

Appendix 1

Report To:	County Council
Date of Meeting:	8 th December 2020
Lead Member / Officer:	Chair Corporate Governance and Audit Committee
Report Author:	Gary Williams, Head of Legal, HR and Democratic Services, Lisa Lovegrove, Chief Internal Auditor
Title:	Annual Report of the Corporate Governance and Audit Committee

1. What is the report about?

The report is about the work of the Corporate Governance and Audit Committee (the Committee) for the Municipal Year 2019/20

2. What is the reason for making this report?

To inform all Members of the work of the Committee.

3. What are the Recommendations?

3.1 That Members note the content of the report.

4. Report details

- 4.1 The Council is statutorily required under the provisions of the Local Government Wales Measure 2011 to have an Audit Committee. The Committee is the Council's designated committee for this purpose. The statutory role of the Audit Committee is to review and scrutinise the authority's financial affairs, make reports and recommendations in relation to the authority's financial affairs, review and assess the risk management, internal control and corporate governance arrangements of the authority and make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements. The Committee is required to oversee the authority's internal and external audit arrangements, and review the financial statements prepared by the authority. The Committee is also the body that is responsible for keeping the Constitution under review.
- 4.2 The Council's Constitution provides that the membership of the Committee is made up of six elected Members on a politically balanced basis. There is no statutory requirement for the Committee to be politically balanced. There is a statutory requirement to have at least one independent lay member of the Committee and the current lay member is Mr. Paul Whitham.
- 4.3 Each meeting of the Committee is attended by the Council's s151 Officer, Monitoring Officer and Head of Internal Audit or their representatives. In addition each meeting is attended by officers of the Wales Audit Office.

- 4.4 During the period covered by this report, the Committee has received a number of internal annual reports on matters relating to governance. These have included:
- 4.4.1 Annual Governance Statement Report - this report provides the self-assessment report on the Council's governance and improvement arrangements for 2018-19, which incorporates the Council's 'annual governance statement'. There were no significant governance issues to report. Any less significant issues were included in the Governance Improvement Action Plan which is monitored by the Committee.
 - 4.4.2 Corporate Health and Safety Annual Report – this is a report from the Corporate Health and Safety Officer to provide assurance to the Committee that accidents and incidents are reported and monitored; that activity is planned in line with information provided by service hazard and gap analysis; and that training is delivered as required. The overall assessment of DCC's implementation of H&S systems and of employee involvement in H&S are both medium assurance (yellow). This means that H&S management systems are generally developed and recorded. Significant hazards are generally identified and managed to minimise risk. Employees are generally involved in the development and use of H&S management systems.
 - 4.4.3 Senior Information Risk Officer (SIRO) Annual Report – the Senior Information Risk Owner (SIRO) has an explicit responsibility to ensure that information held by the Council is managed safely, effectively and in accordance with legislation. This report provides Members with information as to any data protection breaches that may have occurred and whether there are any issues or trends that require further action to be taken. The report sets out statistical data regarding requests for information under the Freedom of Information legislation and the number of complaints made to the Information Commissioner's Office. There had been no significant data breaches during the reporting period. There had been a number of minor breaches involving inaccurate address details on correspondence and lost paperwork. The breaches were investigated, however none were considered serious enough to report to the ICO.
 - 4.4.4 Annual RIPA (Regulation of Investigatory Powers Act 2000) – the Senior Responsible Officer has a responsibility to provide a report to the Committee each year in respect of the Council's exercise and oversight of the use of directed surveillance powers provided under this legislation. There had been no surveillance conducted during the period of this report. There had been an inspection by the Office of the Surveillance Commissioners conducted by way of a desktop review which concluded that the Council's applications and authorisation over the period covered by the inspection were of a good standard.
 - 4.4.5 Annual Report on the Constitution – the Committee receives an annual report on the Constitution and any updates that are required to it. There were some changes recommended to the terms of reference of the Committee and its name. Reference was made to the combination of two committees to form the new Local Joint Consultative Committee on Employee Relations and Health and Safety. There were also some changes made to the scheme of delegation as a consequence of the creation of Denbighshire Leisure Limited.

The Annual Whistleblowing Report was to have been submitted to the Committee in March 2020, however, the meeting was cancelled due to the Coronavirus pandemic.

