

Appendix 3

Governance and Audit Committee Annual Report 2020/2021

During the period of the municipal year 2020/21 the Governance and Audit Committee met on six 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 medium assurance could be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

During this period the Committee also reviewed a number of reports produced by Internal Audit in respect of follow up monitoring of action plans relating to previous audits where the Committee had asked for future follow up reports to monitor progress in respect of issues that it wished to keep under scrutiny. These reports related to Contract Management, Payment Card Industry Security Standards, Direct Payments and Support Budgets. The Committee was able to track progress against action plans in respect of issues raised by previous audits in order to gain increased levels of assurance that those issues were being managed appropriately.

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.

Members were made aware that due to the Covid pandemic, this AGS raised a significant governance issue to reflect the unprecedented situation the council had needed to respond to whereby several council meetings were cancelled due to social distancing requirements imposed by government. Council meetings were gradually being reinstated as capacity and capability permitted with regards to legislative requirements.

The AGS highlighted many areas for improvement within an action plan, which the Committee would monitor to ensure its implementation. Members were assured that progress against the previous year's improvement plan had progressed and that outstanding actions were carried forward to this year's improvement 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.

Since March 2020 the Covid – 19 pandemic had driven the organisation to operate in a different way with much more focus on providing essential services in a “Covid secure” way and working from home. DCC responded rapidly to government regulations and guidance.

There had been a whistleblowing concern raised during the period regarding the safety of certain practices. This had been investigated thoroughly and good practices had been developed as a result.

Annual Fire Safety Report - this report provides an overview of the Council’s approach to Fire Safety. At the beginning of the 19/20 financial year it was decided to appoint a Fire Safety Manager in order to address the limitations identified by Internal Audit in the Fire Risk Assessments which were being undertaken. As a result, the performance indicators in respect of Fire Safety Risk Assessments had improved resulting in an increase in the number and effectiveness of these assessments.

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.

Within this reporting period, there had been 1 significant breach of the Data Protection Act by the Council. The breach involved sensitive personal data about 5 individuals mistakenly included in a court bundle. Investigations concluded that this was caused by human error. The Information Commissioner’s Office was informed of the breach and requested that processes be reviewed to reduce the likelihood of it happening again.

Annual Whistleblowing report – the Committee received a report covering a two-year period given delays caused by the Covid pandemic. There had been six disclosures during the period. The Committee were informed of the outcome of each of the disclosures. There were no underlying themes revealed by the disclosures.

Annual Regulation of Investigatory Powers Act report - The Council has the power to undertake certain surveillance activities where it considers that these are necessary and proportionate for the prevention and detection of crime or for the prevention of disorder. These activities include obtaining access to communications data, directed surveillance and the use of a covert human intelligence source. These activities are defined in more detail in the Council’s Corporate Policy and Procedures.

There had been no applications for authorisation of surveillance activity in the period covered by this report.

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

Statement of Accounts – The Committee received several reports as to the progress of the statement of accounts for 2019/20. The Committee approved the statement of accounts.

Treasury Management – the Committee receives two reports each year on Treasury Management. The Council's 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. The Committee received the report and noted the performance of the Council's Treasury Management function during 2021/22 and its compliance with required prudential indicators as reported in the Annual Treasury Management report.

Budget Update, Medium Term Financial Plan and Budget Process – the Committee received a report setting out the medium term financial plan and the process by which the Council would approach the setting of the following year's budget.

Challenge and Intervention Framework for Schools in Financial Difficulty (SIFD) - the report was presented to Committee as an update on the process that had previously been approved in order to demonstrate that it had worked. 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 that 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 in accordance with the framework. The implementation of the framework had been received positively and was working well.

Denbighshire County Council Coronavirus Response Financial Strategy – this report set out the strategy for dealing with the financial impact of the pandemic as part of the Council's recovery plan. The Committee received information relating to the additional expenditure incurred and income lost as a result of the pandemic as well as the current and anticipated support from Welsh Government in respect of both income and expenditure.

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 that during this latest review, the impact of Covid-19 had been at the forefront, and a number of risks had been updated to reflect the impact thus far and future implications. Some risks had seen their scores increase in severity as a result.

In addition, the Committee endorsed changes to the Risk Appetite statement in respect of safeguarding which had moved from a cautious to a minimalist risk appetite.

Socio Economic Duty – the report informed the Committee of the changes that had been adopted by Welsh Government under the Equality Act 2010 section 1-3. It was explained that following the changes a review by officers of procedures within the council would have to take place. The aim would be to reduce socio-economic disadvantage across the authority. Work had begun to review a number of key decision making and planning frameworks currently adopted by the Council. It was confirmed that Internal Audit would also give consideration to this duty in future work.

Alternative Service Delivery Model Toolkit - In 2020 the Committee had requested the creation of a toolkit which would offer guidance on necessary considerations for a variety of partnership working models both within and outside of the Council. This was seen as a key element to ensuring there was a coherent partnership framework in Denbighshire. The intention had been for the toolkit to be read as a guide in establishing good practice in partnership governance, scrutiny requirements and provided assurance that good governance arrangements had been in place. The Committee endorsed the toolkit and its use within and outside the Council.

Local Government and Elections (Wales) Bill – the Committee received two reports on different aspects of the Bill which would later become the Local Government and Elections (Wales) Act 2021. The reports set out the changes that would be required to be made to the Council’s constitutional arrangements and its performance and governance processes in order to comply with the provisions set out in the Bill.

Tackling Climate and Ecological Change in Decision Making – this report proposed changes to the Council’s Constitution with a recommendation that the ‘Principles of Decision Making’ contained within the Constitution be amended to include a requirement that decision makers have regard to tackling climate and ecological change when making decisions. The Committee recommended that Council approve this change to the Constitution.

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

Cyber Resilience in the Public Sector – this was a confidential report prepared by Audit Wales on resilience across the public sector in respect of cybercrime. Members agreed to receive a future report on cyber security in Denbighshire.

Certification of Grants and Returns - The report provided an assurance to the authority on the arrangements for grants. It was explained that the scope of the report had reduced over the previous years as Welsh Government reduced the number of grants that required this level of audit. It was confirmed that overall the Council has adequate arrangements in place for the production and submission of the 2019/20 grant claims.

The Audit Wales representative explained that one audit had been required to be reported to Welsh Government, therefore it had to be qualified. One of the tests required was not able to be

completed due to Covid restrictions. Members were assured that Audit Wales had no concerns on the compilation of the data.

Social Services Budgetary Cost Pressures – this report was presented by Audit Wales and related to work done in respect of arrangements for the commissioning and administering of residential care and nursing home placements. The report made a number of proposals for improvement relating to the strategic regional approach to the commissioning of care placements, pooled budget arrangements and communication between partners. The Committee considered the management response which referred to work being done on a regional basis to address the issues raised by the report. The Committee requested a follow up report in the subsequent financial year.

In addition, the Committee received the Audit Wales Annual Summary of activity and its Audit plan.

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

Care Inspectorate Wales (CIW) Local Authority Performance Review - The report sets out the key issues arising from the Care Inspectorate Wales (CIW) review of Denbighshire County Council's performance in carrying out its statutory social services functions. The report highlighted improvements that had been carried out from previous reviews. Overall officers were happy with the report. Members welcomed the report but raised questions regarding the difficulty in recruiting Welsh language speakers to certain roles.