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CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Corporate Governance and Audit Committee held via Zoom on Wednesday, 27 January 2021 at 9.30 am.

PRESENT

Councillors Mabon ap Gwynfor, Tony Flynn, Martyn Holland (Vice-Chair), Alan James, Barry Mellor (Chair) and Joe Welch.

Lay Member - Paul Whitham

Cabinet Members – Councillor Hugh Evans – Leader of the Council and Lead Member for the Economy and Corporate Governance, Councillor Julian Thompson-Hill Lead Member for Finance and Efficiency and Councillor Bobby Feeley Lead member for well-being and independence.

Observers- Councillors Jeanette Chamberlain-Jones, Ellie Chard and Meirick Lloyd Davies.

ALSO PRESENT

Corporate Director: Economy and Public Realm (GB), Head of Legal, HR and Democratic Services - Monitoring Officer (GW), Head of Finance and Property Services (Section 151 Officer) (SG), Chief Internal Auditor (LL), School Funding Manager (CJ), Senior Auditor (LH), Senior Auditor (MPJ), Business Support Manager (PB), Legal Services Manager (LJ), Lead Officer – Strategic Asset Management (TB), Head of Community Support Services (PG), Principal Manager - Support Services (AL), Strategic Planning & Performance Team Leader (IMG), Democratic Services Manager (SP), Scrutiny Coordinator (RE), Committee administrators (SJ and RTJ).

Wales Audit Office Representatives David Wilson and David Williams had also been in attendance.

1 APOLOGIES

None.

2 DECLARATION OF INTERESTS

Councillors Tony Flynn Ellie Chard and Meirick LLOYD Davies declared a personal interest in agenda item 7 - Challenge & intervention framework for schools in financial difficulty – as they were School Governors.

Councillor Barry Mellor declared a personal interest in agenda item 7 - Challenge & intervention framework for schools in financial difficulty – as he was Chair of Governors of a Denbighshire school.

Lay Member Paul Whitham declared a personal interest in agenda item 7 - Challenge & intervention framework for schools in financial difficulty – as he had a grandchild at a Denbighshire High School.

3 URGENT MATTERS

None.

4 MINUTES

The minutes of the Corporate Governance Committee held on the 18 November 2020 were submitted.

Matters arising –

- Page 8 – Internal Audit Update – It was confirmed the Senior Auditor post had been filled.
- Page 9 – Internal Audit Update – Confirmation that the proposed audit planned were still on hold.
- Page 10 - Care Inspectorate Wales (CIW) Local authority performance review April 2019 - March 2020 – The Chief Internal Auditor confirmed she would enquire if any CIW reviews had taken place and report back to the committee.
- Page 14 – Annual Report of Corporate Governance Committee – The Monitoring Officer confirmed the report had been presented at County Council.

RESOLVED that subject to the above, the minutes of the Corporate Governance Committee be received and approved as a correct record.

5 LOCAL GOVERNMENT AND ELECTIONS (WALES) BILL - PERFORMANCE AND GOVERNANCE

The Strategic Planning & Performance Team Leader (SPPTL) presented the report (previously circulated) to members on the performance and governance aspects of the Local Government and Elections Wales Bill. It was stressed the importance that the Corporate Governance and Audit Committee consider the paper.

The SPPTL explained the three key implications of the Draft strategy guidance that justified discussion to be -

- Self-assessment
- Annual stakeholder survey
- Panel performance assessment

The SPPTL made reference to the detailed description of each within section 4 of the cover report.

Particular reference was made to the new power the Auditor General for Wales would have to initiate a special inspection of principal councils that may not be meeting their performance requirements, thus providing Welsh Ministers the power to reconstruct, deconstruct or merge councils. Within the Bill a requirement had been included that stated the Corporate Governance and Audit Committee would be required to annually review the self-assessment document and could make recommendations for changes

Members thanked the officer for the detailed report and transparent introduction. The SPPTL provided further information to members' questions and concerns on the following –

- The annual fieldwork of the Wales Audit Office (WAO) would continue . It was stipulated they would have less of a role in overall Council performance. Monthly meetings and communication with WAO would continue to ensure performance obligations are met.
- Work had begun to assess the cost of the processes. A report would be presented to SLT to begin the process and establish how to progress with the Annual Stakeholders Survey.
- The SPPTL was confident that the Council had adopted a transparent reporting process throughout the core functions. Officers would be able to use determined conclusions from reports to input into a self-assessment report.
- It was confirmed by the WAO representative that WAO have not completed Corporate assessments for a number of years.

