

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 15 June 2016 at 9.30 am.

### **PRESENT**

Councillors Stuart Davies and Win Mullen-James and Mr Paul Whitham (Lay Member).

Councillor Martyn Holland, Councillor Julian Thompson-Hill and Councillor Huw Williams attended as observers.

### **ALSO PRESENT**

Head of Legal, HR and Democratic Services (GW), Head of Internal Audit (IB), Head of Business Improvement and Modernisation (AS), Chief Finance Officer (RW), Auditor (GS), Wales Audit Office Representatives (AV, GB, MP) and Committee Administrator (CIW).

#### **1 APPOINTMENT OF CHAIR**

***RESOLVED** – that Councillor Jason McLellan be appointed Chair of the Corporate Governance Committee for the ensuing year.*

#### **2 APPOINTMENT OF VICE CHAIR**

***RESOLVED** – that Councillor W. Mullen-James be appointed Vice Chair of the Corporate Governance Committee for the ensuing year.*

#### **3 APOLOGIES**

Councillors Jason McLellan, Peter Duffy and Alice Jones.

#### **4 DECLARATION OF INTERESTS**

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

#### **5 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.

#### **6 MINUTES**

The Minutes of a meeting of the Corporate Governance Committee held on the 27<sup>th</sup> April, 2016.

Matters arising:-

12. Internal Audit of West Rhyl Coastal Defence Scheme Phase 3 - In response to positive comments made by Mr P. Whitham regarding the West Rhyl Coastal Defence Phase 3 Scheme having being the first project to be reviewed using the checklist, the HIA confirmed that this process would be adopted for other projects.

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

## **7 COUNCIL CONSTITUTION**

A report by the Monitoring Officer (MO), which provided Members with a copy of the draft Constitution for comments and observations in advance of presenting this to the Full Council at its July meeting, had been circulated previously.

The MO provided a detailed summary of the report and explained that the Corporate Governance Committee Terms of Reference required any intended changes to the Council Constitution to be considered first before formal adoption by the Full Council.

Previous reports had considered proposed amendments to the Articles of the Constitution, proposals regarding the delegation of decision making to Cabinet Members, in respect of non-key decisions, and amendments to the Officer Employment Rules and Member remuneration; the updated Officer Scheme of Delegation reflecting the changed senior officer restructure and the Protocol on Member/Officer Relations.

Over the past twelve months the Constitution Working Group had considered the proposed changes; prior to the Monitoring Officer reporting each step of progress to the Committee. A number of areas had been debated including greater transparency and advance notice of decision making by either a Member or Senior Officer, in respect of certain decisions they were about to make under delegated powers; whether Members of the public should be able to put questions to the Cabinet or Full Council; limits on the timing of a meeting; the Chair signing off all legal documents under seal; substitutes on Committees and amending the protocol on Member/Officer relations.

A Member Workshop had been held in March, 2016 in order to introduce the wider membership to the proposed new Constitution. The document had been attached as Appendix 1 and the MO provided a detailed summary of the following changes:-

- Extended Definition section.
- Section 3 sets out how members of the public can get information and get involved
- Section 4 Updated Policy framework
- Section 9 - Listed all the regulatory and other Committees, including the Joint Committees.
- Section 11 – sets out who were the statutory ‘Proper’ Officers of the Council and their functions and areas of responsibility.
- Section 12 – Finance, Contracts and Legal Matters and removing the requirement for the Chair of the Council to sign each and every contract or property transaction made under seal.

- Section 13 sets out the revised Cabinet Member Scheme of Delegation and a revised Officer Scheme of Delegation.

The new Constitution contained the following Codes and Protocols which had remained unchanged as the consultation process confirmed that they were fit for purpose and working already:-

- Standards Committee hearings procedure
- Code of Conduct for Employees
- Role descriptions for Members
- Members' Self-Regulatory Protocol
- Protocol for Liaison with Members
- Protocol on Members' Access to Information
- Code of Best Practice for Councillors and Officers Dealing with Planning Matters
- Protocol on Role of Chair and Leader in Representing the Council
- Protocol and Guidance for Elected Members Appointed to Outside Bodies

The new Constitution also contained the following which had recently been updated and approved by the Full Council:-

- Whistleblowing Policy
- Contract Procedure Rules
- Revised Member Code of Conduct

The importance and relevance of a fit for purpose modern constitution had been highlighted in the report. The Council's Constitution Working Group, Corporate Governance Committee, SLT and the wider membership via a workshop, had been involved in the debate on the key proposals in the new constitution.

