

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 13 July 2016 at 9.30 am.

### **PRESENT**

Councillors Martyn Holland, Alice Jones, Jason McLellan (Chair) and Mr Paul Whitham (Lay Member).

Councillor Julian Thompson-Hill attended as an observer.

### **ALSO PRESENT**

Head of Legal, HR and Democratic Services (GW), Head of Internal Audit (IB), Chief Finance Officer (RW), Chief Accountant (SG), Senior Auditor (AW), Wales Audit Office Representatives (AV) and Committee Administrator (CIW).

The Chair welcomed Councillor M.L. Holland to the meeting following his appointment as a Member of the Corporate Governance Committee.

### **1 APOLOGIES**

Apologies for absence were received from Councillors Stuart Davies, Peter Duffy and Win Mullen-James.

### **2 DECLARATION OF INTERESTS**

The following interest was identified in a business item to be considered at the meeting.

Agenda Item 6 "Draft Statement of Accounts" – A personal interest was declared by Councillor M.L. Holland. The reason for the declaration was that the respective Committee Member had been a Member of the Board of Clwydfro Limited.

### **3 URGENT MATTERS**

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

### **4 MINUTES**

9. Updating the Council's Financial Regulations:– Mr P. Whitham sought an assurance that schools were working to rules and regulations which were equivalent to the General Schools Financial Regulations. The CFO explained that, as agreed at the previous meeting, a review would be undertaken of the regulations each school in Denbighshire had in place to comply with the requirements, and he

confirmed that a further report in respect of the outcome would be presented to the Committee.

12. Management of Voluntary School Funds, Audit Report:– Mr P. Whitham questioned the action to be taken, prior to the end of the school term, to inform all School Governing Bodies of the concerns and weaknesses identified by the Committee regarding aspects of school governance, and particularly the management and administration of school funds. The HIA confirmed that he had liaised with the Education Planning and Resources Manager regarding this matter, and it had been considered that the most appropriate and effective time to circulate such information and guidance to Headteachers and School Governing Bodies, in respect of improving schools effective management of funds, would be in September following the summer break.

In reply to a question from Councillor M.L. Holland, the HIA provided details of the process for monitoring the completion and submission of Audit Certificates by schools. Members agreed that any anomalies regarding the submission of Audit Certificates be reported to the Corporate Governance Committee. The Chair explained that the trends identified by the Committee had been discussed by the Scrutiny Chairs and Vice Chairs Group. The HLHRDS confirmed that Cabinet had requested that a Group of Members examine, adopting a non-judgemental approach, the themes and any trends relating to school balances. It was confirmed that any issues identified would be reported to Cabinet and consideration afforded to the implementation of the appropriate action.

The HIA provided confirmation that details of the aggregate annual turnover, and end of year balances of the schools reviewed, would be forwarded to Mr Whitham as resolved by the Committee.

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

## **5 REVISED INTERNAL AUDIT PLAN 2016/17**

A report by the Head of Internal Audit (HIA), which provided a revised Internal Audit Annual Assurance Plan (AAP) for July, 2016 to March 2017, had been circulated previously.

The HIA provided a summary of the report which detailed the proposed Internal Audit projects for the remainder of the year. This would allow the HIA to provide an ‘opinion’ on the adequacy and effectiveness of the Council’s framework of governance, risk and control during the year. The original AAP had been endorsed in April 2016 but, due to upcoming maternity leave within the service, it was necessary to revise the AAP, Appendix 1.

The proposed plan of work would allow the HIA to provide an overall ‘opinion’ in his Annual Report for 2016-17, and the Committee would receive regular progress reports on the delivery of the AAP.

The HIA had met Management Teams of all services to discuss proposed Internal Audit work for the original AAP. It was explained that failure to deliver an adequate level of internal audit may mean that the HIA could not provide an annual 'opinion' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year. This could lead to a significant governance issue being raised in the Council's 'Annual Governance Statement' at the end of the financial year.

In response to a question from Councillor M.L. Holland, the HIA explained that the review of major projects in the Rhyl and Prestatyn areas had not currently been included. However, projects could be omitted and included in the Verto Project Register which was monitored on a regular basis. The Chair made reference to the work undertaken by the respective Project Boards. Mr P. Whitham referred to the West Rhyl Coastal Defence Scheme Phase 3, which had been the first project to be reviewed using the checklist, and the confirmation received that this process would be adopted for other projects.

