>	
		<p>The Highways &amp; Environment Service Plan for 2013-14 contains an improvement activity under Outcome 1 for "Developing a minor works framework" (HES101a). Once developed, this can be rolled out to other areas of the service.</p> <p>Works Unit Manager / Performance Officer (with assistance from SPU) - Completion date for HES101a is 31 March 2014, but can possibly be brought forward should the need arise</p>	<p><b>In progress</b> This is currently in progress with the intention of having relevant frameworks in place by July 2014</p>	

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
10.	<p>Tendering and contract-related templates (e.g. H05s and pre-qualification questionnaires) are inconsistent and direct the selection of suppliers to be based on lowest value instead of best value.</p> <p>In line with Welsh Government requirements, services need to standardise PQQs (pre-qualification questionnaires), tender and contract templates to make it easier for suppliers to tender for work. If possible, this should be in coordination with other local authorities to be most effective.</p>	<p>A construction procurement working group will be formed to review all current PQQ and tender documentation (including supplementary terms and conditions) and agree on a common set of construction-related documents. The Strategic Procurement Manager is developing a set of generic templates in line with the values set within the revised CPRs. These will be circulated as part of the CPR awareness training (see action again Risk Issue 8)</p> <p>Acting Strategic Procurement Manager – January 2014</p>	<p><b>In progress</b> This action is on target for completion by end March 2014</p>	
		<p>In partnership with the SPU business partner, Property Services will review forms/letters etc. used across the Council and develop a standard set of documents. These could be used as a model for use by other local authorities (consensus on the forms has proved difficult in the past).</p> <p>Acting Strategic Procurement Manager &amp; Property Manager – January 2014</p>	<p><b>In progress</b> This is currently in progress and due for completion during April 2014</p>	
		<p>Standardise the relevant Highways &amp; Environment documents and incorporate them into the service's ISO 9001 document control system.</p> <p>Performance Officer – December 2013</p>	<p><b>No response</b></p>	

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
11.	Many procurement projects fail if they are not properly planned and adequately resourced. Such problems could be minimised if better links were established between procurement and project management. A large, complex procurement exercise should not be able to progress without a sound business case and agreed procurement plan.	<p>The SPU is developing a checklist for procurements valued over £100k and this will shortly be available as a spread sheet. These will be linked to CPRs, the project management system (Verto) and the procurement section of the business case template.</p> <p>Acting Strategic Procurement Manager – October 2013</p> <p>New CPRs state that a procurement checklist must be completed for contracts valued over £100k. The SPU must give approval and, if the construction relates to Property, HR or ICT, additional approval is required from each of the affected services. If valued less than £100k, the questionnaire should still be completed; however, the SPU approval is not required (note: approval from HR, ICT and/or Property still applies).</p> <p>Acting Strategic Procurement Manager and Corporate Programme Office Manager – October 2013</p>	<p><b>In progress</b> The checklist has been completed and is now under review following comments received during the CPR consultation exercise. This should be finalised in conjunction with the CPR's</p> <p><b>In progress</b> As above</p>	

## Appendix 4 - Internal Audit Performance 2013/14

### *Essential Assurance - all targets 100%*

#### **Review of agreed Financial Assurance areas in Assurance Plan by 31/03/14**

We have completed 75% of the planned projects, with the remaining project to be completed to draft report stage before 31 March 2014.

#### **Review of agreed Grants & Certification Assurance areas in Assurance Plan by 31/03/14**

We have completed 80% of the planned projects, with the remaining project scheduled to be completed to draft report stage before 31 March 2014.

#### **Review of agreed Corporate Governance Assurance areas in Assurance Plan by 31/03/14**

We have completed 46% of the planned projects (6 out of 13). All the remaining projects are in progress and should be completed by 31 March 2014.

#### **Review of agreed High Corporate Risk Assurance areas in Assurance Plan by 31/03/14**

We have completed 71% of the planned projects (5 of 7) and the remaining 2 will be completed by 31 March 2014.

### *Customer Standards - all targets 100%*

#### **Contact customers at least 2 weeks in advance to arrange a suitable date for our visit**

Current performance is 93%. Shorter notice given to customer in one case.

#### **Send customers the agreed Project Scoping Document before we commence work**

Current performance is 100%

#### **Send the customer a draft report within 10 working days of the closing meeting**

Current performance is 94%. One draft report issued in 14 days due to pressure of work in the service.

#### **Send the customer our final audit report within 5 working days of agreeing the draft**

Current performance is 100%

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**Report To:** Corporate Governance Committee

**Date of Meeting:** 15 April 2014

**Lead Member / Officer:** Head of Finance & Assets

**Report Author:** Chief Accountant

**Title:** 1. Annual Financial Audit Outline (2013/14 Accounts) and  
2. Notification of the Certification of the 2012/13 Accounts

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## **1. What is the report about?**

A report entitled 'the Annual Financial Audit Outline' and has been prepared by the Wales Audit Office (WAO) and is attached as Appendix 1. The report sets out matters such as roles and responsibilities, the audit approach, reporting, key elements of audit engagement and the financial audit team.

Providing the Committee with formal notification that the audit certification process for the 2012/13 Statement of Accounts has been completed.

## **2. What are the reasons for making this report?**

The external auditors are required to prepare and present this report in order to discharge their requirements under auditing standards and proper audit practices. The report is provided for information.

To inform members that the 2012/13 Statement of Accounts certification process has been formally concluded.

## **3. What are the Recommendations?**

It is recommended that the Committee consider the content of the WAO report. WAO representatives will attend the meeting to answer questions in relation to the report.

To note that the audit certification process has been formally concluded in respect of the 2012/13 Statement of Accounts.

## **4. Report details**

### **Annual Audit Outline**

The WAO report provides the Council with an outline of the financial audit work required for the 2013-14 financial statements. It also provides information on the audit approach including the key audit risks that have been identified during the initial planning process and the actions proposed to address them. The financial audit work on these risk areas will be used to inform the audit opinion on the financial statements.

### **Statement of Accounts 2012/13**

Part of the statutory audit process allows for the public inspection of the accounts and invites interested parties to raise questions and objections about transactions within the financial year. Questions were raised on a number of topics directly with the council and information and copies of various documents supplied. The council fulfilled its requirements in this regard. Subsequently, some of the same issues were raised formally as objections under the same process with the Wales Audit Office. At the time the accounts were signed-off by the council in September 2013, Wales Audit Office was still in correspondence with two members of the public who had raised objections.

It can now be confirmed that all correspondence has 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.

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

The audit service is a statutory provision. The Appointed Auditor, under the Public Audit (Wales) Act 2004 is required to examine and certify the financial statements of the Council. The Appointed Auditor is also required to satisfy himself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

The fees for work undertaken by the WAO in respect of the financial audit have not yet been finalised. Further details as to the reasons are included in their report.

#### **7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

Not applicable to the recommendations of this report.

#### **8. What consultations have been carried out?**

The broad content of the report has been discussed with the Head of Finance & Assets and senior members of the Finance Department.

#### **9. Chief Finance Officer Statement**

The annual audit is a statutory provision. Audit fees will be considered when they have been finalised. The fees are an existing budget commitment for the authority. The issues raised under the remit of the public inspection of the accounts did not result in any change to the accounts or any wider governance issues.



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

The audit process should highlight any significant risks and the management response to addressing or minimising the risk or impact.

**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 Appointed Auditor is required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the council and must be satisfied that the accounts have been completed in compliance with the Accounts and Audit (Wales) Regulations 2005.

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Financial Audit Outline

## Denbighshire County Council

**Audit year:** 2013-14

**Issued:** March 2014

**Document reference:** 187A2014

**This document is a draft pending further discussions with the audited body. The contents of this draft may not yet have been fully verified and should not be distributed beyond those at Denbighshire County Council who have a business need to access it.**

# Status of document

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This document has been prepared for the internal use of Denbighshire County Council as part of work performed/to be performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

To the maximum extent permitted by law, the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor do not accept any liability for losses incurred by any member, officer or other employee in their individual capacity, or any third party arising from use of this document.

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 (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk).

This document was produced by Derwyn Owen, Anthony Veale and Nick Raynor.

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# Annual Financial Audit Outline

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## Introduction

1. This Annual Financial Audit Outline has been prepared by Derwyn Owen, Engagement Lead on behalf of Anthony Barrett, the Appointed Auditor.
2. As your external auditor my objective is to carry out an audit which discharges my statutory duties as Appointed Auditor and fulfils my obligations under the Code of Audit Practice, namely to:
  - examine and certify whether your financial statements are 'true and fair'; and
  - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.
3. The purpose of this outline is to explain to you:
  - My audit team's approach to:
    - the audit of your financial statements for the year ending 31 March 2014 including the significant risks of material misstatement in your financial statements and how we plan to address them; and
    - the assessment of your arrangements for securing economy, efficiency and effectiveness in the use of resources.
  - The planned timetable, fees and audit team.
  - The scope of the audit, our respective responsibilities and how we ensure independence and objectivity in our work.
4. There have been no limitations imposed on me in planning the scope of this audit.

