

## **CORPORATE GOVERNANCE AND AUDIT COMMITTEE**

Minutes of a meeting of the Corporate Governance and Audit Committee held in Conference Room 1A, County Hall, Ruthin on Wednesday, 11 September 2019 at 9.30 am.

### **PRESENT**

Councillors Mabon ap Gwynfor, Tony Flynn, Alan James and Joe Welch

Lay Member Paul Whitham

Councillor Julian Thompson Hill, Lead Member for Finance, Performance and Strategic Assets and Councillor Bobby Feeley, Lead Member for Well-being and Independence were in attendance

### **ALSO PRESENT**

Head of Legal, HR and Democratic Services (GW), Chief Accountant (SG), Chief Internal Auditor (LL), Senior Auditor (LH), Auditor (SW), Corporate Health and Safety Manager (GL), Member Support & Development Manager (EW), Development Control Manager (PM), Head of Community Support Services (PG), Strategic Planning & Performance Officer (EH), Committee Administrator (RTJ)

Wales Audit Office Representative - Matthew Edwards and Gareth Edwards

### **APPOINTMENT OF CHAIR**

The Head of Legal, HR & Democratic Services opened the meeting requesting a chair be appointed for the Corporate Governance in the absence of the chair and vice chair. Councillor Tony Flynn proposed that Councillor Joe Welch chair the meeting, seconded by Councillor Alan James. All present agreed for Councillor Joe Welch to chair the committee.

**RESOLVED** – *that Councillor Joe Welch be appointed as stand in chair for the Corporate Governance Committee.*

#### **1 APOLOGIES**

Apologies were received from Councillors Barry Mellor and Martyn Holland.

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

The following members declared a personal interest –

Councillors Joe Welch and Mabon Ap Gwynfor – Agenda item 6 – because they had children who attended schools in Denbighshire.

Lay Member Paul Whitham – Agenda item 6 – as he had grandchildren attending schools in Denbighshire.

### **3 URGENT MATTERS**

No urgent matters had been raised.

### **4 MINUTES**

The minutes of the Cabinet meeting held on 10 July 2019 were submitted.

Matters Arising –

- The letter from Corporate Governance to head teachers and governing body chairs was queried whether it had been circulated. The Head of Legal, HR & Democratic Services informed the committee that the letter had not been circulated it was in the process of being proofed but would be circulated once finalised.
- The school deficit was queried again, clarity was sought how the deficits were payed. The chief accountant informed that there were reserves in place to pay for deficits.
- The Wales Audit Office (WAO) annual improvement report and the term “rushed” was used for the Alternative Delivery Model (ADM), and whether it was a term commonly used. WAO officers responding informed the committee that the ADM was not a rushed decision.

***RESOLVED*** that the minutes of the Corporate Governance Committee meeting held on the 10 July 2019 be approved as a correct record.

### **5 INTERNAL AUDIT UPDATE**

The Chief Internal Auditor (CIA), introduced the Internal Audit update report (previously circulated) updating members on the Internal Audit progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

The report provided information on work carried out by Internal Audit since the last committee meeting. The CIA guided members through the reports which provided an update as 28 August 2019:

- Internal audit reports recently issued
- Internal Audit reports issued since the last update:
  - Financial Services 2018-19
  - Cyber Security
  - Programme & Project Management
  - School Governance
  - Support Budgets & Direct Payments
  - Former North Wales Hospital
  - Legal Services Collaboration

- General Data Protection Regulations (GDPR)

The following matters were discussed in more detail –

- Counter fraud, there had been no referrals since the last audit update.
- Training dates for agenda management dates were being sought alongside treasury management training dates.

**RESOLVED** that the Corporate Governance Committee receive the Internal Audit update report and note its contents.

## **6 CORPORATE HEALTH & SAFETY ANNUAL REPORT**

The Lead member for Finance, Performance and Strategic Assets presented the Annual Health and Safety Report (previously circulated). The Lead Member stated the overall assessment for the health and safety team had been given medium assurance, with a good history of health and safety works in Denbighshire, and that the low assurances in schools had since increased to medium.