The Chair thanked the SPPTL for the comprehensive guide through the report and highlighted the large amount of work that would be required to be completed by officers.

Following the discussions, it was

RESOLVED that, members had read and understood the implications of the draft statutory guidance prepared by Welsh Government.

6 LOCAL GOVERNMENT AND ELECTIONS (WALES) BILL 2021

The Monitoring Officer (MO) introduced the report (previously circulated) to members. The MO shared a presentation. Members were informed that the Bill had been awarded Royal Assent the week before and was now an Act. It had been agreed and passed by the Senedd in November 2020. It was confirmed that the provisions set out in the Act would be introduced on a staggered approach. A number of reports would be presented to members when required.

The MO provided members with further information on the following sections-

Electoral arrangements - Confirmation that the Act extended the voting franchise in local elections to 16 and 17 year olds and foreign citizens legally resident in Wales. The Act enabled councils to choose between the 'first past the post' voting system or the 'single transferable vote system' system. A change to the current system would require a full County Council decision. The electoral cycle would formally become a five-year cycle. The removal of Returning Officer fees was included.

General power of competence – Local Authorities are currently only able to act in circumstances where they are expressly permitted to so by legislation. The general power is intended to allow them to act unless specifically prohibited from doing so by legislation.

Public participation in local government – It was stressed that DCC would have a duty to engage and encourage local residents to participate in local government. The final version of the Act included a requirement to broadcast certain meetings. It was confirmed that the flexibility of remote meetings would continue.

Democratic governance and leadership – The Act stated that each Local Authority must appoint a Chief Executive. A number of duties and requirements would be included with the role relating to financial arrangements, risk management arrangements, resources and staffing.

A requirement to include arrangements within the constitution to allow Council to elect more than one person as a joint Leader and job shares in Cabinet. The introduction of appointed assistants to Cabinet had also been included, further guidance was expected.

Collaborative Working – The Council will have to have regard to Welsh Government guidance.. It was confirmed that Welsh Ministers would have the power to establish Corporate Joint Committees to cover economic wellbeing, transport, strategic planning and school improvement, although the current proposals did not include school improvement

Performance and governance – The Act states the committee should be named the 'Governance and Audit Committee'. Confirmation that there would be a change to the prescribed membership and Chairing of the committee. The change would include one third of the committee to be represented by independent lay members and the Chair would have to be an independent lay member. The date of the change to membership had not been confirmed.

Mergers and restructuring – Confirmation that voluntary merges would still exist. Within the Act Welsh Ministers could make 'restructuring regulations'. Those powers would only be exercised following a special inspection report from the Auditor General Wales or an abolition request from a council.

The MO stated a lot of information was awaited and would flow in the coming months and updates to the committee would take place as the information became available. The MO asked for members' opinions on the creation of a working group to review the implementation of the Act and the changes that would be required. Confirmation that information and updates would be relayed to members when made available.

During the ensuing presentation members took the opportunity to raise questions and discussed various aspects of the report. The main discussion points focused on the following –

- Members agreed it would be beneficial to have an officer/ member working group to look at the development of the Act. Lay Member Paul Witham stated he would be happy to assist officers with the process.
- The duty that would be placed upon the local authority to arrange the panel assessment. Guidance on the process on how to perform the assessment was likely to be made available in time..

- The statutory duty for group leaders to promote and maintain high standards of conduct with the group. No mention of sanctions had yet been made. It was hoped further guidance would be provided.
- Confirmation that a timetable of aspects of the Act becoming law would be completed and circulated to members. It was confirmed that certain aspects of the Act would have to be presented to this committee and full Council.
- The MO confirmed he would enquire if the reduced voting age for individuals enabled them to stand for election and report back to members.
- The duty to encourage public participation included encouraging the public to get involved in the decision making process and elections.
- The Act did not change the current procedures for co-opting on Town, City and Community Councils. The general power of competence would be available to eligible community councils provided they qualified.