- 4.5 The Committee also receives a number of reports relating to financial matters each year. These have included:
- 4.5.1 Statement of Accounts – each year the Committee is required to approve the Council’s statement of accounts in order that they may be signed off by the Chair of the Committee and the s151 Officer. There is a large amount of information involved in the accounts and the draft is presented to the Committee in one meeting before summer recess and the final statement of accounts is presented for approval in September each year in order that the committee has sufficient opportunity to examine the documentation and scrutinise it. The accounts were approved.
 - 4.5.2 Treasury Management – the Committee receives two reports each year on the treasury management functions of the Council. The reports present details of capital financing, borrowing, debt rescheduling and investment transactions during the reporting period. The reports also deal with the risk implications of treasury decisions and transactions and compliance with treasury limits and Prudential Indicators. The Committee reviews the Annual Treasury Management Strategy prior to its approval by Council.
- 4.6 The Committee also receives external regulatory reports. During this reporting period the Committee has received the following reports:
- 4.6.1 Wales Audit Office Annual Improvement Report - this report was presented to the Committee and Full Council and is a summary of audit work by Wales Audit, including studies on Scrutiny. No significant recommendations for change were made, and the report was overall very positive about the Council. There were five ‘proposals for improvement’, which were presented to Council together with the actions in respect of each of these.
 - 4.6.2 WAO Annual Audit Letter – the Committee received the WAO’s annual audit letter, the key messages in which were that WAO was satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and that their work to date on certification of grant claims and returns had not identified significant issues that would impact on the 2018-19 accounts or key financial systems. It stated that the council had a track record of managing its finances, but the significant financial challenge will continue over the medium term.
 - 4.6.3 Care Inspectorate Wales Local Authority performance Review - The CIW annual letter provides feedback on inspection and performance evaluation activity completed during the year; reports on progress the local authority has made in implementing recommendations from inspections and/or child and adult practice reviews; and, outlines CIW’s forward work programme. Areas identified as requiring improvement were in line with the Director of Social Services’ Annual Report and would be embedded within Service Business Plans for 2019 – 2020.

4.6.4 Wales Audit Office Review of Corporate Arrangements for Safeguarding – The review concluded that the Council had effective arrangements for safeguarding, but it needed to improve monitoring and performance reporting. Areas identified as requiring improvement were in line with the Director of Social Services' Annual Report and would be embedded within Service Business Plans for 2019 – 2020.

4.7 The Committee also receives internal audit reports. During this reporting period the Committee has received the following reports:

4.7.1 In July 2019, the Chief Internal Auditor presented the Annual Internal Audit Report for the year 2018/19 which provided an assurance opinion based on the work carried out by Internal Audit during the period:

“The governance, risk management and control arrangements in place for key business functions was satisfactory overall, and there were good relationships with the management whereby they openly share the areas where they perceive potential problems to be and take on board the results of audit work as an opportunity to make improvements.”

4.7.2 The Chief Internal Auditor reports the outcomes from audit assignments to the committee as part of the Internal Audit Update Report. ‘Low’ or ‘No’ assurance reports are also reported to committee separately and three audits were given Low (Amber) assurance rating during the year. While these audits indicate areas where controls require improvement, none were deemed significant in the context of the Council as a whole. Risks associated with these reviews are monitored by Corporate Governance & Audit Committee as part of its Forward Work Programme. A brief summary from the limited assurance reports is provided below:

4.7.3 Section 106 - Agreements under Section 106 d require that provisions be made at the landowner’s expense for affordable housing and/or financial contributions towards: affordable housing; education; open spaces; in connection with granting of permission for development of any size or type. Despite there being good processes in place for some elements of the S.106 process, there were a number of significant weaknesses relating to the overarching framework that need to be addressed, including setting up of a central register of S161 agreements that all relevant parties can access and monitoring in case agreements expire or are superseded.

4.7.4 Support Budgets & Direct Payments audit was performed at a time when the provision of support budgets and direct payments was in a transitional period with documentation, processes and procedures being reviewed. However, some staff were still uncertain of current arrangements and the process was not fully embedded. Issues were raised as: information held was inaccurate, inconsistent or difficult to access; process for reviewing outcomes was not robust; and returns showing expenditure were not always available.

4.7.5 The Housing Tenancy audit focused on data validity checks, policies and procedures, subletting and lodgers, and tenancy misuse. We highlighted issues relating to system data inaccuracies and absence of tenancy audits to

check that the terms of tenancy agreements were being met e.g. legitimate persons were living at the property with no unauthorised subletting or lodgers. During the review, the service confirmed that tenancy audits were due to commence and were in the process of being rolled out.

4.7.6 The Internal Audit Strategy 2019/20 and Internal Audit Charter were due to be presented to committee in March 2020; however, the meeting was cancelled at short notice due to the coronavirus pandemic and committee subsequently met remotely in July 2020.

5. How does the decision contribute to the Corporate Priorities?

The Committee's work in scrutinising the Council's financial affairs, risk management and corporate governance controls assists the Council in delivering the Corporate Priorities.

6. What will it cost and how will it affect other services?

There are no direct costs associated with this report.

7. What are the main conclusions of the Well-being Impact Assessment?

This report contains no proposal but is, rather, a report on the work done by the Committee over the past year. There is therefore no impact assessment required.

8. What consultations have been carried out with Scrutiny and others?

The Committee has received and commented upon a draft of this report.

9. Chief Finance Officer Statement

10. What risks are there and is there anything we can do to reduce them?

The risk of not having an effective Corporate Governance or Audit Committee is that there is no oversight of the Council's corporate governance which is a key component of good performance. Weak corporate governance can contribute to failures in service delivery.

11. Power to make the Decision

There is no decision required as a result of this report.