## Financial statements audit

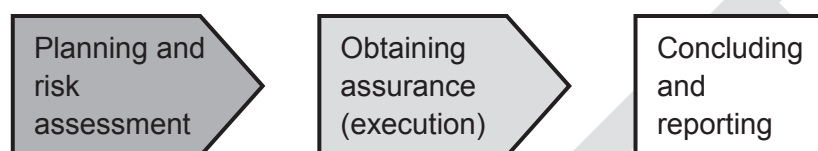
5. It is my responsibility to issue a report on the financial statements which includes an opinion on:
  - Whether or not the accounts give a 'true and fair view' of Denbighshire County Council's (the Council) financial out-turn and position. This provides assurance that the accounts:
    - are free from material misstatement, whether caused by fraud or error;
    - comply with statutory and other applicable requirements; and
    - comply with all relevant requirements for accounting presentation and disclosure.
  - The consistency of information in the Explanatory Foreword with the financial statements.
6. My report must also state by exception if the Annual Governance Statement for 2013-14 does not comply with requirements.

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## Audit approach

7. My team's audit work uses a range of techniques to assess risk and obtain audit evidence and assurance and is based on a thorough understanding of your business. This understanding allows my team to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. Our audit approach consists of three phases as set out in [Exhibit 1](#).

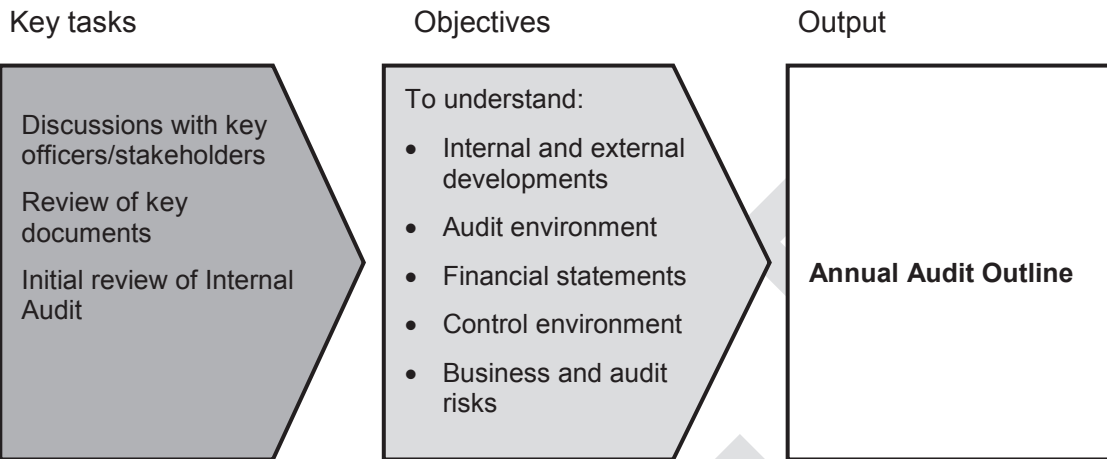
### Exhibit 1: Our audit approach



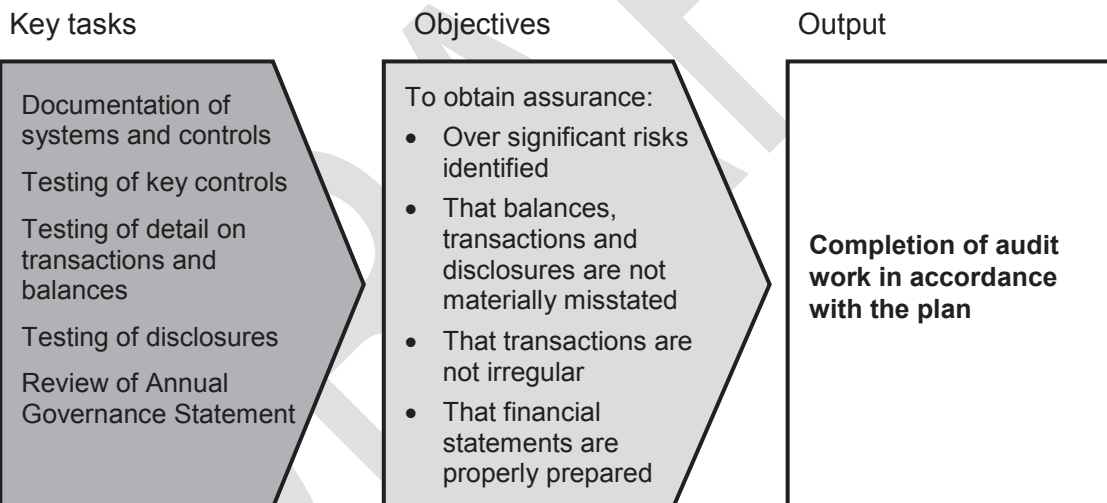
8. The work undertaken in each of these three areas is set out in more detail in [Exhibit 2](#).
9. I do not seek to obtain absolute assurance that the financial statements and related notes are true and fair, but adopt a concept of materiality. In planning and executing the audit, we aim to identify material misstatements in the financial statements and related notes, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
10. For reporting purposes, we will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore will not report them.

Exhibit 2: Our audit approach

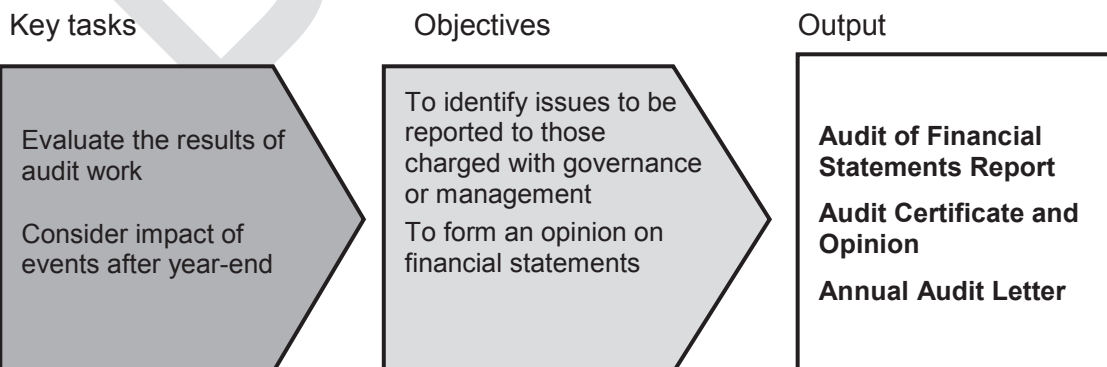
**Planning and risk assessment**



**Obtaining assurance (execution)**



**Concluding and reporting**





- 
11. In planning my work and obtaining an understanding of the Council, I consider the control environment including the activities of Internal Audit to determine the potential impact of its work on my planned procedures and to evaluate the extent to which I can rely on that work.
12. As part of the planning process, my staff considered the information which would be required to support the accounts submitted for audit. The fees, once agreed, will assume that this information will be provided by the timescales agreed and to the quality standards that we expect. My other main assumptions in setting the estimated fees will be that:
- Appropriate accommodation and facilities are provided to enable my audit team to deliver our audit in an efficient manner;
  - The financial statements and supporting working papers have been subject to review and validation by management, to provide the Responsible Financial Officer with assurance that they are 'true and fair';
  - All appropriate officials will be available during the audit;
  - You have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit has completed its planned programme of work and that management has taken all necessary remedial action on issues that could have affected the financial statements.
13. The Council is now the lead authority for the Joint Committee in respect of the Area of Natural Beauty (AONB). We will need to be formally appointed as the external auditor of this Joint Committee and confirm an additional audit fee with officers.

## Audit risks and issues

### Risks of material misstatement in the accounting statements

14. **Exhibit 3** provides information regarding the main operational and financial risks faced by the Council that could affect my audit. These are the main risks that I have identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. I may need to change the audit plan if any new risks emerge. I will not make any changes to the audit plan without first discussing them with officers and, where relevant, those charged with governance.

### Exhibit 3: Summary of main audit risks and proposed responses

Risks	Action proposed
<b>Control environment risks</b>	
<p>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.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• focus its testing on areas of the financial statements which could contain reporting bias;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business; and</li> <li>• test the posting of transactions to the general ledger before and after the year-end to ensure that income and expenditure is correctly recorded in the appropriate year of account.</li> </ul>
<b>Financial systems risks</b>	
<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 will review the design and test the operation of high-level controls in the:</p> <ul style="list-style-type: none"> <li>• main accounting system;</li> <li>• budgetary control system; and</li> <li>• the accounts preparation process.</li> </ul>
<b>Preparation of the accounts risks</b>	
<p>Risk that changes to the financial statements to comply with the 2013-14 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) may be incorrectly completed.</p>	<p>We will review the draft financial statements to ensure that they have been prepared, in all material respects, in accordance with the Code.</p>
<p>Risk of material misstatement in the financial statements arising from the revaluation of property including council houses.</p>	<p>We will assess the revaluation 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>

Risks	Action proposed
<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 will design detailed testing to obtain the required assurance that disclosures identified as material by nature have not been misstated.</p> <p>My audit team will consider the accounting treatment and disclosure of exit packages.</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 (e.g. equal pay claims, and insurance provisions).</p>	<p>We will review:</p> <ul style="list-style-type: none"> <li>the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; and</li> <li>documentation held to support estimates derived and judgements made, and refer to papers provided in support of them.</li> </ul> <p>We will also monitor the impact of any Council decision in respect of Clwyd Leisure with a view to assessing whether there are any financial implications or accounting issues that need to be considered by the Council in respect of the 2013-14 financial statements.</p>
Financial statements risks	
<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 will undertake a review of the statements and update our risk assessment accordingly. We will design audit testing programmes to focus our work on material balances and transactions and any additional financial statement risks that arise following our review of the draft financial statements.</p>

### Accounting and reporting issues

15. In addition to the significant audit risks set out above, I also need to consider any new financial accounting and reporting requirements which impact on my responsibilities. I summarise the more significant accounting and reporting changes that apply to 2013-14 in [Exhibit 4](#).