Councillor S.A. Davies made reference to Page 9 of the report "getting involved - members of the public" and he emphasised the importance of Local Members being informed immediately of any issues or complaints relating to their Wards. The MO provided details of the adopted protocol for liaison with Members, which specified that a Member be informed of anything significant relating to their respective Ward.

In reply to a question from Mr P. Whitham in relation to Section 9 on Page 47 of the report, 9.2 Corporate Governance Committee, the MO explained that the Committee's list of functions and Terms of Reference had not changed and would be incorporated. He also confirmed that consideration be afforded to the provision of Internet links to the relevant agreed policies and documents referred to within the Constitution, to provide consistency and clarification in respect of the remit and framework of the Corporate Governance Committee within the Council generally.

The MO responded to concerns raised by Councillor M.L. Holland and provided confirmation that it would no longer be a requirement that the Vice Chair of the Council to be a member of the Corporate Governance Committee. He explained that it was anticipated that the amendment would provide flexibility and assist in addressing issues relating to Member attendance at meetings.

During the ensuing discussion the Chair thanked the MO and Deputy MO for the work undertaken in relation to the revision of the Council's Constitution.

**RESOLVED** – *that, subject to the above comments, the Corporate Governance Committee recommends the draft Constitution, Appendix 1, for adoption by Full Council.*

**(GW, LJ to Action)**

## **8 STRATEGY FOR THE PREVENTION AND DETECTION OF FRAUD, CORRUPTION AND BRIBERY**

A report by the Monitoring Officer (MO), which detailed the revisions to the Council's strategy for the prevention and detection of fraud, corruption and bribery, had been circulated previously.

The MO introduced the report which provided details of the updated strategy. He explained that the Council employed large numbers of staff and spent many millions of pounds per year. It commissioned and provided a wide range of services to individuals and households and worked with a wide range of private, public and voluntary sector organisations.

He referred to the ongoing risk of loss due to fraud and corruption from both internal and external sources. There was also an ongoing risk of bribery as the Council provided and procured goods, works and services, and it had put in place proportionate systems to minimise this risk and these were kept under review. The Council recognised that as well as causing financial loss, fraud and corruption was also detrimental to the provision of services and damaged the reputation of the Council and public bodies in general.

A draft Strategy, Appendix 1, had been included with the report. The Policy had been a single lengthy document, however, a policy statement was now a single page at the beginning of the strategy document containing the main principles upon which the Council would approach fraud, bribery and corruption. The Policy Statement and the procedures supporting it enabled the Council to provide a clear message that it would not tolerate any impropriety by employees, Elected Members or third party organisations. Any Policy purporting to counter the threat of fraud and corruption was kept up to date and reviewed in light of new legislative, technological and professional developments.

The Council's existing Anti-Fraud and Corruption Policy had been approved in 2006, and the revised draft strategy had taken into account changes to legislation brought about by the Bribery Act 2010. The guidance included best practice guidance, such as the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

Although the Council had experienced a relatively low level of detected fraudulent activity in recent years it was most important that vigilance was maintained and that all employees, Elected Members and partners were aware of the risk of fraud and how to report concerns or suspicions. The strategy provided clear advice as to

how, and to whom, suspicions should be reported. In addition there was a clear statement of the Council's commitment to taking robust enforcement action where illegal or corrupt activity was detected.

The CIPFA Code recommended that an organisation should acknowledge responsibility for ensuring that the risks of fraud and corruption were managed effectively, identify specific exposure to risk, develop a counter fraud strategy, provide resources to support that strategy and include policies to support the strategy. The Council would continue to adapt and adopt a proactive approach to countering fraudulent activities and Internal Audit would undertake an annual review of the effectiveness of these controls.

