

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 10 April 2013 at 9.30 am.

PRESENT

Councillors Martyn Holland, Gwyneth Kensler (Vice-Chair), Jason McLellan (Chair) and Paul Whitham (Lay Member).

ALSO PRESENT

Head of Legal and Democratic Services (GW), Head of Internal Audit (IB), Chief Accountant (RW), Corporate Improvement Team Manager (TW), Democratic Services Manager (SP), Audit Manager (BS), Technical Accountant (RIJ), Wales Audit Office Representatives (DO, AV and GB) and Committee Administrator (CIW).

1 APOLOGIES

Apologies for absence were received from Councillors Stuart Davies and David Simmons

2 DECLARATION OF INTERESTS

No Members declared any personal or prejudicial interests in any business identified to be considered at the meeting.

3 URGENT MATTERS

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

4 MINUTES

The Minutes of a meeting of the Corporate Governance Committee held on 27th February, 2013 were submitted.

RESOLVED – that the minutes be received and approved as a true and correct record.

5 TREASURY MANAGEMENT PRESENTATION

As part of the Committee's training programme Members received a presentation by the Chief Accountant and Technical Accountant in respect of treasury management which focused on investments and provided an overview of the new budget planning process.

The key areas incorporated in the presentation included:-

- Treasury Management Statement.
- Current Treasury Position.
- Investment Strategy.
- Borrowing Strategy.
- Treasury Policy.
- Prudential Indicators.
- Separation of Duties.

In response to a request from Mr P. Whitham, the Chief Accountant agreed that a copy of the presentation be circulated to all Members of the Corporate Governance Committee.

RESOLVED – *that*

- (a) *the presentation be received, and*
- (b) *a copy of the presentation be circulated to all Members of the Committee.*

6 ANNUAL FINANCIAL AUDIT OUTLINE

A report by the Head of Finance and Assets had been circulated.

The Wales Audit Office (WAO) Report, Appendix 1, set out matters such as roles and responsibilities, the audit approach, reporting, the audit fee, key elements of audit engagement and the financial audit team. The external auditors had been required to prepare and present the report in order to discharge their requirements of the auditing standards and proper audit practices. Appendix 2 included the key elements of the audit engagement, and Appendix 2 detailed the Audit Team.

The report outlined of the financial audit work required for the 2012-13 financial statements and the fees for undertaking the work, together with, information on the audit approach including the key audit risks which had been identified during the initial planning process and the actions proposed to address them. The financial audit work on risk areas would be used to inform the audit opinion on the financial statements.

Under the Public Audit (Wales) Act 2004 the Appointed Auditor had been required to examine and certify the financial statements of the Council and be satisfied that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The fees for work undertaken by the WAO in respect of the financial audit, which were an existing budget commitment for the Authority, had been included in the report. The audit process would highlight any significant risks and the management response to addressing or minimising the risk or impact.

The WAO representatives Mr D. Owen and A. Veal provided a summary of the Annual Financial Audit Outline Report, which had been circulated for information, and the following key areas were accentuated which related to the Annual Financial Audit Outline and the Appendices:-

- Roles and responsibilities.
- Audit approach.
- Reporting.
- Audit fees.
- Key elements of the audit engagement.
- Financial audit team

The following specific areas were highlighted and responses to issues raised were provided:-

- The importance of the rights of the public and electors to inspect the Council's financial statements and related documents, and where appropriate, to challenge items in the accounts.
- Key elements of the audit as set out in Appendix 2.
- Certification of grant claims and returns.
- Preparation of the accounts risks:-
 - Partnerships and collaboration - The HIA explained that the Lead Authority for partnership arrangements would assume responsibility for the audit process, He agreed to provide a list of partnership arrangements and details of Service Level Agreements to provide confirmation that there were reciprocal arrangements between LA with regard to the audit process.
 - Capital Programme
 - Council House valuations – Details of the council house valuation process was provided.
 - Accounting for Landfill Site obligations – The Chief Account explained that due to the relevant timescales the risks to Denbighshire were minimal.

Following further discussion it was:-

RESOLVED – *that the Committee receive and note the contents of the Annual Financial Audit Outline.*

7 ELECTRONIC VOTING SYSTEM

A report by the Head of Legal and Democratic Services (HLDS), on the operation of the electronic voting system in the Council Chamber and the constitutional implications of changing the way in which it is used, had been circulated with the papers for the meeting.

