

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1A, County Hall, Ruthin on Wednesday, 23 January 2019 at 9.30 am.

### **PRESENT**

Councillors Mabon ap Gwynfor, Tony Flynn, Alan James and Barry Mellor (Chair).

Councillor Hugh Evans, Leader and Lead Member for Economy and Corporate Governance was in attendance.

Councillor Julian Thompson- Hill Lead Member for Finance, Performance and Strategic Assets was in attendance.

Councillor Bobby Feeley Lead Member for Well-being and Independence was in attendance.

Councillor Mark Young Lead Member for Corporate Standards was in attendance.

**Observer** – Councillor Graham Timms

### **ALSO PRESENT**

Head of Legal, HR & Democratic Services (GW), Chief Finance Officer (RW), Chief Accountant (SG), Chief Internal Auditor (LL), Senior Auditor (LH), Legal and Procurement Operations Manager (HM), Business Support Manager (EW) and Committee Administrators (SJ and RTJ).

Wales Audit Office Representatives – Gareth Evans and Matthew Edwards.

#### **1 APOLOGIES**

Apologies for absence were received from Councillor Martyn Holland, Joe Welch and Paul Whitham

Apologies for absence were received from Wales Audit Office representatives Derwyn Owen and Gwilym Bury.

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

No declarations of interest were raised.

#### **3 URGENT MATTERS**

No urgent matters.

#### **4 MINUTES**

The minutes of the Corporate Governance Committee held on 21 November 2018 were submitted.

***RESOLVED** that the minutes of the Corporate Governance Committee meeting held on the 21 November 2018 be approved as a correct record.*

**At this juncture it was agreed to vary the order of the Agenda.**

#### **5 ANNUAL REPORT ON THE CONSTITUTION TO INCLUDE THE TERMS OF REFERENCE**

The Monitoring Officer (MO) introduced the Annual Report on the Constitution including the terms of reference (previously circulated) providing members with a review of its provisions, in particular, the application of political balance to the composition of the Cabinet.

The MO confirmed that the Corporate Governance Committee is as part of its terms of reference required to monitor and review the Council's Constitution. The report provided to members referred to updates to be made to the Constitution to take into account decisions of Council and Cabinet and any legislative or operational changes that had taken place since the last review.

It was highlighted that Council had passed a motion on 23<sup>rd</sup> October 2018 to ask Corporate Governance Committee to consider options on how the Constitution could be changed to remove the requirement for political balance in the Cabinet and report its conclusions to Full Council on 19<sup>th</sup> February 2019.

The MO guided members through Appendix 4 to the report, which highlighted the proposed changes to the constitution.

Members observed a complaints report had been regularly presented to Performance Scrutiny for debate with an annual overview of the complaints procedure received.

Members were in agreement that the Corporate Governance Committee should receive an annual report monitoring the complaints procedure and identifying any trends that may need to be considered. It was noted that any matters arising from such a report could be referred to Scrutiny Chairs and Vice Chairs to determine whether further scrutiny was required...

Members and the Chair confirmed they were in agreement with the proposed amendments.

The MO guided members through Appendix 1 to the report, which outlined the form and composition of the Cabinet. The current model adopted by Denbighshire was that of a 'strong leader model' in which the Leader has the authority to appoint Cabinet members.

It was confirmed that Denbighshire County Council was the only authority in Wales to have a requirement for a politically balanced Cabinet. There is no legal obligation for the Cabinet to remain politically balanced.

Following an in-depth debate the following points were discussed in greater detail:

- Members were in agreement that the Strong Leader Model was the most appropriate model to elect Cabinet members.
- All political parties had an input into the decision making process. Observers had been invited to talk and debate on matters at Cabinet. Members raised concerns that Denbighshire had been the only authority in Wales to have the political balance requirement.
- It was agreed that change had to be for the better. If change was agreed the outcome would have to provide better outcomes for residents of Denbighshire.

The majority of members felt the removal of the political balance requirement in the Cabinet would allow the Leader a wider scope of individuals to appoint on the Cabinet and provide more knowledge and expertise. Members noted that all had a role in decision making.

The Chair thanked officers for the detailed report and work that had been presented. Members appreciated the complexity of the subject.