The following points were raised by Mr P. Whitham and responses provided:-

- The word "theft" had been included in number 1 of the Policy Statement but not elsewhere. He suggested that it should either be omitted or included consistently.
- Confirmation was provided that the assurance work pertaining to the annual risk assessment, referred to on page 15 of the report, would be undertaken by Internal Audit and this would then inform the Risk Register.
- The officers provided confirmation that details of the Policy would be included on the intranet, presented to SLT and incorporated in the induction training provided for members of staff.

Following further discussion, it was:-

**RESOLVED** – *that the Committee recommends approval of the contents of the draft strategy, Appendix 1, for approval by Cabinet.*

**(GW, LJ to Action)**

## **9 UPDATING THE COUNCIL'S FINANCIAL REGULATIONS**

A report by the Chief Finance Officer (CFO), which outlined the factors for making amendments and to present the key areas of change, had been circulated previously.

Councillor J. Thompson-Hill, assisted by the Chief Finance Officer (CFO), provided a detailed summary of the report. It was explained that the Financial Regulations formed part of the Council's Constitution and provided a framework for managing its financial affairs. The Regulations were reviewed and updated periodically and the report presented proposed amendments for consideration and recommendation to Full Council.

Financial Regulations set out a number of principles and rules which assisted in ensuring that the Council operated with a robust system of internal control and effective governance. The principles and rules were predominantly consistent but the organisation and application could change as the Council reorganises, technology changes and statute was updated. The Council's Financial Regulations include procedural application as well as setting out the rules, and were based on

the model recommended by the Chartered Institute of Public Finance and Accountancy.

Some of the main changes to the Regulations, Appendix 1, in summary included:-

- Updating to reflect the latest management structure and terminology
- Removal of redundant regulations
- Updating procedures to reflect the latest technological changes
- Noting changes to or new legislation, such as the Wellbeing of Future Generations Act

Members were informed that this was a substantial review of the Regulations. It was proposed that in future, the Regulations were reviewed in sections annually to make the process more manageable. Any significant specific changes required before the review period would be implemented.

Reference was made by Mr P. Whitham to the heading in Section 13 “Preventing Fraud and Corruption” and he suggested that consideration be afforded to amending the heading to include the word Bribery.

In reply to concerns raised by Mr P. Whitham, it was explained that schools were required to have a set of Financial Regulations and could adopt the Council’s Policy if they wished, or adopt a similar policy which would need to provide the same level of assurance. Councillor B.A. Smith explained that the Council were in the process of revising their Policies and she felt it would not be relevant to make specific reference to schools in the Policy.

***RESOLVED*** – *that the Corporate Governance Committee recommends approval of the proposed amendments to Financial Regulations by Full Council.*  
***(RW to Action)***

## **10 BUDGET PROGRESS 2017/18**

A report by the Chief Finance Officer (CFO), which provided an update on the process to deliver the revenue budget for 2017/18, had been circulated previously. A copy of the report and appendices presented to Council Briefing on the 7<sup>th</sup> June, 2016 had also been circulated with the papers for the meeting

Councillor J. Thompson-Hill explained that there had been little change since the submission of the previous report to the Committee in April, 2016. The aim of the budget process was to ensure that the Council delivered a balanced budget and reference had been made to the uncertainty over the level of financial settlements in recent years which had made financial planning more challenging. The revenue settlement for 2016/17 had been better than anticipated but there was still a lack of any meaningful financial planning indications for the future. It was hoped that this would be addressed following the elections in May, 2016 as the uncertainty and variations from year to year that had been the norm since 2013 posed a significant risk to the delivery of future budgets. Although the precise levels were not known it was likely that funding reductions to Local Authorities in Wales would continue in

the medium term, and while the Council would always endeavour to be more efficient to save money, this in itself may not be sufficient in future years.

It had been explained that the proposed budget process for 2017/18 would help deliver a balanced budget and enable the Council to take account of key funding assumptions, service pressures, levels of cash reserves and of fees and charges within the Council.

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

## 11 ANNUAL SIRO REPORT

A report by the Head of Business Improvement and Modernisation (HBIM) had been circulated previously.

The HBIM introduced the report which covered the period April, 2015 to March, 2016 and detailed breaches of the Data Protection Act by the Council which had been subject to investigation by the Senior Information Risk Officer (SIRO). It also covered complaints about the Council relating to Freedom of Information legislation which had been referred to the Office of the Information Commissioner (ICO), and provided information about the Access to Information/FOI requests made to the Council. The Council's Data Protection Policy required an annual report on progress to the Corporate Governance Committee.