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## Exhibit 4: Significant accounting and reporting changes for 2013-14

### Accounting and reporting change

#### **IAS 1 Presentation of Financial Statements**

The Comprehensive Income and Expenditure Statement has been amended as a result of the June 2011 amendments to IAS 1 *Presentation of Financial Statements* (where relevant to an authority) and the June 2011 amendments to IAS 19. The requirement for Financing and Investment Income and Expenditure to include 'pensions interest cost and expected return on pensions assets' has been replaced by 'net interest on the net defined benefit liability (asset)'. Financing and Investment Income and Expenditure also now includes 're-measurements of the net defined benefit liability (asset) for long-term employee benefits recognised in accordance with section 6.2'.

#### **IAS 19 Employee Benefits**

Chapter 6 of the code includes revisions as a result of the June 2011 amendments to IAS 19 *Employee Benefits*:

- amendments to the definitions in section 6.1;
- updated terminology, amendments to the recognition requirements and clarifications of the disclosure requirements in section 6.2;
- amendments to the recognition requirements of section 6.3 Termination Benefits and clarification of the disclosure requirements; and
- amendments to the classification, recognition, measurement and disclosure requirements in section 6.4 Post-employment Benefits.

## Use of resources audit

16. To discharge my responsibilities regarding the arrangements that the Council has established to secure economy, efficiency and effectiveness in its use of resources, I shall place reliance upon:
- the results of the audit work undertaken on the financial statements;
  - the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
  - the results of work carried out by the Auditor General, including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
  - the results of the work of other external review bodies where relevant to my responsibilities; and
  - any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

## Certification of grant claims and returns

17. The Appointed Auditor, acting as an agent of the Auditor General, undertakes certification work on the Council's grant claims and returns in accordance with instructions issued by the Auditor General.

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## Overall issues identified

18. **Exhibit 5** summarises the key issues I identified when undertaking grant certification work in 2012-13.

### Exhibit 5: Overall issues relating to grant claim and return certification

#### Qualified grant claims and returns qualified in 2012-13

In 2013-14 my team audited 24 grant claims and returns, of which two were qualified and amended and 12 were amended. The claims and returns were largely amended or qualified as they were not completed in line with guidance or did not agree with supporting records. There were no significant risks relating to specific grant claims and returns which I need to consider for the purposes of my financial statements audit.

## Other work undertaken

19. In addition to my responsibilities in respect of the audit of the body's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.

## Auditor General's Regulatory Programme

20. A separate document, the Auditor General's Regulatory Programme for Performance Audit, will be issued setting out the work to be delivered by the Auditor General under the Measure.

## Fee, audit team and timetable

### Fee

21. We are currently unable to provide you with an estimate of our fee for our 2013-14 audit work.
22. Owing to the requirements of the Public Audit (Wales) Act 2013, we have needed to revise our approach to fee setting. This Act introduces a slightly revised fee-setting requirement on the new Wales Audit Office for all our audit work once its provisions come into effect from 1 April 2014. In anticipation of this new requirement, we have needed to take legal advice to clarify a number of its provisions. In the light of that advice, we have reviewed our cost allocation and apportionment processes to ensure that going forward our fee setting will fully comply with these new statutory requirements. This unfortunately has been a time-consuming process. The exercise has now been completed and the Auditor General is currently consulting on his fee

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- scales, which take account of revisions made in anticipation of the new legislation. That consultation provides further information about the new legislative requirements.
23. After the end of the consultation process (28 February 2014), and after considering the consultation responses, we will be able to provide you with an estimate of your fee for 2013-14, which we anticipate being able to do in late March 2014.
  24. Planning will be ongoing, and changes to my programme of audit work and therefore my fee may be required if any key new risks emerge. I shall make no changes without first discussing them with the Head of Finance and Assets. Further information on the new Wales Audit Office fee scales and fee setting will be provided once finalised.
  25. In previous years, there have been a number of formal objections to the Council's financial statements. In addition, I receive a number of queries and items of correspondence from members of the public and other interested parties. A small amount of time will be included within the fee to deal with minor queries, as part of the overall management of the audit.
  26. Any detailed investigations or other work required to respond to queries and objections will result in an additional fee. Any such additional fee will be charged at daily rates based on the specific grade or skill mix required for the work, but will be discussed with the Council, prior to undertaking the work.
  27. The Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken. Grant and return certification work is charged on a daily basis in line with the skill-related fee scales set out in the Auditor General's local government fees letter. The fees will reflect the size, complexity and particular issues relating to the specific grants.
  28. Further information on the Auditor General's fee scales and fee setting can be found on our website at: [www.wao.gov.uk/aboutus/4240.asp](http://www.wao.gov.uk/aboutus/4240.asp).

## Audit team

29. **Exhibit 6** highlights the key members of the audit engagement at the Council. I can confirm that with the exception of one member of staff, there are no known threats to my independence as Appointed Auditor or on the independence of staff or contractors working for me.
30. With regards to the exception noted above, one member of the audit team is related to a member of the Council's administration staff. We have reviewed this and concluded that the possibility of this relationship affecting the financial results of the Council or the audit of the financial statements is considered remote. However, we have taken steps to ensure that our member of staff is not involved in any work we may do that covers the pooled budget arrangement with Betsi Cadwaladr Local Health Board, or the Council's payroll.

### Exhibit 6: My team

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Lead – Financial Audit	02920 320651	derwyn.owen@wao.gov.uk
Anthony Veale	Financial Audit Manager	02920 320585	anthony.veale@wao.gov.uk
Nick Raynor	Financial Audit Team Leader	01824 706270	nicholas.raynor@wao.gov.uk

### Timetable

31. I will provide reports, or other outputs as agreed, to the Audit Committee covering the areas of work identified in this document. My key milestones are set out in [Exhibit 7](#).

### Exhibit 7: Timetable

Planned output	Work undertaken	Report finalised
<b>Annual Financial Audit Outline for 2014</b>	December 2013 – February 2014	March 2014
<b>Financial accounts work:</b> <ul style="list-style-type: none"> <li>Annual Assessment of Internal Audit</li> <li>Audit of Financial Statements Report</li> <li>Opinion on Financial Statements</li> <li>Whole of Government Accounts</li> <li>Financial Accounts Memorandum</li> </ul>	March 2014 July - September 2014 September 2014 September 2014 September 2014	May 2014 September 2014 September 2014 September 2014 September 2014
<b>Use of Resources Work</b>	September – October 2014	November 2014
<b>Annual Audit Letter 2014</b>	October 2014	November 2014
<b>Outline of Audit Work for 2015</b>	December 2014 – February 2015	March 2015

# Appendix 1

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## Roles and responsibilities

This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides Denbighshire County Council (the Council) with an outline of the financial audit work required for the 2013-14 financial statements.

The Public Audit (Wales) Act 2013 (the 2013 Act) sets out that the Auditor General is to be the auditor of local government bodies in Wales. The 2013 Act does, however, provide transitional arrangements where the appointment of a person as an auditor under section 13 of the Public Audit (Wales) Act 2004 continues to have effect until the end of the period for which the appointment was made (subject to any earlier termination). The Auditor General has appointed me as the auditor of the Council's accounts for the year ending 31 March 2014.

As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council. In accordance with professional standards that apply by virtue of the Code of Audit Practice set under the Act, this involves giving an opinion on whether the accounts give a true and fair view of the Council's financial position and of its income and expenditure for the year. The Act also requires me to satisfy myself of these things:

- that the accounts are prepared in accordance with regulations under section 39 of the act (the Accounts and Audit (Wales) Regulations 2005);
- that the accounts comply with the requirements of all other statutory provisions applicable to them;
- that proper practices have been observed in the compilation of the accounts; and
- that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

I am also required to certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.

The audit does not relieve the Council of its responsibility to:

- establish systems of internal control to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts.

The Auditor General is required to certify certain grant claims and returns. The Appointed Auditor, acting as an agent of the Auditor General, undertakes the audit work relating to those claims and returns.







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**Report To:** Corporate Governance Committee

**Date of Meeting:** 15 April 2014

**Lead Member / Officer:** Barbara Smith – Lead Member for Modernising & Performance  
Alan Smith – Head of Business Improvement & Modernisation

**Report Author:** Ivan Butler – Head of Internal Audit

**Title:** Draft report - 'Delivering good governance and continuous improvement'

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## **1. What is the report about?**

This is a first consultation with the Committee on the self-assessment report on the Council's governance and improvement arrangements for 2013/14.

