

Corporate Governance Annual Report 2015/2016

Introduction

This is the second annual report detailing the work of the Corporate Governance Committee. As the committee has primarily, although not exclusively, an audit and governance role, the work of the committee is not included in the Annual reports of the other scrutiny committees. The Chair of Corporate Governance has previously provided a verbal report to the Committee, giving an overview of the detailed work the committee has undertaken throughout the year.

The Role and Structure of the Corporate Governance Committee

The primary role of the Corporate Governance Committee is to ensure that Denbighshire's governance framework is robust and fit for purpose. The Terms of Reference of the Committee are contained in the Councils Constitution. This report does not seek to merely repeat these terms, but to outline how the Committee has undertaken its roles and responsibilities over the year. Its role is primarily an audit committee, but its work touches on a wide range of issues across the County.

The Councils Constitution also defines, to some extent, the structure and membership of the Corporate Governance Committee. The Chair of the Committee is appointed from the main opposition group of the council. The nature of the Committee is to robustly test and challenge procedures and policies and as such Cabinet Members do not sit on the Committee. However Lead Members do often attend meetings when appropriate and contribute to discussions and debates. A lay member Mr. Paul Whitham also sits on the committee.

The main broad headline areas the Committee deals with are:

- An audit role in scrutinising the outcomes from internal audit reports and considering the findings and recommendations of external audits, such as those from the Wales Audit Office, (WAO) the Care and Social Services Inspectorate Wales and other outside regulatory bodies.
- To review and approve internal audit strategy.
- Risk Management. Ensuring that Risk Management systems are in place to identify, manage risk and take actions to mitigate against such risks.
- Financial Management. To oversee and scrutinise the budget setting process and to ensure full member engagement within that process. To consider and approve the Annual Statement of Accounts and ensure accounting policies and practice has been adhered to. To oversee the Treasury Management Strategy on investment and borrowing, during a challenging economic climate.
- To scrutinise and recommend to Council and Cabinet policy on areas such as fraud, corruption and whistleblowing.

- To deal with the important issues of Information Management, Freedom of Information requests and Data Protection. To ensure that Denbighshire is fully compliant with the legal requirements and responsibilities it has in this area.
- Monitor and review the operation of the Councils Constitution.
- Monitor and update the Governance Improvement Plan
- To review complaints and complaint policy and consider Customer feedback.
- To receive reports on and review the operation of the Council's Whistleblowing arrangements

In addition the committee has dealt with a number of issues arising from the course of events which will be referred to later in this report.

The Committee has worked closely with outside regulatory bodies, particularly the Wales Audit Office, with whom the Committee and the Council has a good working relationship.

The report will now look in more detail at some of the larger and important work the Corporate Governance Committee has undertaken.

The Budget Setting Process

The committee continues to oversee the process for setting the Council's Annual Budget. In the current climate this is one of the most important areas of work, ensuring that elected members are as engaged as is possible in the budget setting process. This is now a standing agenda item for every meeting.

As a Council we continue to face ongoing and unprecedented cuts to our funding. It remains vital that members are fully engaged in the often difficult decisions that need to be made and that we all feel the process is robust, accountable and member led. As budgets are expected to become ever tighter the processes in place for this to continue will need to be reviewed and the Committee will continue to scrutinise the whole budget setting process.

Procurement

Over the year the committee oversaw a wide program of transformation of the procurement process. New structures and processes have been put in place with the ultimate aim of saving money through efficient and effective procurement, delivering more and better community benefits and adopting a process better equipped to support more local businesses with support to improve the quality of their bids and to improve their chances of securing contracts with the council. The Committee also stressed the importance of the Procurement Transformation Board working more closely with the Economic Ambition Board.

Welsh Audit Office Annual Improvement Report

The Committee considers this external report, completed by the Wales Audit Office (WAO) every year. The report details Denbighshire's planning and reporting arrangements in order to meet statutory continuous improvement duties. The report informed the Committee of the WAO's Conclusion and Improvement Proposals.

The overall conclusion had been that, "The Council continued to make progress in delivering improvements in all of its priority objectives and its track record in delivering its financial objectives mean it is well placed to secure continuous improvement in 2015-16." There had been no formal recommendations and only two Improvement Proposals had been made. These were to ensure that roles and responsibilities are clear for the achievement of the new affordable housing objective and review its working practices against the recommendations in the Auditor General's 2014-15 Local Government National Reports, and implement improvements as necessary. These have been addressed, particularly through the new Housing Strategy.

There were a number of all Wales concerns in the appendices of the WAO report which weren't specific to Denbighshire, but it was felt prudent to look at these. Two areas highlighted were the rise of young people neither in employment, education or training, so called NEETs, and mitigating the adverse effects of UK Government welfare reform. Both these areas now cover the work of the Tackling Poverty Board.

The Annual Improvement Report is an example of using an external report to hold a mirror to ourselves and see what areas we can improve and implement the changes necessary to improve and move forward.

Constitution

The committee oversaw the implementation of the new model constitution for Wales. The Corporate Governance Committee terms of reference require any intended changes to the Council Constitution to be considered first before formal adoption by the Full Council.

A detailed discussion was held in to this and particularly the new officer's scheme of delegation and protocols on member/officer relations. The Committee also considered potential amendments to its own terms of reference. In particular there has been discussion of potential areas of work that could be transferred to the Standards Committee. Ultimately the Committee's view was that it did not want to transfer areas of work to that Committee.