The Data Protection Officer (DPO) and Senior Information Risk Owner (SIRO) had a responsibility to ensure that information held by the Council was managed safely, effectively in accordance with the legislation. Details of the process were provided.

There had been no significant breaches of the Data Protection Act in the Council during the 2015/16 year. There had been five instances where personal data had been lost or compromised and these had been investigated by the SIRO. None had been deemed serious enough to warrant reporting to the ICO and details of the breaches had been provided.

As a consequence of one of the outcomes of the SIRO investigations there had been an increased focus on the systems and processes in the teams where these breaches had occurred. Workshop sessions had been held with the admin support teams in Childrens' Services and in Education to explore how their processes could be reviewed, and to ensure that the information they held was kept up to date by other professional groups. Details of the practical initiatives which had been introduced had been included in the report.

The new General Data Protection Regulations (GDPR) were expected to be published in July, 2016. There would be 2 year transition period before they became enforceable in 2018 and would replace the current Data Protection Act 1998. The GDPR would include some new requirements which would necessitate Data Controllers to consider and have the right people, processes and procedures in place ready for 2018. Details of the new requirements had been included in the report, together with, an outline of the WASPI agreement (Wales Accord on Sharing

Personal Information). The new Regulations would place greater emphasis on organisations demonstrating the legal basis for sharing information in future, which should be achievable within the current WASPI arrangements.

A summary of Freedom of Information (FOI) and Environmental Information Regulation (EIR) requests had been incorporated in the report. Table 1 provided details of the number of completed requests for 2015/16 and 2014/15. The FOI and EIR requests were concentrated on specific areas and were predominantly business related or from individuals. Particulars pertaining to the most frequent requesters over the last 12 months had been incorporated in a table in the report.

Details of Applicant Types for 2015/16 had been included in Table 2. In some cases decisions regarding access to information were challenged by the requestor, or there was disagreement internally about whether information held by the Council should be released or not. These cases were reviewed by a Panel chaired by the HLHRDS, and Appendix A provided a list of the cases reviewed.

In the 2015/16 period, no complaints about the Council under the FOI Act were investigated by the Information Commissioner's Office. In response to last year's complaints, procedures were improved to ensure that complex cases were recognised early in the process to ensure timely responses were provided, and it appeared that this action had improved the Council's performance. The officers confirmed that managing FOI/EIR and DP requests continued to present a resource cost to the Council. In addition, considerable work was delivered within Services by the IMOs, who provided the detailed answers for each question.

In response to questions from Members, the HBIM outlined the procedures in place to deal with repetitive requests and vexatious complaints which could be resource intensive and costly to the Authority. He also highlighted the difficulties encountered when addressing such issues.

Mr P. Whitham referred to the number of FOI requests received and questioned whether members of the public were utilising the FOI Act to access information which was already available via alternative sources such as the internet. The officers confirmed that in such instances the person submitting the request would be directed to the relevant information.

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

**(AS to Action)**

## **12 MANAGEMENT OF VOLUNTARY SCHOOL FUNDS - AUDIT REPORT**

A report by the Head of Internal Audit (HIA), which informed the Committee of a recent Internal Audit Report on the Management of School Funds which had received a 'Low' assurance rating, had been circulated previously.

The Committee received an Internal Audit Progress report for each meeting which included details of Internal Audit reports issued, and these were normally 'High' or 'Medium' assurance reports. The Committee would receive a report when a 'Low'



or 'No' assurance rating was issued to enable it to discuss improvements to be implemented with the relevant manager. The full Internal Audit report on the Management of Voluntary School Funds had been included as Appendix 1.

The HIA provided a detailed summary of the report and explained that the review had been undertaken to provide assurance on financial controls within the management of voluntary school funds for the Council's S151 Officer, and the HIA's Annual Audit report. The review had identified weaknesses which could lead to financial loss, error and/or fraud. It was explained that the issues arising from the review would need to be brought to the attention of all Denbighshire schools.