The Council's Standing Orders set out the way in which voting takes place at meetings of the Council or its Committees and provide for voting to take place by a show of hands or affirmation of the meeting. The majority of meetings were held in meeting rooms where there were no electronic voting facilities and only Full Council and Planning Committee regularly meet in the Council Chamber.

The electronic voting system in County Hall's Chamber was used to produce quick, accurate numbers of Members and records the way that each Member casts their

vote and those records are occasionally requested by Councillors, the press and members of the public. The Council would be unlikely to release information of individual votes cast as the accuracy of the information could not be guaranteed. As the electronic voting system was only used to record the number of votes cast for, against or to abstain in respect of any matter to be decided at a meeting extra precautions would have to be in place to guarantee the accuracy of the record of votes allocated to named councillors.

The Democratic Services Manager confirmed that the present system could record how individual Members voted and possibly display the information on screen. He highlighted the problems which could be encountered which included ensuring that Members never moved from an allocated seat, or that their voting card always moved with them, and that checks were undertaken when issuing voting cards to eliminate any possibility of errors. Councillors might also have to assume responsibility for ensuring they had the correct voting card allocated to them and as these measures were not needed to allow the voting system to accurately count the number of votes cast they had not been introduced and the electronic record of individual votes cast had been viewed as a by-product of the system; not a reliable record. Additional precautions could be introduced if public access to the named voting records was agreed by Council, but this should not be retrospective as the accuracy of previously held data could not be guaranteed.

It was explained by the HLDS that there was a procedure in the Standing Orders for recording the way votes were cast, which involved each Councillor declaring how they were voting. A recorded vote would be taken where one sixth of the Members present demand it, and the results of a recorded vote would be set out in the minutes of the relevant meeting. He confirmed that the Standing Orders would need to be reviewed accordingly in the event of the introduction of an electronic voting system and, he stressed that procedures would need to be introduced to ensure that the Council could guarantee the accuracy of any information provided in response to a Freedom of Information request.

Members referred to the democratic process and the possible public perception of the Authority being unable to provide accurate information in respect of Member voting. It was suggested that the provision of compulsory training for Members, to stress the importance of the voting system and procedures, could assist in addressing the problems highlighted.

The Committee supported the suggestion but forward that prior to consideration of the introduction of the electronic voting system be referred to Council, the matter be referred to Group Leaders and all Members be made aware of any anomalies and the importance of the system.

During the ensuing discussion it was agreed that the Head of Legal and Democratic Services undertake a review the Council's Standing Orders, and the Democratic Services Manager provide a report in respect of Information Technology issues.

RESOLVED – *that:-*

(a) *the Committee receive and note the contents of the report.*

- (b) the introduction of the electronic voting system be referred to the Group Leaders prior to being presented to Council for consideration.*
- (c) all Members be made aware of any anomalies and the importance of the system.*
- (d) the Head of Legal and Democratic Services undertake a review the Council's Standing Orders, and*
- (e) the Democratic Services Manager provide a report in respect of Information Technology.*

8 WEBCASTING AND REMOTE ATTENDANCE

A report by the Head of Legal and Democratic Services, outlining proposals made by the Welsh Government regarding the webcasting of Council meetings and the ability of Members to attend meetings remotely, had been circulated previously.

Welsh Government (WG) had made £1.2m available to Local Authorities (LA) to assist them in implementing the webcasting of Council meetings and the remote attendance at meetings by Members. Each LA would be entitled to a grant of £20k for webcasting and £20k for remote attendance and details of the webcasting process had been outlined in the report. The WG grant would be only available for one year with no guarantee of future funding. In addition to software licensing fees there may be additional resources required to operate the system in supporting the population of the timeline of archived material.

The WG and WLGA had facilitated meetings with Democratic Services Officers to discuss the issue of webcasting and a demonstration of one of the systems had been delivered. It was explained that it would be possible to webcast in such a way that translation services were available. There were no statutory obligations on Council's to webcast meetings but the service had become more common practice among LA's and webcasting would make meetings more accessible to the public. The HLDS outlined the advantages and disadvantages associated with webcasting Council meetings and he responded to questions from Members of the Committee.

