



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

Internal Audit Project Scoping Document

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| Project area: Governance Arrangements for Council-funded Service Providers | Project no. D141505 |
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| Prepared By | Ivan Butler | Date | 06/10/14 |
| Approved By | n/a | Date | n/a |
| Agreed With | Discussed with CET | Date | July 2014 |

| Reason for Project |
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| <p>The public sector faces increasing financial pressures that are leading to changing service delivery methods. This means that the Council’s elected members need to be aware of and understand their accountabilities and responsibilities when scrutinising and representing the Council on ‘arms-length’ body boards, committees etc., including conflicts of interest.</p> <p>The Performance Scrutiny Committee initially asked for assurance on the performance of other ‘arms-length’ organisations but, during the development of the Council’s ‘annual governance statement’, subsequent discussions and committee reports, it became clear that the Council cannot be fully assured that bodies that it funds to deliver services on its behalf have robust governance arrangements in place. This has now been raised as a significant governance issue in the Council’s ‘annual governance statement’ 2013/15 and 2014/15, as recognition that it cannot transfer this accountability.</p> <p>This review will also take the outcome of the ‘lessons learned’ report on Clwyd Leisure Limited.</p> <p>CET agreed that a new risk-based framework needs to be established for Council-funded service providers (CFSPs). The original target date was 1 April 2015 but, due to a restructuring in the Internal Audit service, a new target date of 1 July 2015 has been set.</p> |

Scope of Project

CET agreed that the scope of assurance should cover grant-funded organisations, partnership arrangements and major third-party providers of services. Failure of governance arrangements in these three categories could have a significant detrimental impact on the Council's reputation.

The project will:

- identify current service providers in each of the three categories;
- carry out a risk-assessment within each category, based on the level of funding and type of service carried out;
- identify and assess current monitoring arrangements;
- assess current legal arrangements and new requirements;
- review elected member roles and responsibilities on 'boards', identifying appropriate guidance and training to allow them to effectively discharge their role;
- recommend and agree changes to current arrangements as necessary;
- develop a new monitoring framework and documentation;
- design an implementation plan for the new framework;
- formally launch the new framework; and
- ensure that SLT, CET and Corporate Governance Committee are kept informed at all stages.

Anticipated 'Added Value' of Project

The new framework will provide a concise and easy to use method to manage current arrangements for CFSPs, as well as ensuring that any new arrangements are entered into in a consistent way.

The Council will have robust arrangements in place to provide assurance to senior management, elected members and its stakeholders that the funding it is providing to third parties is being used for the intended purpose and is delivering the required objectives.

A new framework for monitoring CFSPs will contribute significantly to DCC's own governance arrangements and address a significant governance weakness highlighted in its 'annual governance statement' so that its stakeholders are assured that public money is fully accounted for and used for its intended purpose in delivering DCC's corporate priorities and statutory duties.

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Risks to be Reviewed

The new framework will ensure that DCC addresses the following key risks:

- Having guidance and consistent arrangements for setting up and recording CFSPs means that it will be fully aware of all CFSPs that it deals with.
- Having regular and robust monitoring arrangements means that it will not fund CFSPs that do not deliver intended outcomes and will be aware of CFSPs that perform poorly, operationally and/or financially.
- Having robust governance arrangements over CFSPs reduces the likelihood of failure in its stewardship of public funds.
- Having early warning mechanisms through regular monitoring information reduces the likelihood that it will suffer financial loss due to a CFSP ceasing to exist and should not have to step in with contingency arrangements to deliver services.
- Having robust business cases for approval of CFSP arrangements means that it can ensure that CFSPs share DCC's values and should not bring the Council into disrepute through its behaviour.
- Having robust legal agreements and service level agreements ensures that both organisations understand their roles and responsibilities and strengthens DCC's position in the event of dispute.
- Providing robust guidance and support to its elected members who sit on outside bodies protects their interests, improves the likelihood of robust scrutiny and clarifies the legal position and conflicts of interest relating to directorships and trustees.
- Overall, the framework means that DCC should not suffer significant damage to its reputation due to failure of a CFSP.

Project Plan

| Prog No. | Stage Details | Target Date | Progress | Issues Arising |
|----------|---|-------------|-----------------------------------|--|
| 1. | Draft Scope of Project | 30/04/15 | Completed and included above | n/a |
| 2. | Draft Project Plan | 30/04/15 | Completed | n/a |
| 3. | ID Key areas funded as CFSPs | 22/05/15 | In progress and nearly completed. | Delayed from initial target date due to restructure in IA service. |
| 4. | ID key Partnerships | | | |
| 5. | ID key 3 rd party supplier areas | | | |
| 6. | ID Key contacts from the above and discuss current governance, monitoring and reporting arrangements | | | |
| 7. | ID key strengths and weaknesses from the current monitoring arrangements | 29/05/15 | | |
| 8. | Discuss and assess current financial & legal arrangements for the above | 29/05/15 | | |
| 9. | Review elected member roles and responsibilities on 'boards', identifying appropriate guidance and training to allow them to effectively discharge their role | 29/05/15 | | |
| 10. | Agree changes to current arrangements | 05/06/15 | | |
| 11. | Draft new guidelines, including templates | 19/06/15 | | |
| 12. | Develop implementation plan for the new framework | 26/06/15 | | |
| 13. | Finalise framework and documentation | 30/06/15 | | |
| 14. | Seek formal approval of the new framework | July 2015 | | |
| 15. | Launch new framework | July 2015 | | |