The Chair thanked the Monitoring Officer for his detailed presentation and clear responses to members' questions and concerns.

It was therefore,

REOLVED that members considered the contents of the report and support the proposal of an officer/ member working group to keep an oversight of the implementation of the Act.

7 CHALLENGE & INTERVENTION FRAMEWORK FOR SCHOOLS IN FINANCIAL DIFFICULTY (SIFD)

The Lead Member for Finance and Efficiency guided members through the update report (previously circulated). It was confirmed that at present DCC delegated 85% of school's budget directly to schools. It was the duty of each school to provide DCC with a three-year budget plan annually. It was explained schools at times may experience financial issues, DCC had the provision to licence a deficit to support schools to return to a surplus budget. Close working with all schools within DCC had continued.

Within the report as Appendix 1, was the challenge and intervention framework. The Lead member reminded members it had been brought to committee in November 2017. The report today had been presented to members to demonstrate how the process had worked.

The Head of Finance and Property Services (HFPS) provided information of the role of DCC and school governing bodies. It was the responsibility of the school governing bodies to budget the school annual budget. The HFPS confirmed he was pleased with the process and work that had occurred with schools in financial difficulty. The Schools Funding Manager confirmed visits to school three times a year had continued to obtain information and to support schools. The implementation on the framework had been received positively and was working well.

During discussion the following matters were raised –

- The definition of a 'small school' was very difficult. Denbighshire County Council's definition would be a school with 50 pupils or less.
- The demography adjustment was calculated in September using the PLASC data provided by schools. It is a detailed calculation completed every year.

- Confirmation that DCC had no intention to close smaller schools. If Welsh Government directed to do so communication would take place.
- DCC still received numerous grants for school and education. It was confirmed that the two main grants received were for PDG (free school meals) and sixth form grant.
- The School Funding Manager was not aware of any available lotto funding. He would enquire any further information and report back to members.
- A number of factors had contributed to the reduction in Prestatyn High School, confirmation that the number of students attending the school had improved.
- It was stressed with close working with officers and action plans in place, schools can still be in control of individual budgets whilst being in deficit.
- It was confirmed if officers had concerns that schools had not listened to finance officers or implemented the plan, it would be brought to committee to address. If officers felt improvement and the plan would support the school into surplus, officers would monitor.
- The new Chris the Word School pupil numbers had been low for the size of the school. The number of pupils going to the school was rapidly increasing. The school funding manager was confident that with the increase in school pupils the school would move out of a deficit.

Following the discussion, it was

RESOLVED that members note the contents of the report.

At this junction (11:50 a.m.) there was a 10 minute break.

Meeting reconvened at 12.00 noon.

8 TREASURY MANAGEMENT (TM)

The Lead Member for Finance and Efficiency introduced the Annual Treasury Management Strategy Statement (TMSS) 2021/22 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 2020/21.

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 23 February 2021.

The Head of Finance and Property Services (HFPS) highlighted a number of significant points to the report. These included reference to the investment and borrowing graphs included in appendix 1 of the papers. A slight peak had been observed at the start of the year on the investment graph and had been due to the resolution of business grants payments and rate relief. Communication with the

Welsh Government and Welsh Local Government Association to devise a package that allowed Denbighshire Finance department to plan the treasury management cash flow in the best way.

It was stressed to members the responsibilities of treasury management had been, ensuring security of the resources, liquidity and yield from investment. It was confirmed that at present the focus had been on the security of the investments.

Members were guided to section 4 of appendix 2 regarding a change to the regulations to PWLB and borrowing rates. Confirmation that no activity of this nature had taken place.