## **2. What is the reason for making this report?**

Corporate Governance Committee usually approves the Council's Annual Governance Statement, which this report now replaces by combining the previous governance self-assessment and corporate self-assessment. It is good practice to consult widely on the self-assessment with elected members and senior management and this is the commencement of that process.

## **3. What are the Recommendations?**

The Committee considers and comments on:

- the new approach to the combined self-assessment;
- the content of the self-assessment; and
- whether it requires any amendments or additions to the self-assessment.

## **4. Report details**

It is considered good practice to develop an 'annual governance statement' (AGS) that forms part of the Council's Statement of Accounts but, in the past, there has been some duplication between the self-assessment needed for the AGS and the corporate self-assessment that focused more on continuous improvement. We therefore decided to combine the documents to provide an innovative approach that saves resources and provides a joined-up approach to self-assessment within the Council.

Appendix 1 provides a Draft that we have called 'Delivering good governance and continuous improvement' that is now open for consultation with elected members and

senior management. The Committee should note that this is a very early draft that is still a work in progress and needs to be discussed further, particularly with Senior Leadership Team. The agreed final version will be signed by the CEO and Leader by 30 June 2014 and presented to this Committee with the Statement of Accounts.

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

While the self-assessment itself 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?**

The Draft document was discussed at CET on 17 March 2014 and this report is the next stage in the consultation process. It will need to be discussed further with other elected members, then with Senior Leadership Team in May 2014 before returning to this Committee as a 'final draft' in May 2014.

**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?**

This is a consultation on a draft document and there are no risks identified at this stage.

**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.

# Denbighshire County Council

## Delivering good governance and continuous improvement

### Assessment of the Council's governance and improvement arrangements for 2013-14

## Table of Contents

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# Introduction

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## Why do we need an annual assessment of our governance arrangements?

Denbighshire County Council is responsible for ensuring that it has robust governance arrangements in place so that it does the right things, in the right way, for the right people, at the right time, in an inclusive, open, honest and accountable way. Good governance is essential to both the Council and the public. It supports the Council in making the right decisions, reduces the likelihood of things going wrong and protects it when problems do occur. It inspires confidence in the public that we are taking decisions for the right reasons, protecting service quality and spending public money wisely.

This document explains and assesses our governance arrangements for 2013-14 and identifies any improvements that we need to make the arrangements more robust.

## Self-assessment of our arrangements

Within our annual governance review, we are required to carry out a self-assessment of our arrangements. In the past we have also carried out a corporate self-assessment showing how we achieve continuous improvement, so we have now combined these self-assessments in an approach to avoid duplication, as managing and monitoring of performance and improvement is also an important element of good governance. This innovative new self-assessment helps us to understand our strengths and weaknesses in relation to the six key principles of good governance that we use in our governance framework:

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### Focusing on our purpose and on the outcomes for citizens and service users

**Performing effectively in clearly defined functions and roles**

**Promoting values for the whole organisation and demonstrating good governance through our behaviour**

**Taking informed and transparent decisions and managing risk**

**Developing our capacity and capability to be effective**

**Engaging with local people and other stakeholders to ensure robust public accountability**

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## Focusing on our purpose and on the outcomes for citizens and service users

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### ...we are clear about what we are trying to achieve

Our Corporate Plan 2012-17 clearly shows what we are aiming to achieve and sets out our priorities for the five year period. Each year we develop a Corporate Plan Delivery Document to show what we expect to do in the forthcoming year to support the delivery of our priorities and how we will go about it. The Wales Audit Office Annual Improvement Reports conclude that we are making good progress in delivering our improvement programme, that our corporate performance management arrangements support reliable self-evaluation and that our arrangements to support improvement are good.

*Will include a paragraph relating to 'Sharpening our Act' and how to respond to challenges over the next three years*

We have clearly stated how our corporate priorities link to our medium-term financial plan and identified financial and staffing resources to support the delivery of our 2013-14 objectives.

We have a comprehensive partnership governance toolkit that provides guidance to ensure that, for each partnership, there should be a clear statement of the partnership principles, objectives and proposed outcomes. It also includes guidance on measurement of service quality so that customers receive good service, however we deliver our services. However, we are aware that not all partnerships use the toolkit, so, as part of a comprehensive review of the partnership landscape, we will 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.

### ...we make sure that service users receive a high-quality service and value for money

We monitor our performance regularly and take half-yearly reports to Scrutiny and Cabinet meetings and produce an Annual Performance Report to evaluate progress. As part of our aim to be amongst the top six performing Councils in Wales, we have introduced an 'excellence threshold' approach, prioritising improvement in areas where our performance is below that of half of the other Welsh local authorities. However, we still have some improvements to make to ensure that all services are clear about this approach to implementing corporate priorities and how they will measure success.

*Will include more information on 2013/14 performance once final quarter information available in April/May*

We maintained our position as the highest performing council in Wales for a third year, based on the National Strategic Indicators, performing in the:

- top quarter of councils for more indicators than anyone else (17 out of 30);



- top half of councils for more indicators than anyone else (22 out of 30);
- bottom quarter of councils for fewer indicators than anyone else (4 out of 30).

During the year, we reviewed our Service Performance Challenge programme to provide an annual challenge by senior management and elected members for all services that is significantly more robust and focused more on service performance and improvement. The challenge uses a variety of reports and a service self-assessment to review performance against the service plan, benchmarking information and a 'need and demand' report, which highlights possible future pressures and changes in the external environment that the service may need to respond to. The new process addresses the Wales Audit Office's concerns that our assessment of performance and efficiency may have been based on too narrow a range of evidence in the past.

The Wales Audit Office provided an unqualified audit report on our financial statements for 2012-13, raising no significant issues or material weaknesses in our internal controls. Our Internal Audit service reviews our key financial systems annually and provided positive reports during the year apart from 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.

Also in procurement, we are involved in the development of some key projects:

- We are developing a business case for a sub-regional procurement service - the Three County Project, which will be a collaboration arrangement with Gwynedd County Council and Flintshire County Council. This new organisation will introduce a category management approach to procurement that will bring significant economy of scale for regularly purchased commodities. At this stage it is too early to say whether this arrangement will be successful, but early indications suggest that the project could realise efficiencies of up to £4m per year, based on similar related projects undertaken in other local authorities.
- Denbighshire and Flintshire Councils are merging their procurement services to streamline procurement processes and have a more effective use of resources in readiness for the development of the Three County Project.
- We are implementing a new e-sourcing system and centralised invoice registration project that will also impact on the procurement function.
- The creation of the National Procurement 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.

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.

During the year, we have continued to improve management of our programmes and projects but realise that we still have work to do to fully embed this into the Council's culture. We have developed the Verto system and tailored it with the PRINCE2 methodology to provide a consistent approach to project and programme delivery, which is rigorous and flexible, allowing for overall improved delivery in quality, cost, time and scope of projects across the Council. We will continually improve the use of the system as a project management tool to enable closer working with performance management and the service business planning process.

There are two Corporate Programmes - Economic and Community Ambition and Modernisation, both developed in response to corporate priorities. We also have two service-led programmes - Modernising Education and Modernising Social Services. Each Programme has a Senior Responsible Owner at Corporate Director level and a dedicated Programme Manager. Each of the Programme Boards has Member representation, which includes Cabinet Members with a relevant portfolio responsibility.

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## Performing effectively in clearly defined functions & roles

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### ...we are clear about the roles and responsibilities in our organisation

The Council's main governance guidance is provided in our comprehensive Constitution that:

- clearly sets out respective roles & 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;
- includes a formal scheme of delegation and reserve powers for decision-making; and
- includes the process for holding County Council and Cabinet to account for their decisions and performance.

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.

**Will include reference to organisations that the Council provides funding to and the need to receive assurance about their governance arrangements, financial and operational performance**

### ...we make sure that we carry out these roles and responsibilities

Our Constitution includes a protocol to ensure that elected members and employees understand each other's roles and work effectively together.

We have clearly identified the roles and responsibilities of key officers in the Council:

- Our CEO is responsible and accountable to the organisation for all aspects of operational management;
- Our S151 Officer is responsible for ensuring that appropriate advice is given to the organisation on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control; and
- Our Monitoring Officer is responsible for ensuring that the organisation follows agreed procedures and complies with all applicable statutes and regulations.

We have clear arrangements for the remuneration of employees and elected members.

## Promoting values for the whole organisation and demonstrating good governance through our behaviour

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### ...we ensure that our organisational values are put into practice and are effective

We have a set of core values - **Pride, Unity, Respect and Integrity** - that are well-embedded in the organisation and are clearly reflected in our Constitution, Partnership Governance Framework, Financial Regulations, Contract Procedure Rules and employee appraisal process.

Our leadership sets the tone for the organisation by creating a culture of openness, support and respect. The staff survey in 2013 reported that 83% of employees feel that the leadership team has a clear vision for the future compared to only 58% in the 2011 survey. There is also a high level of confidence (84%) in the leadership team. This same level of improved confidence is reflected at service level, with 81% believing that their service has a clear vision for the future and having confidence in their manager.