The Corporate Health and Safety Manager (CHSM) guided members through the Annual Health and Safety report providing members with an update on the Health and Safety management within the Council from the perspective of the Corporate Health and Safety team. The CHSM advised the report had provided an annual summary of issues identified and discussed over the last year. During consideration of the report the following matter was discussed in more detail-

The CHSM confirmed that the amount of incidents being recorded were continuing to raise, which highlighted that the communication with staff had worked. The increase in the reporting within Facilities Assets and Housing had increased due to SC2 opening it was prudent to record all incidents however minor and whether due to the facility use or not. The purpose of this was to obtain a full picture at the outset.

The traffic management in schools was outlined, that it would continue to be an issue, it was clarified that the authority had little control how people parked during opening and closing of schools. The committee were informed that the matter was not as bad in Denbighshire as other counties. Action with dangerous parking would take place whether civil or criminal offences were committed.

Members queried with the CHSM whether contractors who worked for DCC would report incidents to the employer or would they report directly to DCC. It was clarified that reporting would be directly to the employer.

The schools which were highlighted as red/amber would be looked at again, and the Health and Safety team would challenge the issues with the schools.

The Chair thanked the Corporate Health and Safety Manager for the report and for the clear responses to member questions.

**RESOLVED** that, the Corporate Governance Committee receive the report, note its contents and endorse the Corporate Health and Safety team Work plan for 2018/19.

## **7 APPROVAL OF THE STATEMENT OF ACCOUNTS 2018/19**

The Lead Member for Finance, Performance and Strategic Planning, introduced the Approval of Statement of Accounts 2018/19 report (previously circulated) to be formally approved by elected members on behalf of the Council. The Council had a statutory duty to produce a statement of accounts that complied with approved accounting standards.

The Chief Accountant (CA) informed the committee that no queries had been received by members or the general public in regards to the statement of accounts, a follow up report would be produced by February.

Welsh Audit Officers (WAO) outlined the challenges of completing the statement of accounts within the new deadlines, however lessons were learned from English counties who have shorter deadlines to complete the Statement of Accounts.

The key findings with the report is that the work was good and an overall it was a positive report, with no concerns about the qualitative aspects of your accounting practices and financial reporting. The method of how Denbighshire County Council (DCC) continue to maintain complex spreadsheets to support the fixed assets disclosed in the financial statements. Whilst these spreadsheets were well maintained and support the preparation of the accounts, the WAO have concerns over the ability of the system to support a more streamlined accounts closure process, in particular the ease at which the accounting for revaluations was accomplished. The WAO praised the work which was carried out by the Finance team.

The method of maintaining a complex spreadsheets to support the fixed assets was outlined and whether there was plan in place to modernise the method of recording fixed assets. Responding the CA stated that the modernisation was a large project, which was complicated further as a joint approach of modernising the systems was sought Conwy County Borough Council. The project was also slowed as the Head of Finance had left the Council, the Head of Business Improvement and Modernisation was now the project lead, with meeting organised with Conwy for autumn. There were alternative systems in place whether the project with Conwy were to fall, a system Techforge could be used. It was queried whether there was a critical date with the project, the deadline would be sometime in the autumn.

The Head of Legal, HR & Democratic Services endorsed the work that the Finance team had carried out with the statements accounts but also thanked the hard work the CA had carried out with the absence of the Head of Finance.

The Head of Legal, HR & Democratic Services also informed the committee whether they would formally agree that Councillor Joe Welch sign the accounts and the letter of representation. All present members agreed.

**RESOLVED** *that:*

- *the Corporate Governance Committee approve the Statement of Accounts 2018/19, which is Appendix 1 to the report, and*
- *the Chair and Chief Finance Officer sign the Accounts and the Letter of Representation*

**8 WAO - ANNUAL AUDIT ENQUIRIES 2018/19**

The Lead Member for Finance, Performance and Strategic Assets introduced the Audit Enquiries 2018/19 report (previously circulated) to inform Members of the Council's response.

Wales Audit Office (WAO), as Denbighshire County Council's appointed external auditors, had a duty to obtain evidence of how management and those charged with governance (Corporate Governance Committee) were discharging their responsibilities for preventing and detecting fraud.

The details of the responses of both management (Head of Finance) and Corporate Governance Committee (Chair of Committee) were set out as an appendix to the report.