Members proposed to recommend to Council the removal for the requirement of political balance with the continuation of the Strong Leader model adopted. Members voted and the proposal stood. It was therefore;

**RESOLVED**, that members

- i. Recommend to Council the removal of Political Balance in the Cabinet and that the “Strong Leader” model be adopted;*
- ii. agree the proposed changes to the Constitution as stipulated in Appendix 3 and 4 to the report.*

## **6 ANNUAL TREASURY MANAGEMENT STRATEGY**

The Chief Finance Officer (CFO) introduced the Annual Treasury Management Strategy Statement (TMSS) Report (Appendix 1 - previously circulated) which showed how the Council would manage its investments and its borrowing for the coming year and sets out the Policies within which the Treasury Management function operate.

The Treasury Management Update Report (appendix 2) provided details of the Council’s Treasury Management activities during 2018/19.

The Chartered Institute of Public Finance and Accountancy’s Code of Practice on Treasury Management (the “CIPFA TM Code”) requires the Council to approve the TMSS and Prudential Indicators annually. The Corporate Governance Committee is required to review this report before it is approved by Council on 19 February 2019.

During discussion the following points were raised –

- Confirmation was provided that the report would be presented to full Council following members’ recommendation.
- The CFO stated that the Council used Arlingtonclose Ltd Treasury Advisers. The contract with the advisor agency had been renewed in January 2019 for three years.

- Denbighshire County Council borrowed money for Capital purposes only. Recent developments in the County have seen the Council borrow more funds.
- The Pension fund was a separate fund that had its own governance.

The Chair thanked the officers for the transparent report and acknowledged the hard work that the finance department had made in the findings of the report.

**RESOLVED**, that the Committee note the Treasury Management Strategy Statement for 2018/19, the Prudential Indicators 2019/20 to 2020/21. The Committee note the Treasury Management Update Report and confirm it has read, understood and taken account of the Well-being Impact Assessment as part of its consideration.

## 7 CLOSURE OF STATEMENT OF ACCOUNTS

The Chief Accountant (CA) introduced the report (previously circulated) providing a summary of the work involved in the financial year- end closedown process and to update members on the progress made towards the statutory early closedown of accounts. The report highlighted an agreed change to the way the Council deals with non-material errors that are identified during the audit that will affect the final Welsh Audit Office (WAO) report to Corporate Governance Committee.

The CA guided members through the report, highlighting the Welsh Governments proposal to bring forward the publishing dates of the Statement of Accounts. It was confirmed that progress had been observed last year to close the Statement of Accounts at an earlier date than the year before. The CA assured members the Council was making positive progress working towards earlier deadlines for the coming year.

The CA thanked the WAO representatives and officers for the support and work to ensure compliance to the earlier deadline had been met. It was confirmed a strong working relationship between Denbighshire Officers and WAO had been established for coherent working,

The WAO representative echoed the update from the CA, adding that communication with the Finance team would still remain transparent. Completing a clean set of accounts would remain the priority of the Council and WAO.

During discussion the following points were raised –

- Assurance was provided that deadlines to date had all been met and work to meet the target for 18/19 was on course.
- Work to transfer the core Statement of Accounts from a Word Document to an Excel Spreadsheet had begun. It was felt that this would speed up the process of compilation in the final month and help to eliminate typing errors.

**RESOLVED** that the Corporate Governance Committee receive the report and note, I. the progress made towards achieving the early closedown dates as stipulated by Welsh Government,

*II. the change in approach in the way the Council deal with identifying accruals which has been agreed with WAO which involves implementing a de-minimis of £1,000 for mandatory accruals.*

## **8 ANNUAL AUDIT LETTER**

The Wales Audit Office (WAO) provided Members with an information letter (previously circulated) detailing the Annual Audit letter for Denbighshire County Council 2018-2019.

The WAO representative confirmed a report on the certification of grant claims and returns would be presented to Corporate Governance Committee once completed.

**RESOLVED**, that the committee receive and note the content of the WAO letter.

At this junction (11:10 a.m.) there was a 10 minute break.

Meeting reconvened at 11:20 a.m.

## **9 INTERNAL AUDIT UPDATE**

The Chief Internal Auditor (CIA) introduced the report (previously circulated) updating members on the Internal Audit Team's 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. It allowed the committee to monitor Internal Audit's performance and progress as well as providing summaries of Internal Audit reports.