During discussion the following points were raised –

- Officers confirmed that the level of borrowing was acceptable at present. Members heard a level of borrowing was set annually. Parameters were set to officers to professionally manage a set amount of borrowing.
- Welsh Government paid a number of schemes up front with follow up payments later. The revenue support grant had been partially paid up front aiding the cash flow within the Council. Confirmation that funding had been reimbursed through the quarterly loss of income claim by Welsh Government. It was stressed that the scheme by Welsh Government had been vital over the previous months.
- The HFPS confirmed that penalty clauses for paying off existing borrowing usually outweighed any benefit in interest rates.

RESOLVED, that the Committee note the Treasury Management Strategy Statement for 2021/22, the Prudential Indicators 2021/22 to 2022/23. 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.

9 ANNUAL GOVERNANCE STATEMENT - IMPROVEMENT UPDATE

The Chief Internal Auditor introduced the report (previously circulated). The report provided members with an update to the improvement actions that had been included in the Annual Governance Statement agreed by the Committee in July 2020 and was included as part of the Statement of Accounts present to members in September 2020.

An update to the progress of the actions had been included as appendix 1 to the report (previously circulated). It was confirmed that all actions had made progress. Some of the completion dates had been reviewed. Further updates would be included in the Annual Governance Statement 2020/21 report due to be presented to the committee in April 2021.

Members were pleased to receive the update from the Chief Internal Auditor and thanked her for the report.

It was therefore,

RESOLVED that members note the update report.

10 CONTRACT MANAGEMENT AUDIT - REVISED ACTION PLAN

Members were guided through the report (previously circulated) by the Chief Internal Auditor. It was explained to the committee, that a low assurance report had been presented to the committee in July 2020 a number of the actions had been allocated to the Corporate Support Service Review to implement. Due to Covid-19 the work stream had been put on hold. It was agreed to examine the action plan to ensure it was realistic, the action plan was attached as appendix 1 (previously circulated). The report provided named officers to implement the actions, with a deadline reflective to the action. The dates had been revised to allow for a realistic timeframe for implementation.

The Monitoring Officer offered his thanks to the Audit team and Chief Financial officer for the work that had been made to the action plan. Members were informed of the detailed work that had been undertaken.

Lay member Paul Whitham stressed the importance of strong contract management. A request to incorporate all contracts, construction and non-construction are included in the training schedule. To ensure all contracts are treated equally. The Monitoring Officer confirmed that the intention was for all contracts to be treated equally and for best practices to be shared. It had been impressed upon contractual manager to upload contracts onto the Proactis model. An issue had been noted on the availability to upload historic contracts, members were informed this was being investigated.

RESOLVED that members note the contents of the report and an update report be included on the forward work programme.

11 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

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

It was agreed to include the following reports on the committee's FWP:

17 March 2021 –

- Follow up report on the Housing Tenancy following a low assurance report previously reported.
- Follow up report on Payment Card Industry (PCI DSS) following a low assurance report previously reported.

28 April 2021 –

- Draft Annual Governance Statement

9 June 2021 –

- Internal Audit Annual report
- Contract Management update

28 July –

- Treasury Management

- Anti-fraud and corruption policy
- Homelessness Internal Audit Update

Members agreed to include The Local Government Act update to be included under future items, to be included on the agenda when required.

RESOLVED that Corporate Governance and Audit Committee's forward work programme be noted.

12 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. It had also included an update on progress with the CIPFA Good Practice for Audit Committees.

The internal audit team had continued to provide advice and support in relation to changes to control arrangements that the Council had to implement in response to the pandemic. Confirmation that the planned audits had been prioritised 2020/21 as reported to the committee in November 2020 and, while engagement from services was generally good, Covid-19 continued to impact on the pace and progression of some of our audits.

It was highlighted to members the Audit Plan remained under regular review, as well as the progress in delivering assurance work, to gauge if the Chief Internal Auditor can form an Annual Opinion on governance, risk management and internal control arrangements without any scope limitations. CIPFA had recently released guidance for providing an Annual Opinion with Scope Limitations which will be used should it be required.

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. Confirmation was provided to members that the appointment of a new Senior Auditor had been successful. Confirmation was also received that resource available to the Chief Internal Auditor will not be reduced, therefore the recruitment process to fill the vacant Auditor post will be initiated shortly.

