

## Appendix 1

### Governance and Audit Committee Annual report 2022/23

During the period of the municipal year 2022/23 the Governance and Audit Committee met on seven occasions.

The Committee received regular update reports from Internal Audit in respect of the work of the audit service, progress against the Audit plan and the outcome of individual audits that had taken place.

The Committee also received the Internal Audit Strategy and the Internal Audit Annual Report which contains the Head of Internal Audit's opinion as to the assurance to be given by the Council's framework of governance, risk management and control. The Internal Audit Opinion concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Committee received a number of internal annual reports during this period which included:

**Annual Governance Statement** - The Council has a statutory duty to publish an Annual Governance Statement (AGS) in compliance with the Accounts and Audit (Wales) Regulations 2014, as amended. The report provides the Committee with the opportunity to comment on the annual governance statement separately to the Statement of accounts so that it may be given due consideration.

The AGS for 2021/22 was developed by performing a self-assessment of the Council's governance arrangements against the Framework for Delivering Good Governance in Local Governance (Wales) 2016 edition. This was conducted by an officers group representing the key governance functions from across the Council. The AGS referenced various evidence sources and assurance sources such as the Internal Audit Annual Report, Annual Performance Report, External Audit reports, and risk registers. The AGS contains an action plan in respect of improvements to be made and it was noted that good progress was being made in respect of that plan.

**Annual Corporate Health and Safety report** – this report provides an assessment of the Council's health and safety systems. During the period covered by this report the assessment was that of medium assurance in respect of the implementation of health and safety systems and employee involvement in health and safety.

**Annual Regulation of Investigatory Powers Act report** – this report relates to the use of covert surveillance powers available to the Council. There had been no use of these powers during the period covered by the report.

**Annual Senior Information Risk Owner report** - this report provides information on the Council's information governance. This includes information about data breaches of the Data Protection Act that have been subject to investigation by the DCC Senior Information Risk Officer. The report also covers data about Freedom of Information, Environmental Information and Data Protection requests received by the Council, including those that have been referred to the Information Commissioner's Office (ICO). The report also includes information about Denbighshire's schools. During the period of the report there had been an increase in the number of data incidents where information had been sent to the wrong recipient. None of these incidents had been considered reportable to the ICO in accordance with the relevant guidance, however, the report described measures to be explored for remote checking of address details to reduce this number in future.

There had been an increase in Freedom of Information requests to pre pandemic levels of approximately 100 per month caused mainly by the return of requestors that had stopped during the pandemic, namely businesses and political parties.

In addition, the Committee receives finance related reports to include the

**Statement of Accounts** – The Committee received reports as to the progress of the statement of accounts. There were delays caused by three main factors.

Firstly, continuing resource difficulties for Audit Wales that resulted in delays to the audit work and a number of staffing changes throughout the audit. Sec

Secondly, an issue that impacted all Welsh local authorities which involved the requirement of the CIPFA LASAAC Code of Practice for Local Authority Accounting in the United Kingdom to account for that infrastructure assets be measured using the historical cost measurement basis and carried at depreciated historical cost. In particular, there were concerns around the practical difficulties in applying component accounting for the recognition and de-recognition of replaced components of infrastructure assets as most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will have treated the amount of the replaced component as zero.

Thirdly, there were issues that have been picked up around asset valuations that were specific to Denbighshire and which involved a great deal of work to rectify.

The second and third issues have been resolved for future years but the first will remain.

**Treasury Management** – the Committee receives two reports each year on Treasury Management. The Councils Treasury Management Strategy Statement sets out how the Council will manage its investments and borrowing. The Committee is required to review this document prior to its approval by Council each year.

**Budget process update** – the Committee received a report setting out the Medium Term Financial Plan and the timetable for the setting of the budget.

The Committee also received a number of reports on other important governance matters.

**Corporate Risk Register** - the Corporate Risk Register is developed and owned by SLT and Cabinet. It is reviewed twice every year by Cabinet at Cabinet Briefing. Following each review, the revised register is presented to Performance Scrutiny Committee, and is shared with the Governance and Audit Committee. The Committee noted the changes that had been made to the risk register in the previous period which included an escalation of the risk relating to a serious safeguarding error to the highest level, and the mitigating measures that had been put in place to manage the risk. The Committee also recognised the increasing interconnectivity between risks and indicated its agreement with a suggested amendment to the Council's risk appetite statement.