The responsibility for a school's voluntary school fund rested ultimately with the school's Governing Body, although in practice operational responsibility would be delegated to the Head Teacher. Governing Bodies must ensure that funds were utilised appropriately in an open and transparent way, and for the benefit of pupils.

The review identified a significant number of weaknesses in the management and administration of school funds. There was also a lack of clarity around the roles and responsibilities of the School Finance Managers, Education Support team and Internal Audit with regard to school funds to optimise governance and scrutiny of these funds. Guidance had previously been provided to all schools, although some had not applied them or were still unaware of them. Audit would work with Education Support to update and reissue this guidance document to improve schools effective management of funds. The full list of the weaknesses found had been included in Appendix 1, and a list of causes included in the Action Plan.

The HIA made reference to the following salient points:-

- Eight main issues, root causes, had been identified and listed in the report.
- Root Cause No 3 was highlighted – "Nobody had taken responsibility for making a decision on how schools would be held to account for poor school fund management and made sure that it was included in the Scheme for Financing Schools".
- The need to identify responsibility and accountability was highlighted, and the importance and significance of providing Audit Certificates was emphasised. He confirmed that guidance information detailing how school funds should be managed had been circulated to schools previously, and this had included spreadsheets and a copy of the Audit Certificate for completion. Councillor M.L. Holland endorsed the view that all Audit Certificates should be completed and submitted accordingly.

The following responses were provided to issues raised by Mr P. Whitham:-

- It was agreed that details of the aggregate annual turnover and end of year balances of the schools reviewed could be forwarded to Mr Whitham.
- Concerns were expressed that Internal Audit had not received final Audit Certificates for any of the schools that had closed or amalgamated in the last five years. The HIA explained that funds would have transferred to the new school.
- The Action Plan had been agreed by the HIA and Education Planning and Resources Manager.

- There having been no clear acceptance of responsibility by the respective parties had been a cause for concern.

The WAO Representative (AV) stressed the importance of the need for School Governing Bodies to accept responsibility for the management and administration of school funds, and emphasised the risk element of failing to ensure that there were appropriate arrangements in place to manage these funds. He felt that there should be clear communication reminding School Governing Bodies of their responsibilities.

The HIA highlighted the importance of ensuring that the information circulated to the schools Business Finance Managers was disseminated to the Governing Bodies. The CFO also referred to the need to refocus on the operation of the School Budget Forum and its priorities.

During the ensuing discussion the HIA agreed to liaise with the Education Planning and Resources Manager to agree the most effective process for ensuring that the relevant information was circulated to all Chairs of Governing Bodies.

At the request of the Committee it was agreed that a progress report be presented to the Committee in January, 2017, and that the Education Planning and Resources Manager be invited to attend.

Following further discussion, it was:-

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

(a) *accepts the assurance that the Action Plan within the report was being implemented effectively and within the agreed timescales.*

(b) *requests that the HIA liaise with the Education Planning and Resources Manager to agree the most effective process for ensuring that the relevant information was circulated to all Chairs of Governing Bodies.*

(c) *agrees that details of the aggregate annual turnover, and end of year balances of the schools reviewed, be forwarded to Mr Whitham, and*

(d) *requests that a progress report be presented to the Committee in January, 2017.*

**(IB, IL to Action)**

### **13 CORPORATE GOVERNANCE COMMITTEE SELF EVALUATION**

The Committee felt that in view of the number of Members present at the meeting the HIA contact Members of the Committee individually to assess their requirements regarding the Corporate Governance Committee Self Evaluation process. Members agreed that the outcome of the sessions be reported back to the Committee.

**RESOLVED** – *that the Corporate Governance Committee agree that the Head of Internal Audit contact Members of the Committee individually to assess their requirements regarding the Self Evaluation process, and that the outcome of the sessions be reported back to the Committee.*

***(IB to Action)***

**14 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:-

13<sup>th</sup> July, 2016:-

- The Budget Process 2016/17 business item be removed from the Forward Work Programme for the July, 2016 meeting.

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

- The Wales Audit Office Financial Statement Report be included in the Forward Work Programme for September, 2016.

January, 2017:-

- The Management of Voluntary School Funds be included in the Forward Work Programme for January, 2017.

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

***(CIW to Action)***

Meeting ended at 11.55 a.m.