*Equalities – awaiting comments on commitment, any new developments e.g. Respect booklet – IA work ongoing on awareness of equalities issues*

### ...we provide leadership by behaving in ways that exemplify high standards of conduct and effective governance

We have various ways in which we demonstrate our core values and high standards of conduct and effective governance, for example:

- we have clear and transparent Freedom of Information arrangements to allow access to information;
- 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;
- we have a register of financial interests and hospitality for elected members and employees to ensure transparency;
- we have a process for elected members to declare interests generally and in relation to specific issues and/or reports at meetings;
- we have a protocol to ensure that elected members and employees treat each other with respect and behave professionally;
- our customer feedback and complaints framework allows the opportunity for customers to comment on the behaviour of elected members and employees;
- we have an anti-fraud and corruption policy, although we have not reviewed and updated this since 2006;

- we have revised our whistleblowing procedures that enable issues to be raised freely with a wide range of people or bodies and these are currently out for consultation with trade unions;
- a recent Internal Audit review confirmed that our financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- our Corporate Governance Committee recently carried out a self-assessment that confirmed that its terms of reference conform to the Local Government (Wales) Measure 2011;
- the Head of Internal Audit recently provided training to elected members on their governance responsibilities, as we realised that we had previously concentrated this training on the Corporate Governance Committee members and needed to ensure that all elected members are aware of their responsibilities;
- the Head of Internal Audit, Wales Audit Office and Chief Accountant provided specific refresher training to the Corporate Governance Committee on its role and responsibilities, as members had identified that they now have more knowledge of how the Council works and that this training may be more effective at this stage;
- the Head of Internal Audit's annual report confirmed that we operate an effective system of internal control, governance and risk management; and
- we operate an effective and impartial Standards Committee to uphold good behaviour by elected members.

One key weakness that we have identified is that we do not have an environmental policy or 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.

## Taking informed and transparent decisions and managing risk

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### ...we are rigorous and transparent about how we make decisions

We have a clear decision-making framework to show who can make what decisions and we keep a comprehensive and published record of decisions made. All key decisions include an assessment of financial implications, contribution to corporate priorities, risks and equality impacts, although we are aware that we need to carry out some quality control reviews on equality impact assessments to ensure that they are robust.

We advertise our 'public' meetings in advance so that they are open for public and media attendance and all of our reports are discussed openly unless they meet strict criteria for confidential discussion.

Our scrutiny function is effective, supported by evidence and data analysis, to challenge decision-makers constructively.

### ...we use good quality information, advice and support

Elected members are provided with clear, concise but comprehensive reports and advice for decision-making that clearly explains the implications of the decision. Reports should not exceed four pages and we use a corporate report template to ensure that all information is included, together with a checklist that has to be completed in all cases to confirm that all information is included in the report before submission.

We have arrangements in place to provide and record proper professional advice on matters that have legal or financial implications well in advance of decision making and at meetings.

External advice is obtained where required, particularly in specialist areas. We have also created a Corporate Research and Intelligence team, bringing together former members of the Information and Mapping and Corporate Improvement Team. The main work of the team this year has been in providing research to support the Service Challenge Process, the development of the Economic and Community Ambition Strategy and upgrading the Council's internet mapping provision. The team has also worked to enhance research capacity in individual services, for example, training in geographical information systems delivered to the Housing and Community Development Service and the mapping of various new data sources for adult social services.

### ...we have effective risk management, information management and control systems

During the year, we updated and simplified our Risk Management Guidance, including the reporting of the Corporate Risk Register, which is now monitored by Cabinet as well as the Corporate Executive Team, giving risk management a higher profile in the organisation. The guidance is easier to follow and should help to embed risk management further in the

Council's culture. We review our Corporate Risk Register formally twice a year, with each Corporate Director considering the risks that they currently manage, reviewing mitigating actions and the external environment to assess the risk score and adding new risks as appropriate.

We have an independent and objective internal audit service providing assurance across the whole range of DCC's services, including partnerships. The Head of Internal Audit's annual report confirmed that we operate a robust system of financial and operational internal controls. 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.

We discuss any reports of external regulators at the relevant management and elected member levels and monitor action plans arising from their reviews.

Information management was a significant governance weakness in our last two Annual Governance Statements following adverse internal and external audit reports. We have now made significant improvements to address this by forming a Corporate Information Team. In particular, we have:

- appointed a Corporate Information Manager;
- launched an Information Management Strategy;
- provided access to information training;
- achieved Public Sector Network (PSN) accreditation;
- developed an Information Assets Register;
- appointed an Access to Information Officer to manage the increasing number of access to information requests; and
- made good progress with rolling out EDRMS (electronic document records management system).

However, we recognise that we still have a lot of work to do but have identified this in our Information Management Strategy, for example:

- 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.

## Developing our capacity and capability to be effective

### **...we make sure that our elected members and employees have the required resources, skills, knowledge and experience they need to perform well**

We have elected member and employee induction programmes to ensure that key information is imparted at an early stage; however, we need to assess the effectiveness of the employee induction process to ensure that it is still relevant and properly structured.

Our performance management framework for Cabinet and individual Lead Members assesses their performance and helps to address improvement needs; however, we need to assess how well this works in practice and whether it is leading to improvement.

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. It will address this in May 2014 to report on this year's performance.

Employees receive annual performance appraisals, resulting in training and development plans to help them achieve their objectives and fulfil their roles effectively. We have improved performance in this area...**need some statistics from HR to assess improvement**

We are trying to modernise the way we work so we can use valuable time and resources better. The Modernisation Board has initiated several projects that create service delivery efficiencies and we have developed an Agile Working Policy Statement and guidance that sets out how we expect employees to work in the future and also what support we can provide. To improve our efficiency and mobility, we are:

- rolling out new IT equipment;
- reviewing our office accommodation requirements;
- agreeing a hot-desk policy;
- rolling out EDRMS to more services;
- implementing Central Invoice Registration, which will reduce the number of invoices not paid on time and avoid late payment fines; and
- developing a Customer Access Strategy to look at future service delivery, customer requirements, how technology can support service delivery and how we can manage customer data to improve services.

### **...we ensure that we can continue to perform effectively during periods of change**

Strategic HR Business Partners undertake a workforce planning exercise with each service annually to identify their priorities for the coming 12 months. This enables HR to understand and prioritise the level and timing of support that services may require. The discussions with



services cover service aims and priorities, workforce profile, upcoming challenges and risks, resource and skills gaps and critical posts. This allows HR to develop a Workforce Priority Plan, agreed with the Senior Leadership Team. In addition, the data collected from performance appraisals enables us to identify corporate people development priorities for the coming 12 months.

To help develop potential senior managers of the future, we use Middle Managers conferences to engage them and we have appointed a new cohort of 'yr Hwb', consisting of members of staff across the organisation and engaging them in change activities, providing them with mentorship, training and experience in skills that maybe under-utilised in their usual day to day role.

We are developing a process for the strategic allocation of resources to project management. A risk with the current business model (where our project management team relies on income from project management) is that fee-earning capital projects can take priority over important corporate improvement projects, as the fees are required to fund the salaries of our corporate project managers. With the completed training, some services may decide to manage projects themselves, therefore enabling project managers to gain the experience following their qualification.

Our Volunteering Strategy offers a useful starting point for developing corporate vision for volunteering. We will develop this Strategy to take into account developments across the county in areas such as time-banking pilots, partnership working, and developing initiatives to support employees to volunteer their time and expertise to benefit their communities.

## Engaging with local people and other stakeholders to ensure robust public accountability

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### ...we take an active and planned approach to dialogue with and accountability to our external regulators

We take a proactive approach to external regulation, for example:

- regular meetings to discuss developments, their work and outcomes;
- involving and consulting them on key decisions that may affect our governance arrangements;
- acting on any improvements that they identify in their reports;
- presenting their reports to the relevant committees to keep elected members informed.

### ...we engage effectively with the public and other stakeholders

We publish our Annual Statement of Accounts, including this self-assessment of our governance and improvement, on our website and it is open for public inspection and challenge for the designated period.

We publish our Annual Performance Report so that the public can see how well we are performing in the delivery of our Corporate Plan.

Our customer feedback and complaints framework provides the opportunity for customers to comment on our services. We listen to these views when deciding on service planning and improvement.

We have improved our community engagement during the year, for example:

- launching our Corporate Community Engagement Strategy and Toolkit, which is on our intranet and is a useful resource for all services. The next step is to ensure that the Strategy becomes embedded in the engagement philosophy of all services so that minimum standards are adopted;
- undertaking further work to manage our on-line consultation policies and use of on-line survey tools such as 'Survey Monkey'; and
- adopting the National Principles of Public Engagement.

We carried out a resident survey during the year with over 2000 residents taking part. *Need to include some outcomes*

In addition to the resident survey, services carry out individual engagement and consultation, usually on a specific issue, for example on our review of schools provision, or for user feedback. These influence current and future delivery of services.

The Council is the lead partner in delivering an Engagement Strategy and Action Plan on behalf of the Local Services Board (LSB). A working group, chaired by the Council is delivering work packages as part of the Strategy's action plan.