**Recruitment, retention and workforce planning** – the Committee had requested this report following previous consideration of a Care Inspectorate Wales Inspection report on the Intake and Intervention Service. That report had identified recruitment and retention difficulties in the service

as having an impact on its improvement journey. The Committee had sought an information report on recruitment and retention in social services as a result of that report and subsequently requested this report on the approach being taken to address recruitment and retention issues across the Council. The Committee recognised the work that was being done to address the issue but remained concerned about the potential impacts on service delivery and, of particular concern to the Committee's role, on the Council's governance functions. The Committee endorsed the suggestion that a report be taken to Performance Scrutiny and asked that its concerns be taken into account by that committee.

**Capital Process and the future of the Strategic Investment Group** – the Committee was asked to comment on proposals for the creation of a Capital Strategy Group to replace the Strategic Investment Group and a new process for the approval of capital schemes.

**Corporate Performance Self-Assessment** - the report was the first statutorily required document written in response to the Local Government and Elections (Wales) Act 2021, which required the Council to produce a Self-Assessment of its performance against its functions. It also responded to the Council's duty around equality monitoring (under the Equality Act 2010 and Wales Measure 2011, which included the Socio Economic Duty) and the contributions to the Well-being of Future Generations (Wales) Act 2015.

Feedback from Governance and Audit Committee was required under the Local Government and Elections (Wales) Act 2021, before approval of the final documents by Council.

The self-assessment document included conclusions drawn from governance functions and performance against corporate objectives. The purpose of the report was to assess the information brought to committees over the last 12 months to reach a conclusion on how the Council had performed and areas for improvement.

The Committee reviewed and approved the draft report for its submission to Council.

The Committee also receives reports from external regulators. During this period the Committee received the following reports from Audit Wales:

**Public Sector readiness for Net Carbon Zero** - The report summarised the Audit Wales Report of Public Sector Readiness for Net Zero Carbon by 2030. Although Audit Wales did not make specific recommendations in their Report of Public Sector Readiness for Net Zero Carbon by 2030 given the high-level nature of their review, the report offered five Calls for Actions for organisations to consider. The majority of these actions would be considered during the review of the Council's Climate and Ecological Change Strategy.

**Delivering Sustained Improvement** - Audit Wales took an in-depth review of the Authority's performance in 2021. It was explained they had looked at systems and processes in place with a deeper look at the arrangements for education and young people and environmental services both of which were linked to corporate priorities at the time. Overall the conclusion was that Denbighshire had effective arrangements in place for its performance management.

**Springing Forward** – This Audit Wales report looked at how the Council had strengthened its ability to transform, adapt and maintain delivery of services, including those delivered in partnership with Key stakeholders and partners. This review had been conducted across all local authorities in Wales. Included in the review had been a review of the Council's arrangements for managing assets and the workforce. The overall report concluded that the Council was actively developing its New Ways of Working Project, which would lead to changes in the long run on both building assets and workforce,

integrating this activity with wider strategies, and looking further ahead would strengthen the Council's consideration of the sustainable development principle. There were a number of recommendations contained in the report, the management response to which was discussed by the Committee.

**Certification of Grants and Returns** - This report was a summary of the certification of grants and returns 2020-21. Audit Wales' conclusion was that the Council had adequate arrangements in place for preparing its grants and returns information which supported the certification work of Audit Wales.

**Audit Wales Audit Plan** - The report related to Audit Wales' Audit Plan 2022 which set out the programme of works planned to be carried out in Denbighshire over the next 12 months. The plan included work on the financial statements, performance audit work and an area yet to be determined but likely to be around digital strategies. The paper set out the fees charged for these services which were based partially on the size of a local authority and its level of risk. Denbighshire was included in the lower risk band.

The Committee also received reports from other external regulators as follows:

**Estyn Inspection of Christ the Word Catholic School** – the Committee received this report for information and received assurance that the matters raised were being considered by the Council's Scrutiny Committees

**Care Inspectorate Wales Inspection of Intake and Intervention Service** - The Head of Children's Services introduced the report to members stating an assurance check had been conducted by CIW in June/ July 2021. In that review a number of positive findings had been reported there were also a number of areas for improvement. An action plan was created to achieve the necessary improvements.

A follow up inspection highlighted some areas of improvement, but recognised the impact of a high number of vacancies across the service that impacted the improvement journey. Staff retention and recruitment was seen as a national concern. Regular meetings with CIW to review the actions taken in line with the action plan continued. Officers recognised there was still work that was required to improve in some areas.

The Committee was concerned about the recruitment and retention difficulties that had been described and requested a further report on recruitment, retention and workforce planning which is referred to earlier in this report.