The report provided details of how the decision would contribute to the Council's Corporate Priorities, cost implications, the consultation process and any risks and processes introduced to address them. The HLDAS responded to a question from Mr P. Whitham and confirmed that the technology had been established to introduce webcasting. However, there would be potential risks to the Authority in the event of any technical anomalies which could bring into question the public's perception of the Council. The HLDS explained that the equipment already installed by Denbighshire could reduce the initial implementations costs of the system, however the equipment had only been installed in the Council Chamber. The Committee agreed with the view expressed by the HLDS that a demonstration of the webcasting system be presented to Council Briefing.

The HLDS summarised the provisions of Section 4, Local Government (Wales) Measure 2011, which provides that reference in any statute to a meeting of the LA was not limited to a meeting of persons all of whom were present in the same place. A Member of an LA not present in the place where a meeting of that

Authority was held and was considered to be a 'Member in remote attendance' if a number of conditions were satisfied and these included:-

- (a) the Member in remote attendance was able at that time:
 - (i) to see and hear, and be seen and heard by the Members in actual attendance;
 - (ii) to see and hear, and be seen and heard by, any Members of the public entitled to attend the meeting who were present in that place and who exercise a right to speak at the meeting, and
 - (iii) to be seen and heard by any other Members of the public who were entitled to attend and are present at the meeting.
- (b) the Member in remote attendance was able at that time to hear, and be heard by, any other Member in remote attendance in respect of whom the conditions of paragraph (a) were satisfied at that time, and
- (c) use of facilities enabling the conditions in paragraphs (a) and (b) to be satisfied in respect of the member in remote attendance was not prohibited by the standing orders or any other rules of the authority governing the meeting.

It was explained that there would be no quorum for a meeting at any time when the number of Members in remote attendance was equal to, or greater than, the number of Members in actual attendance. Section 4 of the Measure had not yet been introduced but there were indications it would be later in the year. There were difficulties associated with the introduction of remote attendance and it was not clear that a system enabling a large number of remote attendees would be feasible.

Governance issues to be considered related to:-

- the confidentiality of Part II proceedings;
- the potential for challenge to decisions if the technology fails and members wishing to attend remotely are unable to attend and vote;
- the potential for inquorate meetings due to the balance between members attending remotely and those physically present at the meeting.

The Committee were informed that the Council's standing orders and procedures would need to be amended to make provision for the issues highlighted.

The following issues were raised by Members and responses provided by officers:-

- The possibility of Members attending for one agenda item only.
- Members attending in remote attendance would be classified as having attended the meeting in respect of Member attendance records.
- The Democratic Services Manager highlighted the possible technical problems which could be encountered and explained that there had been concerns expressed regarding the availability of technology to meet legislative requirements.

The Chair referred to the possible use of video conferencing with facilities provided at one specified location, which could overcome any technical problems and risks

which might be encountered as staff would be in attendance to address any technical issues which may arise. The HLDS explained that the provision of video conferencing facilities could meet the legislative requirements, and following a detailed discussion the Committee agreed that a report on the use of video conferencing be presented to Council Brief for consideration by Members.

RESOLVED – *that the Corporate Governance Committee:-*

- (a) agrees that a demonstration of the webcasting system be presented to Council Briefing, and*
- (b) a report on the use of video conferencing be presented to Council Briefing.*

9 WHISTLE BLOWING POLICY

A copy of a report by the Head of Legal and Democratic Services, outlining the draft revision to the Council's Whistleblowing Policy, had been circulated previously.

The HLDS summarised the report which included the Council's current Whistleblowing Policy, Appendix 1, the revised draft policy, Appendix 2, and a Briefing Note for managers, Appendix 3.

He explained that the Council were committed to conducting its business in an open, transparent and ethical way and that the people who work for, or with, the Council would often be the first to realise that there was something wrong within the Council. The Whistleblowing Policy would encourage those who work for, or with, the Council to feel confident that they could raise genuine concerns about illegal, unethical or improper conduct and that they would be protected from harassment, victimisation or reprisals connected to the raising of their concerns.

The types of concerns covered by the Policy had been set out in paragraphs 2.2 and 2.3 of Appendix 2. Under the Officers' Code of Conduct, staff would be obliged to report illegal, improper or unethical conduct. The Public Interest Disclosure Act 1998 provided legal protection for workers, including contractors and agency staff, who raise genuine concerns and make disclosures in good faith about malpractice. It would be unlawful for an employer to dismiss anyone or allow them to be penalised or victimised on the basis that they had made an appropriate lawful disclosure in accordance with the Act.