Confirmation that 6 Audits had been completed since the last committee meeting. Members were reminded details of each of the audits had been included as appendix 1 to the report. A brief background of each audit was presented to the committee -

Provision of Homeless Accommodation
 Recruitment & Retention
 Ysgol Pendref
 Ethical Culture
 Queen's Buildings
 Data Protection & Freedom of Information.

The CIA confirmed that three audits had not yet started but had been prioritised to commence in the coming months. These key audits aided in the progress of delivering internal audit assurance. These were

- Denbighshire Leisure Limited
- ICT Capacity and Resilience
- Risk Management – corporate risks not covered by other audits.

The training arranged with CIPFA on “How to be a more effective audit committee” had been put on hold temporarily due to the coronavirus pandemic. The CIA confirmed communication would continue to enquire if any remote training would be possible.

General discussion –

- Members requested the self-assessment against the CIPFA Practical Guidance for Audit Committees be issued as soon as possible.
- Confirmation that the homelessness audit had been completed prior to the pandemic. Members did not agree with the use of hotels and bed and breakfast for the homelessness. Work was on going into options of offering accommodation to residents and families. It was confirmed a number of reports had been presented to Scrutiny to debate the homelessness provision in Denbighshire. The Monitoring Officer confirmed a report had been agreed by Chairs and Vice-Chairs to be presented to the Partnerships Scrutiny in the Autumn term. Members could request a specific detail to be considered by Chairs and Vice-Chairs by completing the appropriate form. The Monitoring Officer agreed to communicate with the Scrutiny co-ordinator to include the audit report as part of the homelessness report presented to scrutiny.
- Members heard, that due to certain circumstances such as special environmental needs, domestic violence or other factors a number of residents from other county’s residing in Denbighshire and vice versa. It was also noted that Denbighshire and other local authorities had a duty of care to provide suitable accommodation for individuals.

EXCLUSION OF PRESS AND PUBLIC

In order to address the concerns raised under the Appendix 3 of the Internal Audit-Queens Building it was –

RESOLVED that under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that it would involve the disclosure of exempt information as defined in Paragraph 16 of Part 4 of Schedule 12A of the Act.

A confidential appendix was presented by the Chief Internal Auditor. The appendix had been presented to members for debate as it had received a low assurance audit report. The scope for the review covered the following areas: roles and responsibilities and governance arrangements; finance and grant funding; and project delivery and risk management. The project had been an element of the Rhyl

Regeneration Programme Board as part of a wider remit to regenerate the town centre.

Members debated the results of the audit report of the project management of Queens building including the action plan. Members raised concerns on the audit report and the findings. Members requested that an update report be brought back to committee to assure members the action plan is being completed.

RESOLVED – that

- *The committee note the Internal Audit's progress and performance and,*
- *An update report on the Queen's Building be presented back to the committee*

13 ANNUAL REPORT - WHISTLEBLOWING POLICY

EXCLUSION OF PRESS AND PUBLIC

In order to address the concerns raised under the Whistle Blowing policy and discuss of the confidential appendix it was –

RESOLVED that under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that it would involve the disclosure of exempt information as defined in Paragraph 13 of Part 4 of Schedule 12A of the Act.

A confidential report by the Monitoring Officer (MO), which provided information relating to the operation of the Council's Whistleblowing policy.

The report had been submitted in accordance with the Council's Whistleblowing Policy (WP), which contained a requirement that the MO bring a report to the Corporate Governance Committee at least once a year on the operation of the Policy and any changes in practice introduced as a result of concerns raised under the Policy.

The report had been originally scheduled to come to Committee in March 2020, however it was delayed by the pandemic and the decision was made to bring a report covering two years, the period 1st November 2018 to 31st December 2020. During this period there have been six new concerns raised under the Policy.

The MO provided members with a brief background to the six concerns that had been raised. It was pleasing to note people had reported any concerns as it had demonstrated an understanding of the Whistleblowing policy.

RESOLVED, that the Corporate Governance Committee receive the annual report and note its contents.

The meeting concluded at 15.00 p.m.

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