In summary the responses set out the Council's approach to the following areas of governance:

- Management processes in place to identify and mitigate against the risk of fraud.
- Awareness of any actual or alleged instances of fraud.
- Processes to gain assurance that all relevant laws and regulations have been complied with.
- Whether there is any potential litigation or claims that would affect the financial statements. Processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

Members praised the report however highlighted the E-learning module on Code of Conduct and Whistleblowing. Which was recently rolled out and mandatory completion for staff and formed part of induction process. It was queried whether there was a method to monitor the staff who had not completed the modules. Members were reassured that monthly reports were produced for managers to monitor members of staff who had not completed the mandatory modules.

The committee commended the Finance department and the WAO for the work they had done.

**RESOLVED**, *that the Chair of the Corporate Governance Committee formally confirmed the responses included in Appendix 2 to the report.*

**9 REGISTRATION SERVICE AUDIT UPDATE**

The Chief Internal Auditor (CIA), introduced the Registration Service Audit Update (previously circulated) updating members on the progress in implementing the action plan that accompanied the Internal Audit report on the Registration Service in January 2019.

The Internal Audit follow up report (Appendix 1) showed that implementation of actions had clearly been impacted by recent staff changes; however, progress was being made with a number of actions being addressed and several nearing completion. Seven actions relating to the major risk issues had been completed leaving five in progress. One of the four actions relating to the moderate risk issues had been completed.

Further improvement were required to fully address the remaining actions, for example, to complete the development of procedures and strengthen controls around income management and reconciliation. Based upon the scope of the original review, and the improvements carried out, the assurance rating was increased from low to medium. Internal Audit would continue to monitor the outstanding actions which are partially addressed to ensure that they were completed.

The action plan with the implementation of the ICT systems was highlighted and whether the completion date was likely to be April 2020. It clarified that it was likely for the date to be extended slightly however discussions were productive with ICT.

**RESOLVED** *that the Corporate Governance Committee reviewed the progress with addressing audit actions.*

## **10 SECTION 106 AGREEMENTS AUDIT UPDATE**

The Chief Internal Auditor (CIA), introduced the Section 106 Agreement Audit update. The report was to provide information on how the Council was implementing improvements to Section 106 Agreements since the issue of the Internal Audit report, which was given 'Low Assurance'.

Members praised the report updating on the implementations which had been carried out, and decided a follow up report to be brought back to the Committee in March 2020.

**RESOLVED** – *that the Corporate Governance Committee review the progress with the audit actions and a follow up report be produced for March 2020.*

## **11 INTERNAL AUDIT OF SUPPORT BUDGETS & DIRECT PAYMENTS**

The Chief Internal Auditor introduced the Internal Audit of Support Budgets & Direct Payments (previously circulated) updating members on the recent Internal Audit report on Support Budgets and Direct Payments that received a 'Low' Assurance rating.

At the time of audit's review, the provision of support budgets and direct payments was in a transitional period with documentation, processes and procedures being

reviewed. Improvements already underway include: putting in place a capacity assessment document and improving the third party support budget process. However, some staff were still uncertain of current arrangements and the process was not fully embedded.

The support budget was an option that is considered for providing managed care and support to comply with the Social Services and Well-being (Wales) (SSWB) Act 2014 focusing help and support on achieving outcomes for citizens.

It was clarified that the monitoring of direct payments by Financial Assessment Officers (FAOs) was not always held electronically, and was inconsistent between officers within the team in terms of what was recorded. A lack of clear records means audit were unable to assess the frequency of monitoring and issuing of reminders (where returns had not been submitted with details of expenditure); audit advised by the team that there had been some delays in their monitoring. Similarly, audit were unable to report the number of returns that have not been submitted by citizens and to what value.

Members queried the following points –

- The monitoring of the borrowing was raised and the returns with the expenditure, and how requesting information from expenditure was somewhat like 'coercive control', and how the Council would continue to request the information whilst still being respectful of those receiving payments. The officers responded highlighting that it was a delicate balance to be respectful however the information was required to be collated.
- It was agreed that the balance was required and it was good that audit were addressing concerns which were raised during the review. Members agreed that it would be beneficial to receive a follow up report from Audit in March 2020 where most actions would be completed.