The Policy set out how a concern may be raised and sought to make clear that whilst it was hoped that the culture of the organisation would make people feel comfortable about raising issues internally, and it would be important that the concern had been raised even if the matter had been taken to an external body. The Policy also set out contacts both internal and external to the Council with whom it would be appropriate to raise a concern, and detailed what an individual who raises a concern can expect from the Council by way of a response and gives guidance as to how the issue of confidentiality would be handled.

A briefing note, Appendix 3, had been developed to provide guidance for managers on how to deal with a concern if raised. In response to a question from the Chair the HLDS agreed that Trade Union representatives should receive the same

guidance as managers. It was explained that it would be necessary to ensure that awareness was raised amongst staff and others who work with the Council, and periodic awareness raising exercises would be required to ensure that the Policy remained visible to those who may wish to use it and to managers who may need to implement it. Details of the process for the introduction of the Policy were summarised by the HLDS, together with, the proposed regular workforce communication strategy which would convey regular messages, up-dates and reminders to members of staff. It was confirmed that an annual progress report would be presented to the Committee detailing the number and nature of complaints received.

In response to questions from Members, it was confirmed that the Trade Unions would be consulted and that the Whistleblowing Policy would only be present to the Local Joint Consultative Committee if any concerns or issues were raised and remained unresolved.

Mr P. Whitham referred to paragraph 5.4 of the Policy and the committee supported the request that an explanation be included in the Policy highlighting the difficulties which might arise when pursuing a complaint if the complainant wished to remain anonymous. The HLDS agreed to examine the processes of informing third parties of the Whistleblowing Policy when entering into arrangements with the Authority.

The HLDS responded to questions from Members and explained that the Policy stated that the raising of a concern would be more significant than who it was raised with, and that the complainant raise it with the person they felt most comfortable with.

RESOLVED – that:-

- (a) subject to the agreed minor amendments, the Committee receive and approve the draft revised policy, and*
- (b) the draft policy be referred to the Trade Unions prior to being presented to Council for approval.*

10 CORPORATE SELF ASSESSMENT

A copy of a report by the Corporate Improvement Manager (circulated previously) presented the Council's annual Corporate Self-Assessment (CSA) for 2013.

The Corporate Improvement Team Manager (CITM) explained that the Council produced an annual self-assessment to comply with its statutory obligation to "make arrangements to secure continuous improvement", as required under the Local Government (Wales) Measure 2009. Self-assessment provided an understanding of strengths and weaknesses in relation to key processes, such as strategic planning; performance management; workforce planning; and financial management.

The conclusion detailed areas for improvement identified in the assessment.

The document had been compiled based on the established style and questioning of previous CSA's, having had input from relevant officers and using the most up-to-date information. The plans for disseminating and communicating the CSA would include:-

- Send to the Wales Audit Office, who would consider it as part of its Annual Improvement Report for the Council.
- Circulate to the Corporate Governance Committee, for information.
- Circulate to the Performance Scrutiny Committee, for information.
- Publish on the Council website, alongside the Annual Performance Report and the Wales Audit Office Annual Improvement Letter.
- Publish on the intranet.

The CSA provides the opportunity for the Council to take an inward look at itself to identify any weaknesses in its key processes and to consider how things may be done more efficiently and effectively. This supported the Council's commitment to 'modernising the Council to deliver efficiencies and improve services for customers'.

Input to the Corporate Self-Assessment had been provided by the Senior Leadership Team (SLT) and other relevant officers, including Internal Audit. The report had been presented to CET and SLT in February, 2013 and any comments or suggestions had been incorporated into the document.

The CITM concurred with the views of the Chair that there should be Member involvement in the development and analysis of the strengths and weaknesses of the Council's corporate arrangements. In response to a question from Mr P Whitham regarding poor attendance at Scrutiny training sessions, the HLDS summarised the sessions held and provided details of the future training programme.