We reviewed Member Area Groups (MAGs) during 2013 to consider their effectiveness and efficiency, and to assess how well they meet their objectives and terms of reference. All of the recommendations arising from the review have been implemented and their terms of reference reviewed.

We are also commencing a review of the Town and Area Plan process to assess how the Plans will help to deliver our corporate priorities, what impact the Plans will have, whether they represent value for money and whether they have robust and effective governance arrangements in place.

We have completed and initiated several actions that have either changed or will change our engagement with businesses:

- The Leader and/or Corporate Director aim to visit the top 10 businesses in the county annually to provide an opportunity for senior Council representatives to hear from and speak with our most influential local businesses.
- We have developed a business survey that we intend to run annually and will soon be issued to provide an initial baseline for the programme and annual performance information. The majority of questions are seeking to build our knowledge and understanding of businesses in the county, their priorities and preferred communication and engagement methods.
- We have received very positive feedback from business and community respondents to the Economic and Community Ambition Strategy Consultation Programme and there is already evidence of positive feedback from businesses that we provide supportive and helpful regulatory services, so we are building on a positive relationship, adding more value.
- We have organised a high profile business engagement event for April 2014 where we will be building relationships, explaining our approach and seeking further business feedback.
- We have set targets for increasing the amount of procurement spend that goes to local businesses and started work on a local supplier engagement and development programme.
- We have progressed discussions on the creation of a multi-agency business advice and support partnership and potential one stop shop website.

However, it has become apparent that we are starting from a very low base, where 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 the above 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 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.

### **...we take an active and planned approach to responsibility to our staff**

We have a human resources strategy, policies, procedures, workforce planning etc. to help manage our staffing resources effectively, consistently and fairly. 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, so to ensure that it has assurance that the service has improved and is making good progress, the Committee requested a further internal audit review in April 2014.

We have a variety of ways to ensure that we involve our employees and their representatives in decision-making. We carry out regular staff surveys and the 2013 survey resulted in an increased response rate from 37% to 44.6% over the 2011 survey. The survey highlighted that:

- more employees (83%) are proud to work for the Council;
- more employees (88%) are satisfied with the Council as an employer;
- over 90% of employees stated that they enjoy their work, know what is expected of them and get on well with their colleagues;
- change management has improved, but can perhaps be better, as only 60% feel that we plan and deliver changes well; and
- communication has improved, but can perhaps be better, as only 64% feel well-informed about what is going on in their service.

Our whistleblowing procedures ensure that employees can raise issues of concern freely with a wide range of people/bodies.

# Significant governance issues

Last year’s Annual Governance Statement included two significant governance issues relating to Strategic Human Resources and information governance. We have taken steps to improve both areas during the year so that they are no longer considered as significant governance issues, but we have highlighted above that we still have work to do in both areas.

The issues in the table below, together with any less significant issues that we have identified in our self-assessment above, will be added to our Governance Assurance Framework Action Plan managed by the Council’s Governance Group and monitored by the Corporate Governance Committee.

Significant Governance Issue 1	
Proposed action to address the issue	
Responsibility for the action	
Timescale for improvement	
Significant Governance Issue 2	
Proposed action to address the issue	
Responsibility for the action	
Timescale for improvement	

**We propose over the coming year to take steps to address the above matters to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.**

**Signed: ..... (Leader) .....2014**

**Signed: ..... (Chief Executive) .....2014**

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**Report to:** Corporate Governance Committee

**Date of Meeting:** 15 April 2014

**Lead Member:** Councillor Barbara Smith

**Report Author:** Head of Legal and Democratic Services

**Title:** Member Representation on Outside Bodies - Update

## **1. What is the report about?**

- 1.1 The report is about appropriate arrangements for Members who represent the Council on Outside Bodies to report back to the Council on their work with those Outside Bodies.

## **2 What is the reason for making this report?**

- 2.1 To provide Members with an update on the work being done in respect of a mechanism for Members on Outside Bodies to use to report back to the Council on the activities of those bodies.

## **3 What are the recommendations?**

- 3.1 That Members consider the contents of this report and agree options to be recommended to the Council.

## **4 Report details**

- 4.1 Members have previously considered a report on the Protocol for Members on Outside Bodies. The Committee requested further information regarding the creation of a mechanism by which Members appointed by the Council to represent it on Outside Bodies could report back to the Council on their work with and the activities of the Outside Body.
- 4.2 The Outside Bodies to which the Council appoints representatives are many and varied. In addition the roles to which Members are appointed on those bodies can differ greatly. Some Members are appointed as Directors or Trustees, both of which roles carry with them specific legal duties and obligations to the body to which they have been appointed. A fuller description of these roles is contained in the Protocol and Guidance for Elected Members appointed to Outside Bodies attached as Appendix 1.

4.3 At the meeting of the Committee in November 2013 Members asked for a list of Outside Bodies to which Members had been appointed 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 is attached as Appendix 2.

4.4 In considering whether and how Members report back to the Council the Committee will need to consider the following issues:

- Whether there needs to be the same frequency and detail of reporting in respect of all Outside Bodies
- 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 obligation of confidentiality to that body that restricts 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.

4.5 A draft template report is attached for Members' consideration as Appendix 3.

4.6 The Committee is requested to consider the issues set out in this report and indicate their preferences in order that a fuller consultation take place with all elected Members.

## **5 How does the decision contribute to the Corporate Priorities?**

5.1 The work of outside bodies can contribute to the delivery of the Council's priorities and regular information on their activities may assist the Council in planning future activity.

## **6 What will it cost and how will it affect other services?**

6.1 There will be some additional staff time incurred in administrating the reporting process. This should be contained within existing budget.



**7 What consultations have been carried out and has an Equality Impact Assessment Screening been undertaken?**

7.1 This report is the beginning of a consultation with Members. There is no need for an Equality Impact Assessment.

**8 Chief Finance Officer Statement**

8.1 The recommendations of this report do not appear to have any financial implications.

**9 What risks are there and is there anything we can do to reduce them?**

9.1 The risk of not receiving regular reports is that Members continue to be appointed to outside bodies that cease to be relevant to the Council's objectives and take up Members' time unnecessarily.

**10 Power to make the Decision**

10.1 Section 111 Local Government Act 1972.

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## 5.9 Protocol and Guidance for Elected Members appointed to Outside Bodies

This guide is intended to give a general overview of issues that affect Elected Members who are involved in outside bodies, whether or not their membership arises from an appointment by the Council. Whilst it is not possible to provide a comprehensive guide to all possible situations, the Head of Legal and Democratic Services and his staff will be able to offer specific advice where necessary.

In some cases, the persons appointed will be the Council representative in that they will be expected to bring knowledge and expertise of the Council Services and to represent the Council's views at meetings. However, there are a number of cases, for example if you are a trustee or company director, where you must look after that particular bodies' interests and to further their aims, not the Councils.

In all cases Members should:-

- Operate within the rules and/or constitution of the outside body
- Report back, where appropriate, to the Council or relevant committee
- Behave ethically and follow the Council's code of conduct where it applies
- Take an active and informed role in the affairs of the outside body

There are a number of types of outside bodies in which Councillors may become involved, either independently or, as a representative appointed by the Council. Some of the most common examples are

- A Public Authority
- Charitable trust
- Company limited by shares
- Company limited by guarantee
- Unincorporated association

The structure for each type of organisation, the management and the rules which govern them vary considerably. The following table shows how each type may be set up and managed.

Legal Status of the organisation	Governing Document	Management	Possible member involvement	Common types of organisation
A public authority	Constitution usually based on legislation	Authority	Member	National Parks Authority Fire & Rescue Authority
Charitable Trust	Trust Deed	Trustee meetings	Trustee	Playing field trusts

Company limited by guarantee	Memorandum and Articles	a) Board of Directors Meetings of members	Director	Charitable organisations, stock transfer housing companies, community associations
Company limited by shares	Memorandum and Articles	a) Board of Directors b) Meetings of shareholders	Director	Commercial organisations (e.g. joint ventures or companies providing contractual services)
Unincorporated association	Constitution	Management Committee Members meeting	Management Committee member	Community associations

In carrying out their duties as a Trustee, Director or Management Committee Member, Councillors must take decisions without being influenced by the fact that they are a Councillor. Their primary duty in acting as a representative making decisions for the outside body is to make those decisions in the interests of the organisation. However, Councillors should always ensure that their fellow directors/trustees are aware of the fact that they are Councillors.

### **Main Duties**

The following are the main legal duties of directors of companies. Most of these obligations also apply to trustees and members of committees and associations.

#### **Acting in Good Faith**

A director's primary duty is to act in good faith, in the best interests of the organisation and its objects. All directors owe a fiduciary duty to their company, which means they owe loyalty to the company and a duty of care to act in the best interests of the company, having regard to the interests of the members or shareholders of the company, the company's employees and creditors.

#### **Care, Diligence and Skill**

Directors must exercise the same degree of care which ordinary people might expect to take on their own behalf, although they need exercise no greater skill than may reasonably be expected from persons of similar knowledge and experience.

Although directors are not bound to attend all meetings of directors, attendance should be as frequent as possible and directors should ensure that they are reasonably informed at all times. Directors should not take a passing, or passive interest in the company's financial and other affairs - they are obliged to take an active and enquiring interest in the company.