The CIA guided members through the reports which provided an update as of the end of December 2018 on –

- Internal audit reports recently issued i.e. Risk Management, IT Procurement, Registration Service and Additional Learning Needs, Recoupment & Out of County Placements;
- Progress on Internal Audit work to date in 2018-19;
- Progress on counter fraud work including School Fund Certificates;
- Update on Internal Audit performance against set standards; and
- Update on progress with the CIPFA Good Practice for Audit Committees.

The following matters were discussed in more detail –

- Additional Learning Needs, Recoupment and Out of County Placements – The CIA confirmed the budget required for the need was a national issue. Cabinet members had been made aware of the current situation and risks had been monitored well to date.

- Risk Management - Members noted the work undergone to improve the Council's risk management. It was highlighted that risk management had worked well.
- IT Procurement – The CIA referred to the issues highlighted in the report. It was confirmed work had begun to address the issues raised in the audit with work to address the outstanding issues ongoing.
- Progress with Counter Fraud Work – The CIA confirmed that officers from the audit department had attended a fraud investigation skills course. Members observed that the fraud figures had increased. It was confirmed by the CIA that work with HR had continued to establish any trends. It was important to highlight the importance of reporting fraud. Members were pleased to note the work by officers on addressing fraud.
- School Fund Certificate – Requests to Schools for School fund Certificates had progressed. Work to obtain all school certificates continued.

Members thanked the CIA and the audit team for the continued work. Members felt it was important to highlight the importance of working with Welsh Government to address the national concerns regarding additional learning needs.

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

## **10 UPDATE REPORT - JOINT PROCUREMENT UNIT**

The Chief Internal Auditor (CIA) introduced the report (previously circulated). The report provided members an update on progress in implementing the agreed action relating to the low assurance report “Joint Corporate Procurement Unit” that was presented to this Committee in June 2018.

The Legal and Procurement Operations Manager (LPOM) guided members through the report. The LPOM provided members with updates on each action that had been raised as part of the initial audit and emphasised the work that had been done to address the concerns highlighted.

The CIA confirmed, Flintshire had received the report. The Audit had been a reflection of a joint working relationship and it had been imperative that both authorities scrutinised the findings. The Monitoring Officer emphasised the work that had been established by the LPOM to improve the standards and address the concerns of the joint procurement unit. It was highlighted that further work was required to ensure robust working procedures. Members were informed of the importance of officers' understanding of the policies and procedures relating to procurement.

The Chair thanked the LPOM for the transparent and open explanation of the work that had been established to address the concerns initially raised. Members were pleased to see work had begun to establish a positive approach to joint working with Flintshire. It was noted that the internal audit department had scheduled a follow-up review to take place in March. The CIA confirmed that the findings of the review to be conducted in March would be presented to members following the findings.

**RESOLVED** that the update report be received by the Corporate Governance Committee and its contents noted.

## **11 INTERNAL AUDIT OF THE REGISTRATION SERVICE**

The Chief Internal Auditor (CIA), introduced the report (previously circulated) providing members with details of the Internal Audit report on the Registration Service that received a 'Low' Assurance rating.

The Lead Member for Corporate Standards with the Legal and the Business Support Manager guided members through the Audit report.

The Lead Member welcomed the report and recognised the issues that it had raised. It was noted that the request for an audit had been made by the department to aid officers enhance the registration service the County provided. Members were informed that a number of changes in the service had been made.

The Monitoring Officer highlighted the issues that had been raised in the audit review had been noted and identified by the department for improvement. Work to improve the service had begun prior to the escalation meeting which had been noted as a positive approach to the report findings.

Members praised the work to develop the registration service and were pleased with the move to the Town Hall in Rhyl for registration purposes. Members congratulated the department for the work they had completed to promote the authorities registration services.

The Chair thanked the Lead Member and Officers for the transparent report. Praise was given for the request for an audit and support from members was given to enhance the registration service. Members agreed to monitor the audit action plan and requested an update report be provided to the committee in September 2019.

**RESOLVED**, that the Corporate Governance Committee;

*I. Receives the report and notes its contents and*

*II. An update on the Joint Procurement Unit be included in the committees Forward Work Programme for September 2019.*

## **12 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME**

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

The Committee confirmed the Corporate Governance FWP subject to the following amendments:-

March 2019 –

- Annual RIPA report. Including inspection report.
- Internal Audit Annual Strategy report.

5 June 2019 -

- Internal Audit Annual Report
- An update report on the Procurement Internal Audit Report

11 September 2019 –

- An update report on the Registration Service Internal Audit Report

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

The meeting concluded at 12:35 p.m.