The HIA responded to a question from Mr P. Whitham, and explained that the 225 planned days allocated to externally funded areas of work could not be reduced as this was subject to contracted work.

In reply to a question from the Chair in relation to income generation, the HIA explained that the acquisition of additional work would result in the need to employ additional staff which would increase staffing costs.

***RESOLVED*** – *that the Corporate Governance Committee endorses the revised Internal Audit Annual Assurance Plan 2016-17 (Appendix 1).*  
***(IB to Action)***

## **6 DRAFT STATEMENT OF ACCOUNTS**

A report by the Chief Accountant (CA), which provided an overview of the draft Statement of Accounts 2015/16 and the process underpinning it, had been circulated previously.

Councillor J. Thompson-Hill introduced the report. The Corporate Governance Committee (CGC) had been delegated responsibility to approve the audited accounts which would be presented on 28th September 2016. Presenting the draft Accounts provided an early indication of the Council's financial position and could highlight issues in the accounts or the process prior to the accounts being audited.

The Council had a statutory duty to produce a Statement of Accounts that complied with approved accounting standards. The audited Accounts had to be formally approved by Members on behalf of the Council and this role had been delegated to the CGC. The draft Accounts had been finalised and signed by the Head of Finance on the 21<sup>st</sup> June. The draft Accounts had been made available for audit as required and would be open to public inspection from the 11<sup>th</sup> July to the 5<sup>th</sup> August.

Given the role of the CGC in approving the final accounts, it was beneficial to provide an update and overview at draft stage for consideration before submitting the final accounts in September. The publication of the Statement of Accounts underpinned the financial stewardship and governance of the Council and therefore supported all Council services and priorities.

The Council's procedures and processes underpinning the production of the accounts were regularly reviewed by the Wales Audit Office. Professional opinions were drawn from numerous other disciplines beyond finance, such as Legal, Property Valuation, HR and Pensions. The Statement of Accounts was a key element of the Council's governance framework and it was important to provide an assurance that the Accounts had been produced in compliance with the relevant standards, and that the process underpinning their production was robust. The Council would be in breach of its statutory duty if it could not approve the accounts by 30th September, 2016.

The Chief Accountant provided a detailed summary of Appendix 1, Statement of accounts 2015/16 and the following areas were highlighted:-

- Details were provided of the Final Revenue Outturn, particular reference being made to the underspend of £1.1m, Earmarked Balances – Services, Transfers to Budget Mitigation Reserve and School Balances.
- Review of the year – Capital Expenditure. Housing Stock Business Plan.
- PFI Project Agreement.
- Movement in Reserves Statement.
- Related Parties.

As a former member of the Board, Councillor M.L. Holland provided details of the background pertaining to Clwydfro Limited.

Councillor E.A. Jones highlighted the possible impact and implications arising as a result of Brexit in relation to grant funding streams. The CFO made reference to the uncertainty at the present time but provided confirmation that the grant funding streams were being examined and monitored. The Committee agreed that the CFO circulate available documentation relating to the impact emanating from Brexit to all Elected Members.

In reply to a question from Councillor M.L. Holland, confirmation was provided that reference to the pension deficit had been included in the Accounts.

Mr P. Whitham invited attention to the Governance Improvement Action Plan and the reference made to the poor response to the Residents Survey, and a significant decline in Member attendance at Scrutiny Committee meetings. Mr Whitham suggested that these matters might be included on the Risk Register. The explained that notwithstanding the response level the Residents Survey had been deemed as valid. It was confirmed that the Survey was not a statutory requirement. However, it had been perceived as part of the broader engagement structure to seek the views of residents within the County, which could impact and influence future Policies, the Corporate Plan and the future direction of the Council. The

Chair referred to the Action Plan pertaining to the Residents Survey, and the HLHRDS agreed to ensure that its progress was examined and pursued.

Reference was made by Mr P. Whitham to the Action Plan. He explained he was pleased to note the continuing rollout and approval of the new Procurement Strategy and Contract Procedure Rules (CPRs). However, he questioned were there other areas or items of comparable significance which might require inclusion in the Action Plan. The officers outlined the process undertaken, and it was explained that the inclusion of items had been based on the assessment undertaken by the HIA. The WAO Representative outlined the WAO's remit in respect of the Statement of Accounts, which included an examination of the process utilised when compiling the Accounts.