Certain duties must be performed by officials, and a Board of Directors who have made sensible arrangements authorising others to act on their behalf are entitled to trust those officials to perform their duties honestly. From time to time directors should take steps to ensure that delegated responsibilities are properly performed.

### **Honesty**

Directors must exercise their powers for proper purposes only. They must not allow personal interests to conflict with those of the organisation.

Where a director is directly or indirectly interested in a contract or a proposed contract with the organisation, the director is legally bound by the Companies Acts to declare the nature of the interest at a meeting of the Board of Directors.

All company property in the hands of the directors or under their control must be used for the purpose of the organisation. It is improper for any director to make profit out of a transaction of the organisation or to accept financial inducements.

### **Not to Exceed Powers**

Directors are under a duty to see that they do not act beyond the powers of the organisation. They must ensure that they do not act beyond the powers conferred on them by the Memorandum of Association or constitution. They must not act illegally.

### **Financial Responsibility**

Directors are under a duty to ensure that the company operates within the limits of its financial resources, actual and expected. Despite the limited liability of a company, directors can incur **personal responsibility** for its debts and obligations in certain circumstances.

Directors can also be held **personally liable** if they have allowed a company to operate, or continue to operate, where there was no reasonable prospect that it could and would pay its debts, and these are left unpaid after the liquidation of the company.

It follows that Directors must be extremely scrupulous in the attention they pay to their company's present and future liquidity, and ensuring that their concerns and actions are minuted.

### **Compliance with the Companies Acts**

Directors also have a duty to ensure that the company complies with the requirements of the Companies Acts, although they will normally look to the Company Secretary to ensure compliance.

An organisation's constitution generally says little about how the Board of Directors should run the organisation. In general, a company's Memorandum and Articles of Association will state the objectives of the organisation in the broadest terms and will provide rules for the appointment and periodic re-election of the Board of Directors. The actual responsibility for the running of the organisation is in the hands of the Board and Directors must take appropriate steps to ensure good management of their companies.

## **Trustees**

If you are appointed as a trustee of a charity then the duties of trustees are generally the same as for a director but in addition you must make sure the trust acts in accordance with the aims and objectives of the trust and you should make sure that you have a clear understanding of what these are (there is normally a trust deed which sets these out).

## **Liability Issues**

In cases where Councillors act in a decision-making capacity specifically in connection with the business of the outside organisation as opposed to merely exercising their role as a representative of the Council, then they will probably be regarded as serving the particular body rather than the Council. In these circumstances, the Council and its insurers may not have agreed to provide an indemnity against claims brought against them personally. Where there is any possibility of legal liability therefore, the outside organisation should provide the appropriate insurance cover for its directors, company officers, committee members etc.

The Council's insurance cover will extend to Councillors assisting outside organisations as advisers or observers, either facilitating exchanges of views of information as an extension of their Council duties or otherwise representing the Council, but the Council's insurance cover does not extend to indemnify Councillors and officials who serve in an executive capacity on an outside body. Councillors and Officers should be clear that if they serve on an outside body as decision makers, they do so in a personal capacity. Outside bodies on which Councillors serve, therefore should provide their own insurance cover.

All those organisations seeking Denbighshire County Council to make appointments will be asked to provide evidence of the level of indemnity provided for its members. Upon commencing their duties on behalf of the organisation, each Councillor should ask the organisation to provide confirmation of the validity of their indemnity arrangements.

## **Conflicts of Interests**

Where Councillors serve as members or directors for outside bodies, it is inevitable that conflicts will arise, from time to time, between the duties they owe to the outside body and the duties they owe to the Council. Conflicting interests should be declared on every occasion. It will be a matter for the individual judgement of the Councillor as to whether he or she participates in discussion of, and votes on, the particular item of business, whether at the meeting of the outside body or a Council committee.

Decisions will be required to be made in accordance with the Code of Conduct and the rules applicable to the outside body and, where appropriate, advice should be sought and obtained from appropriate Council officials.

Provided Members are sensitive to the possibility of conflict of interest, there is no reason why they should not express a 'Council' view when acting on an outside body. However, they should make clear that they do not represent the Council on the outside body, and so cannot bind the Council by what they say. In many cases Members will be able to act as valuable links between outside bodies and the Council.

### **Members' Code of Conduct**

When outside bodies consider issues related to your Council or where you may have a personal interest in relation to the body's activities, these need to be declared in line with the rules of the outside body and the Members Code of Conduct. The specific rules adopted by each body will vary and therefore you should ask for advice and guidance from the secretary of the organisation and/or the Monitoring Officer, as appropriate.

When the Council considers issues relating to or affecting the outside body to which you have been appointed as Council representative you must declare your personal interest in the matter in accordance with the Members' Code of Conduct. If this is your only interest then it will not be considered a prejudicial interest unless the matter relates to an approval, consent, licence, permission or registration. You will also need to ensure details of your appointment are included on the Register of interests kept by the Monitoring Officer.

Confidential information must be treated with care and if you have any doubt over the status of any information then you should keep that confidential and check with the relevant officer, whether or not it is something which is already in the public domain or which may be disclosed.

The legal position is that someone who has received information in confidence is not allowed to take improper advantage of it. Deliberate leaking of confidential information will also be a breach of the Members Code of Conduct.

Where you act as a representative of the Council on an outside body, you must comply with the Code of Conduct of that body, if it has one. If it does not, you must comply with the Members' Code of Conduct unless observance of the Code would conflict with any other obligations (i.e. the duty to act in the best interests of the outside body).

Under the Code you must not:

- disclose information given to you in confidence by anyone, or information acquired which you believe is of a confidential nature, without the consent of a person authorised to give it, or unless you are required by law to do so;
- prevent another person from gaining access to information to which that person is entitled by law.

Disclosing confidential information may also contravene other parts of the Code e.g. it may be regarded as bringing the office of Councillor or the Council into disrepute; may compromise the impartiality of people who work for the Council; may improperly confer or secure an advantage or disadvantage for you or any other person.

## **Registering Interests**

Under the Council's Code of Conduct, Councillors are required to register their financial interests and other interests in the Council's Register of Interests within 28 days of their election or appointment. They must also notify the Council's Monitoring Officer, in writing, of changes to these details within 28 days of any such change.

## **Checklist for Councillors Appointed to Outside Bodies**

Prior to commencing any duties relevant to the membership of an outside body organisation, Councillors need to ensure that they follow a number of steps:

- Members should ensure that prior to accepting any invitations by outside body organisations to attend their meetings and act on their behalf, that they have firstly been properly appointed on behalf of the Council.
- Members attending a meeting of an outside body organisation for the first time should ensure that they are provided by the organisation with details of the following:-
  - The purpose of the organisation, a copy of its constitution and its terms of reference.
  - A summary of the organisation's role as an employer, as a property holder and as the body responsible for the finances of the organisation.
  - The expected role of the elected Member on the organisation and the extent of their personal liability.
  - Confirmation of the detail and validity of the organisation's insurance and indemnity arrangements to protect Members acting on its behalf.
  - Details of the dates, venue and frequency of meetings which they will be invited or expected to attend.
  - Correspondence and contact details for any queries regarding the organisation and Member's roles.