Statement of Accounts

Denbighshire has a statutory duty to produce a Statement of Accounts which complies with International Financial Reporting Standards. The Auditor General issued an Unqualified Audit Report for our Statement of Accounts. As in previous years a high level of assurance had been provided and the Statement of Accounts had been prepared to a very high standard. This is a huge piece of work for Richard Weigh and the Finance team, and they warrant the Committee's thanks in undertaking this task. Members received assurance that the accounts had been produced in compliance with the relevant standards and that the process underpinning the production of the accounts was robust.

Treasury Management Report

The Corporate Governance Committee is tasked with reviewing the report from the Treasury Management Team in to Denbighshire's investment and borrowing activity, set against the prevailing economic conditions at the time. This provides members with detailed analysis of our investments and borrowing and also an understanding of the wider economic environment which impacts on this area. Treasury Management is also associated with risk, another issue the Committee is tasked with.

PFI Agreement

The committee oversaw the complex exit from what was generally perceived to be an onerous and unfavourable agreement. Over £25million had been paid thus far and a further £41million would have been paid under the lifetime of the PFI agreement. Negotiating out of the contract has also meant we have control over County Hall, which in itself allows further substantial savings.

The committee received reports on the complex and indeed unique negotiations that were on going between the various other interested parties. We were one of the first councils to do this and it has put us in a unique position.

Internal Audit

The Head of Internal Audit (HIA) provides an annual report to provide the Corporate Governance Committee with assurance. The report details the HIA's overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year. This in turn informs the "annual governance statement". This is a requirement of The Public Sector Internal Audit Standards (PSIAS).

The committee also oversees the Internal Audit strategy which provides details of the proposed Internal Audit projects for the year that would allow the Head of Internal Audit to provide an "opinion" on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year.

A revised Internal audit Charter (IAC) was approved by the committee during the year. This was following a restructure within the Internal Audit service. The Public Sector Internal Audit Standards (PSIAS) required the Head of Internal Audit to develop and maintain an up to date IAC. The Charter defined the purpose, authority and responsibility of the internal audit activity and included details of

- the definition of internal auditing;
- the Head of Internal Audit's reporting lines;
- Internal Audit's access rights;
- the scope of Internal Audit's work;
- Internal Audit's structure and resources; and
- Internal auditor responsibilities.

Internal Audit reports on services which have had a low assurance are presented to the committee throughout the year. The reports are detailed, informative and set out in such a way to allow members an insight into the difficulties highlighted, and more importantly the suggested action plan to address the issues of concern. This allows the committee to monitor the improvement or otherwise of any service subject to an agreed action plan. It is an important mechanism for the committee to constantly ensure services are performing and delivering.

This year reports have been presented, amongst other reports on the following

- The Monitoring of Council funded service providers
- Corporate safeguarding
- Corporate Fleet Management
- School financial management
- Issues around the contracts and procurement process for the West Rhyl Coastal Defences

This report should recognize the work of Ivan Butler and his team in undertaking these often complex pieces of work, especially at a time when Internal Audit has faced restructuring.

Often trends can emerge from Internal Audit reports, for example the Committee is now looking to further investigate financial management and training in schools and on governing bodies.

Corporate Risk

An annual report summarising how the Corporate Risk register is monitored and managed is presented to the Committee. The Corporate Risk Register enables the council to manage the likelihood and impact of risks that it faces by evaluating the effect of any current mitigating actions, and recording deadlines and responsibilities for further action that should enable tighter control. This year The Well-being of Future Generations Act meant that the way in which risks were considered and managed would need to be reviewed in line with the new legislation, having regard to the five principles of sustainable development.

Other Work of the Committee

The Committee also considered a number of further internal and external reports.

The Senior Information Risk Officer presents a report which details issues arising from the Data Protection Act and any complaints or issues from the Information Commissioner in relation to Freedom of Information requests. There had been no major breach of the Data Protection Act by the Council in this period, and only 2 had been considered to have been sufficiently serious to report them to the Information Commissioners Officer (ICO), as opposed to 4 the previous year. There had also been an overall reduction in the number of cases which had required action by the SIRO, from 8 last year to 5 this year.

The Committee fed in to a national consultation on the use of FOI requests and the charging structure. Despite officers sometimes having to deal with frequent requests it was felt by the committee to increase charges for FOI requests would be against the ethos of the original legislation in terms of its aim to achieve open and transparent government.

A national WAO report on Councils management of employees departing employment early and if we are achieving best value was considered. Denbighshire compared favorably with other counties.

A new Whistleblowing policy was approved by the Committee. A revised policy was needed as a result of legislative changes which required more clearly defined roles and responsibilities in the process. The Policy provided staff with an assurance that they could raise issues of concern without fear of reprisal, and provided an early warning system which could indicate a potential problem.

A Test of Assurance report was completed and presented to the committee following the merger of Children and Education Services.

Summary

It has been another busy year for the Corporate Governance Committee. The Committee has dealt with its ongoing role of Internal audit, dealing with a number of outside regulatory bodies, monitoring risk management, Treasury management and policies on information management fraud

and complaints. It has overseen important areas of work, such as the Constitution, the Procurement Transformation and the negotiations over the PFI agreement. It has continued to deal with difficult situations when services have been identified with shortcomings, but has also overseen areas where those subject to a low assurance have worked hard, addressed concerns and improved the vital services residents rely on.

We remain in uncertain and difficult economic times for Local Government. In terms of the important task of overseeing budget setting processes we need to remain vigilant that these allow us as members to fully engage with decisions which will affect all our residents.

I would like to thank all of the elected members who have sat on the committee for their hard work, frequently digesting large documents, asking probing and relevant questions on often complex legal and financial issues and always having regard to improving services for the residents we represent. I would like to thank Gary Williams, Ivan Butler, Richard Weigh and all their respective teams.

Cllr Jason McLellan
Chair of Corporate Governance Committee