During the ensuing discussion the Chair thanked the officers for the work undertaken in producing the Draft Statement of Accounts, and it was:-

***RESOLVED*** – *that the Corporate Governance Committee receives the report and notes the position as presented in the draft Accounts, Appendix 1 to the report.*  
***(RW, SG to Action)***

## **7 ANNUAL TREASURY MANAGEMENT REPORT**

A report by the Chief Finance Officer (CFO) had been circulated previously.

Councillor J. Thompson-Hill provided a detailed summary of the report and Appendices 1 and 2.

The Annual TM Report 2015/16, Appendix 1, related to the Council's investment and borrowing activity during 2015/16. It provided details of the economic climate during that period and detailed how the Council complied with its Prudential Indicators. The TM Update Report, Appendix 2, provided details of the Council's TM activities during 2016/17.

The term 'treasury management' included the management of the Council's borrowing, investments and cash flow. Approximately £0.5bn passed through the Council's bank accounts every year, and the Council's outstanding borrowing at 31<sup>st</sup> March, 2016 had been £190.17m at an average rate of 4.95% and the Council held £12m in investments at an average rate of 0.61%.

It had been agreed by Council in October, 2009 that the governance of TM be subjected to scrutiny by the Corporate Governance Committee (CGC). Part of this role was to receive an update on the TM activities twice a year and to review the enclosed Annual TM Report for 2015/16. The TM team would provide reports and training to the CGC in accordance with the timetable included in the report.

TM was a complex area and it had been deemed that the CGC was more appropriate than Council to receive updates so that the required amount of time and commitment could be devoted. The Committee was required to have a certain level of understanding in this area and this was achieved through regular updates and training sessions.

The role of the Committee included to:-

- understand the Prudential Indicators
- understand the impact of borrowing on the revenue position
- understand the wider drivers impacting on the Council's TM activities
- ensure the Council always acted in a prudent manner in relation to its TM activities

The purpose of the Annual TM Report (Appendix 1) was to:-

- present details of capital financing, borrowing, debt rescheduling and investment transactions in 2015/16;
- report on the risk implications of treasury decisions and transactions;
- confirm compliance with treasury limits and Prudential Indicators.

The TM update report, Appendix 2, provided details of the following:-

- External economic environment
- Risks
- Activity
- Controls
- Future Activity

Good investment and borrowing decisions allowed additional resources to be directed to other Council services, and the Council had consulted with its treasury advisers, Arlingclose Ltd. TM involved looking after significant sums of cash so it was a vital part of the Council's work. It required a sound strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments were achieved and that debt was effectively and prudently managed.

Council adopted the revised CIPFA Code of Practice on TM in February, 2012. It was a requirement of that Code that the CGC receive an update on the TM activities twice a year and to review an Annual TM Report. The Council had approved an ambitious Corporate Plan that involves investing approximately £92m in delivering its priorities over the coming four years. It was vital that the Council had a robust and effective TM function underpinning this investment and all other activities.

TM was inherently risky but the Council monitored and controlled these risks as outlined in the main report. However, it was impossible to eliminate risks completely. The Council's TM strategy and procedures were audited annually and the latest review had been positive with no significant issues raised.

The following responses were provided to issues raised by Members of the Committee:-

- It was confirmed that the Council did receive regular alerts and updates, on a daily basis, particular reference being made to the impact of Brexit.
- That the report would be presented to Cabinet in July, 2016.

Following further discussion, it was:-

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

*(a) the performance of the Council's Treasury Management function during 2015/16, and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2015/16, Appendix 1 to the report.*

*(b) the contents of the TM update report, Appendix 2 to the report, and*

*(c) that the report be presented to Cabinet in July, 2016.*

**(RW, SG to Action)**

## **8 ANNUAL REPORT ON WHISTLE BLOWING**

A report by the Monitoring Officer (MO), which provided information relating to the operation of the policy over the past year both before and after adoption of the recently revised Policy, had been circulated previously.

The report had been submitted in accordance with the Council's Whistleblowing Policy (WP), which contained a requirement that the MO bring a report to the CGC at least once a year on the operation of the Policy and any changes in practice introduced as a result of concerns raised under the Policy.