Outside Bodies  
Financial Assistance

Organisation		Councillors Appointed	Financial Assistance?
Bangor University Court	Llys Prifysgol Bangor	G Kensler [Plaid]	
Betsi Cadwaladr Community Health Council (Denbighshire Local Committee)	Cyngor Iechyd Cymunedol Betsi Cadwaladr (Pwyllgor Lleol Sir Ddinbych)	R Bartley [Ind - term will expire end of Feb 2014], B Blakeley [Lab] 1 vacancy as Ann Davies completed her maximum term of office in Sep 2013	
Bodelwyddan Castle Trust [Trust]	Ymddiriedolaeth Castell Bodelwyddan [Ymddiriedolaeth]	H Jones [Plaid], D Simmons [Lab]	Annual curatorial support £14,525
Brickfields Pond Local Nature Reserve Management Advisory Group	Grwp Rheoli Ymgynghorol Gwarchodfa Natur Leol Pwll Brickfields	P Jones [Lab], M McCarroll [Lab]	
Cadwyn Clwyd Cyfyngedig [Company Ltd by Guarantee]	Cadwyn Clwyd Cyfyngedig [Cwmni Cyfyngedig trwy Warant]	T R Hughes [Plaid]	Reimbursement of expenditure - grant claim, contributions to various projects
Canolfan Seion (Denbigh Management Committee)	Canolfan Seion (Pwyllgor Rheoli Dinbych)	C Hughes [Lab]	
Clwyd Alyn Housing Association - Llys Marchan Residential Home Advisory Committee	Cymdeithas Tai Clwyd Alyn - Pwyllgor Ymgynghorol Cartref Preswyl Llys Marchan	B Feeley [Ind]	
Clwyd Leisure Ltd	Hamdden Clwyd Cyf.	<del>W Mullen James [Lab], P Penlington [Lab]</del> - Appointments withdrawn	Grant payments, £245,059 to date
Clwyd Pension Fund	Cronfa Bensiwn Clwyd	H Jones [Plaid] with J Thompson-Hill [Con] substitute	
Clwydian Range AONB - Joint Advisory Committee [Joint Committee]	AHNE Bryniau Clwyd - Cydbwyllgor Ymgynghorol [Cydbwyllgor]	M Holland [Con], H Jones [Plaid], M Parry [Con]	
Deeside and Yale College - Shadow Board	Coleg Glannau Dyfrdwy a Choleg Ial - Bwrdd Cysgodi	R Hughes [Plaid]	
Deeside College Governing Body	Corff Llywodraethu Coleg Glannau Dyfrdwy	R Hughes [Plaid]	
Denbigh Lower Park Association	Cymdeithas Parc Isaf Dinbych	R Bartley [Ind], G Kensler [Plaid]	
Denbighshire Care & Repair Agency - Strategic Business Planning Committee	Asiantaeth Gofal a Thrwio Sir Ddinbych - Pwyllgor Cynllunio Busnes Strategol	B Cowie [Ind], C Williams [Plaid], C Hughes [Lab]	Grants to voluntary organisations
Denbighshire Community Chest Panel	Panel Cist Gymunedol Sir Ddinbych	G Kensler [Plaid], C Williams [Lab]	
Denbighshire Enterprise Agency (Clwydro Cyfyngedig)	Asiantaeth Mentrau Sir Ddinbych	R Bartley [Ind], M Davies [Plaid], M Holland [Con], M McCarroll [Lab], D Owens [Con], H Williams [Con]	Reimbursement of expenditure - grant claim
Denbighshire Rural Development Plan Partnership	Partneriaeth Cynllun Datblygu Gwledig Sir Ddinbych	H Jones [Plaid], M Parry [Ind], C Williams [Plaid], E Williams [Plaid], M Davies [Plaid]	
European Centre for Training and Regional Co-operation [Trust]	Canolfan Ewropeaidd ar gyfer Hyfforddi a Chydweithio Rhanbarthol [Ymddiriedolaeth]	T R Hughes [Plaid]	
Heather & Hillforts Partnership Board	Bwrdd Partneriaeth Grug a Bryngaerau	T R Hughes [Plaid], M Hollang [Con]	
Joint Community Safety Partnerships - Strategic Group	Cydbwyllgor Partneriaethau Diogelwch - Grwp Strategol	B Cowie [Ind], D Smith [Ind]	
Llandrillo College Governing Body [Now Local College for Rhyl and Denbigh sites]	Corff Llywodraethu Coleg Llandrillo [Cyngor Coleg Lleol ar gyfer safleoedd y Rhyl a Dinbych]	B Mellor [Lab] for Rhyl LCC, R Davies [Ind] for Denbigh LCC	
Llangollen Silver Band	Band Arian Llangollen	T R Hughes [Plaid]	
Local Access Forum	Fforwm Mynediad Lleol	M Holland [Con]	
Marine Lake User Forum	Fforwm Defnyddwyr Marine Lake	I Armstrong [Lab] with A Roberts [Plaid] as named substitute	
Menter Iaith Sir Ddinbych	Menter iaith Sir Ddinbych	H Jones [Plaid]	Annual Membership fee £11,827
Mersey Dee Alliance	Cynghrair Merswy a Dyfrdwy	H Evans [Ind], with J Thompson-Hill [Con] and C Williams [Plaid] as named substitutes	
North and Mid Wales Trunk Road Agency [Joint Committee]	Asiantaeth Cefnffyrdd Gogledd a Chanolbarth Cymru [Cydbwyllgor]	D Smith [Ind]	
North Wales Economic Ambition Board	Bwrdd Uchelgais Economaidd Gogledd Cymru	H Evans [Ind]	
North Wales Economic Forum	Fforwm Economaidd Gogledd Cymru	H Evans [Ind]	
North Wales Fire Authority (Executive Panel) [Joint Committee]	Awdurdod Tan Gogledd Cymru (Panel Gweithredol) [Cydbwyllgor]	R Davies [Ind], M Lloyd-Davies [Plaid], P Owen [Con]	
North Wales Fire Authority [Joint Committee]	Awdurdod Tan Gogledd Cymru [Cydbwyllgor]	P Penlington [Lab], R Davies [Ind], M Lloyd-Davies [Plaid], P Owen [Con]	Precepts £382,800 per month

Organisation		Councillors Appointed	Financial Assistance?
North Wales International Music Festival	Gwyl Gerdd Rhyngwladol Gogledd Cymru	M Lloyd-Davies [Plaid], D Owens [Con]	
North Wales Police and Crime Panel	Panel Heddlu a Throsedd Gogledd Cymru	B Cowie [Ind]	
North Wales Poice Authority [Joint Committee]	Awdurdod Heddlu Gogledd Cymru [Cydbeyllgor]	B Cowie [Ind]	Precepts £706,517 per month
North Wales Police Authority Joint Appointments Committee [Joint Committee]	Cydbwyllgor Penodiadau Awdurdod Heddlu Gogledd Cymru [Cydbeyllgor]	J Butterfield [Lab], S Davies [Ind]	
North Wales Psychiatric Fund (Ablett Fund)	Cronfa Seiciatrig Gogledd Cymru (Cronfa Ablett)	R Bartley [Ind]	
North Wales Residual Waste Joint Committee	Cydbwyllgor Gwastraff Gweddilliol Gogledd Cymru [Cydbwyllgor]	E Williams [Plaid], D Smith [Plaid]	
North Wales Safer Communities Board	Bwrdd Cymunedau Diogelach Gogledd Cymru	D Smith [Ind]	
Scala Prestatyn Ltd	Scala Prestatyn Cyf.	G Sandilands [Lab]	Grants £54,470 2013/14
St Kentigern Hospice, St Asaph [Trust]	Hosbis Sant Kentigern, Llanelwy [Ymddiriedolaeth]	D Owens [Con] with A Jones [Ind] as named substitute	Chairman Donation £2,000
Taith Joint Committee [Joint Committee]	Cydbwyllgor Taith [Cydbwyllgor]	D Smith [Ind], H Hilditch-Roberts [Ind]	
Third sector Liason Group	Grwp Cyswllt Trydydd Sector	B Feeley [Ind], H Irving [Con]	
Tourism Partnership North Wales	Partneriaeth Twristiaeth Gogledd Cymru	H Jones [Plaid]	
Upper Denbigh Community Partnership, Management Committee	Partneriaeth Cymuned Dinbych Uchaf, Pwyllgor Rheoli	G Lloyd Williams [Lab], C Hughes [Lab]	
Valuation Tribunal for Wales, North Wales Region - Joint Appointing Panel	Tribiwnlys Priso Cymru, Rhanbarth Gogledd Cymru - Cyd Banel Penodi	Cefyn Williams [Plaid]	
Welsh joint Education Committee	Cydbwyllgor Addysg Cymreag	E Williams [Plaid]	SLA £35,158 to date
Welsh Local Government Association - Co-Ordinating Committee	Cymdeithas Llywodraeth Leol Cymru - Pwyllgor Cydlynu	H Evans [Ind]	
Welsh Local Government Association - Council	Cymdeithas Llywodraeth Leol Cymru - Cyngor	H Evans [Ind], J Thompson-Hill [Con]	Annual subscription £69,286.41, Employment Levy £13,869.71

**DRAFT  
DENBIGHSHIRE COUNTY COUNCIL**

**ANNUAL REPORT – COUNCIL REPRESENTATIVE’S ON OUTSIDE BODIES**

**20 /20**

Name(s) of Representative(s):			
Name of Organisation:			
No. of Meetings Held:		No. of Meetings Attended	
Please give a brief description of the purpose/aims of the Organisation:			
Please give details of the key activities/achievement/outcomes during the year:			
Do you wish to continue as the Council’s representative:			
Any other comments:			

Please return this form by .....to

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## Corporate Governance Committee Forward Work Programme

<b>21 May 2014</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
		<b>Reports</b>		
Page 133	5	Corporate Governance Framework Action Plan	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	6	Internal Audit Annual Report 2013/14		
	7	Strategic Human Resources Internal Audit Report - Update		
	8	Staff Survey Issues	Head of Legal & Democratic Services, Gary Williams.	
<b>2 July 2014</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
	5	Forward Work Programme		

## Corporate Governance Committee Forward Work Programme

		<b>Reports</b>		
<b>3 Sept 2014</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
Page 134	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
	5	Forward Work Programme		
		<b>Reports</b>		
<b>29 Sept 2014</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
	5	Forward Work Programme		
		<b>Reports</b>		

## Corporate Governance Committee Forward Work Programme

<b>5 Nov 2014</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
	5	Forward Work Programme		
		<b>Reports</b>		
<b>17 Dec 2014</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
	5	Forward Work Programme		
		<b>Reports</b>		

## Corporate Governance Committee Forward Work Programme

<b>28 Jan 2015</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
	5	Forward Work Programme		
		<b>Reports</b>		
<b>15 March 2015</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
	5	Forward Work Programme		
		<b>Reports</b>		



## Corporate Governance Committee Forward Work Programme

<b>20 May 2015</b>		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
	5	Forward Work Programme		
		<b>Reports</b>		

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