**RESOLVED** that

- *Corporate governance committee note the content of the report.*
- *A follow up report be produced in March 2020.*

## **12 ANNUAL REPORT ON THE CONSTITUTION**

The Legal Services Manager (LSM) introduced the updates to the Council Constitution (previously circulated) which provided the Committee with an annual update and to advise of the proposed changes that need to be made to the Council Constitution.

It was highlighted to members the monitoring Officer was satisfied that the Constitution was fit for purpose and confirmed that the Constitution has been amended to take into account the following:

- Corporate Governance Committee Terms of Reference following the Committee being consulted which was approved by Full Council on the 19th February 2019.

- Responsibility for Executive Functions – Cabinet Member portfolio changes have been made following changes made by the Leader of the Council.
- Combined two existing Committees to form the Joint Consultative Committee for Health & Safety and Employee Relations
- Council Members Schedule of Remuneration kept up to date.

Members were also informed that changes would need to be made to the Officer Scheme of Delegation in respect of changes being made as a result of the SLT restructure:

- Officer Scheme of Delegation – the proposed scheme which was attached as appendix 1 dealing with the transfer of certain housing related functions; the transfer of certain asset and estates functions and the responsibility in respect of leisure functions being silent and dealt with under the Cabinet scheme.
- Cabinet Scheme of Delegation attached in appendix 2 an express provision setting out that these functions sit with the relevant lead member.

In relation to the scheme of delegation members that the facilities function would be transferred to the Head of Customers, Communications and Marketing, whilst the asset and estates functions would be transferred to the Head of Finance. The leisure aspects would be transferred to the Alternative Delivery Model (ADM).

The following points were discussed in more detail –

- The control of the ADM was queried and whether it had been finalised. Members were informed that company had been set up. Cabinet would create a board and an operational manager would be appointed to monitor how the company was performing.
- The finances of the ADM were queried and how it would be audited, it was clarified that company would be audited by internal audit and the WAO as the company was still controlled by the Council. The finances of the ADM would be included in the statement of accounts.
- The committee noted that there was a duplication with point 9.8 and 16.9 within the scheme of delegation for officers. Officers responded informing the committee that the error would be rectified.

***RESOLVED*** that the Corporate Governance Committee support and recommend the adoption of the updated Constitution.

## **13 RISK MANAGEMENT - RISK APPETITE**

The Planning and Performance Officer (PPO) introduced the Risk Management - Risk Appetite (previously circulated) which was the revised draft version of the Risk Management Guide, which incorporated the Risk Appetite Statement.

Denbighshire's Risk Management Guide outlined the council's approach to risk management. It was a comprehensive guide to identifying and managing risk proactively. An Internal Audit Review of risk management was undertaken in November 2018. The review concluded that Denbighshire's risk management was

“robust with good processes in place”. However, the Internal Audit Review found that the Guide was lacking in relation to risk appetite:

Risk appetite was clarified to mean the level of risk that the Council was prepared to tolerate or accept in pursuit of its long term, strategic objectives.

Following the review by Internal Audit there had been a range of research and engagement, including with CET, SLT and at Cabinet Briefing, to develop an approach to risk appetite that is proportionate and workable. The approach which had been developed was based on the application of risk appetite in other areas and by other institutions. Advice was also sought from the Council’s Strategic Risk Consultant, Zurich Insurance Ltd.

Members queried whether schools would be required to adopt the draft version of the Risk Management Guide, which incorporated the Risk Appetite Statement. The PPO informed members that she was not certain whether schools would be required to adopt the new guidance, however it was clarified that if the new methodology would not be adopted they would be required to do their own methodology. The committee were informed that the risk appetite would be discussed during the audit of schools.

**RESOLVED** that

- *The Corporate Governance Committee endorse Risk Appetite Statement.*
- *A follow up report be brought back to Corporate Governance Committee in September 2020.*

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

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

The Head of Legal, HR & Democratic Services, suggested that certain items could be moved around in the FWP as the next meeting’s agenda was already heavily populated. The Annual report on Whistle Blowing was suggested as a possible report which could be postponed.

The Chief Accountant informed the committee that item 8 and 9 were the same report. Item number 7 was meant to read finance management in school. Health and Safety in schools could be produced as an information report which could be brought back committee.

Following the discussion follow up report for the Section 106 Agreements and Internal Audit of Support Budgets & Direct Payments be brought back to the committee in March 2020. The risk management follow up report was agreed to be returned in September 2020.

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