The Council had recently approved a revised and updated WP which included a requirement that, at least annually, the MO should in an anonymised format report on the operation of the Policy and any changes to practice introduced as a result of a concern raised under this Policy.

The report addressed concerns raised under the policy since the 1<sup>st</sup> April, 2015 to date. Appendix 1 set out the nature of those concerns and how they had been dealt with.

There had been two concerns raised under the Policy during the period in question. The first related to an unauthorised disclosure of confidential information due to the information not having been kept securely. Changes to the practice within the Department concerned had been made to ensure that the risk of such an occurrence was minimised in future. The second concern related to allegations made by a former employee in respect of practices relating to the management of extra care accommodation. An investigation had been undertaken but the outcome had yet to be determined. No pattern or theme had emerged from the concerns raised.

The revised updated Policy, along with other employee related Policies which had been agreed, had been formatted and recently returned from translation. The new HR intranet pages would be launched by the end of July, and as part of the launch it was intended to focus on the promotion of the new policies including the new Whistleblowing Policy. HR Business Partners would promote the Policy within their client services in management meetings and managers would receive information directly.

HR were looking at the possibility of having the presentation of the Policy put into an e-learning format to raise awareness. Awareness of the Policy among staff and others would be key to its success, and it was hoped that a co-ordinated launch would achieve this. The WP would assist the Corporate Priorities by helping to modernise the Council by ensuring that managers and employees were aware of their obligations in line with legislation and good practice. It was explained that robust whistleblowing arrangements would help to support good governance throughout the Council.

In the absence of a robust and effective WP and Procedure with which employees and third parties engaging with the Council were familiar, there would be a risk that concerns about malpractice would not come to the attention of the Council. It was essential that employees understood that they would be protected if they raised a concern in the reasonable belief that their report was made in the public interest.

The HLHRDS explained that the HR business partners would be promoting the Policy within their respective services, and the content of the WB Policy would be transposed into an e-learning format to enable access for utilisation as an awareness exercise.

In reply to a question from Mr P. Whitham, the HLHRDS provided confirmation that the WB would apply to third parties, outside bodies, consultants and would be made available to contractors and agency staff. He explained that the Policy would be placed on the Internet and would apply to anybody who works for or with the Council.

In response to a query from the Chair, it was explained that it would not be compulsory to complete a pro-forma when raising concerns. The HLHRDS agreed that a summary of issues raised could be included in future WB Annual Reports which could incorporate details or an explanation for pursuing, or not pursuing, issues raised.

The HLHRDS provided a response to a question from Councillor E.A. Jones regarding the risk aspect to the Authority in relation to malpractice. Councillor Jones highlighted the positive aspects of the WB Policy in terms of improving the reputation of the Council, and the provision of protection for individuals and their well-being.

**RESOLVED** – that:-

- (a) *the Corporate Governance Committee receives and notes the contents of the Whistleblowing Report, and*
  - (b) *a summary of issues raised be included in future WB Annual Reports, incorporating an explanation for pursuing, or not pursuing, complaints received.*
- (GW to Action)**

## **9 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME**

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



The Committee confirmed the Corporate Governance Committee Forward Work Programme subject to the inclusion of the following reports:-

28<sup>th</sup> September, 2016:-

- The Corporate Denbighshire Audit Enquiries Letter be included in the Forward Work Programme for September, 2016.
- The GWE Regional Consortium Report be included in the Forward Work Programme for September, 2016.
- Wales Audit Office Financial Statement Report (to include WAO Assurance Letter).

23<sup>rd</sup> November, 2016:-

- The Financial Regulation Report - Update be included in the Forward Work Programme for November, 2016

January, 2017:-

- School Finance Regulations Update - Members noted a request received from Councillor P.C. Duffy that this item be considered at the November, 2016 meeting. Following consideration of the timescales involved Members felt that the report should be included in the forward work programme for January, 2017.

In reply to a question from Mr P. Whitham in relation to the Corporate Risk Register, it was confirmed that an Annual Report was presented to Corporate Governance Committee. The HLHRDS explained that the Terms of Reference of the Corporate Governance Committee included the monitoring arrangements for the management of risks. He informed the Committee that the performance element of ensuring risks were appropriately mitigated and managed was a scrutiny function.

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

***(CIW to Action)***

Meeting ended at 11.15 a.m.