Councillor G.M. Kensler explained that she disagreed with the statement that "Members feel engaged with the budget setting process", the HLDS referred to the forthcoming committee timetable and explained that specific sessions had been allocated for the budget setting process. Councillor Kensler expressed concern regarding Scrutiny and Challenge, particular reference being made to the question of the categorisation of Performance, and to issues relating to Consultation and Engagement and the role, terms of reference and constitution of the Member Area Groups (MAGs). The HLDS explained that the MAG's were consultative bodies and were not authorised or empowered to make decisions.

In reply to a question from the Chair, the CITM highlighted the concerns regarding the need for a more coordinated self-assessment in respect of the WAO, CSSIW and Estyn. He acknowledged the need for improvements and summarised the processes to be introduced and adopted to address the areas of concern.

RESOLVED – *that the Corporate Governance Committee receive and note the contents of the Self-Assessment for 2013, as attached at Appendix I.*

A copy of a report by the Head of Internal Audit (HIA) on the Council's Corporate Governance Framework (CGF), which contribute to the production of the Annual Governance Statement (AGS) and presented the Draft AGS for 2012/13, had been circulated with the papers for the meeting.

The HIA explained that the Corporate Governance Committee recommends the adoption of the AGS each year as part of the Council's Statement of Accounts. The Council's Governance Group had consulted the Committee at an early stage to allow it more time to discuss and challenge the Framework and AGS. The Chief Executive and Leader would be required to sign the final version of the AGS, which the Committee would approve in June, 2013. The HIA explained that he would welcome any comments or suggestions from Members prior to a further progress report being presented to the Committee at its May, 2013 meeting.

A PowerPoint presentation was provided by the HIA on the Corporate Governance Framework which included:-

- Code of Corporate Governance.
- 6 Principles.
- Gathering Evidence.
- Governance Group.
- Governance Framework.
- Assurance Sources.
- Self-Assessment.
- Annual Governance Statement.

The HIA referred to the national review of Governance Frameworks undertaken by the Wales Audit Office. The Wales Audit Office agreed that a presentation be provided on this issue to the Committee at its meeting in May, 2013. During the ensuing discussion the officers responded to questions from Members and it was:-

RESOLVED – *that the Corporate Governance Committee receives:-*

- (a) the Corporate Governance Framework and Draft Annual Governance Statement 2012/13, and*
- (b) a presentation by the Wales Audit Office on the national review of Governance Frameworks.*

12 INTERNAL AUDIT STRATEGY 2013/14

A copy of a report by the Head of Internal Audit (HIA), previously circulated, introduced the Internal Audit Strategy for 2013/14.

The HIA summarised the report which introduced the Internal Audit Strategy for 2013/14. He explained that all the necessary background information had been included in the Strategy document circulated with the papers for the meeting.

The HIA invited Members attention to the key point highlighted on Page 3 of the Strategy, which explained that the Council may be requested to continue their work in National Resources Wales, previously our Countryside Council for Wales Contract. In the event of this happening a revised Strategy would be produced for consideration by the Committee.

Members were informed that the Corporate Governance Committee's terms of reference include approval of Internal Audit's plan of work.

The HIA provided a summary of the Internal Audit Strategy 2013/14 report and outlined the main objectives. He explained that the Assurance Plan linked closely with the Governance Framework and highlighted the importance and relevance of the external contracts, particular reference being made to the contracts with the Countryside Council for Wales, North Wales Police and the Natural Resources Wales.

Details of the Assurance strategy 2013/14 was provided for the Committee which detailed Essential Assurance, Risk-based Assurance, External Contracts, Contingencies and IA Support. In response to a suggestion by Mr P. Whitham it was agreed that the Assurance Strategy be presented to the Committee on a quarterly basis for information purposes.

RESOLVED – *that the Corporate Governance Committee:-*

- (a) approves the internal Audit Strategy 2013/14, and*
- (b) agrees that the Assurance Strategy be presented to the Committee on a quarterly basis.*

13 INTERNAL AUDIT PROGRESS REPORT

A copy of a report by the Head of Internal Audit had been circulated previously.

The HIA introduced the report on the latest progress of the Internal Audit service in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement. The information provided had been to the 17th March, 2013 and the Committee would receive the final outturn position in the Internal Audit Annual Report at its next meeting.

The report provided an update in respect of:-

- delivery of our Operational Plan for 2012/13
- recent Internal Audit reports issued
- management's response to issues we have raised
- Internal Audit's performance

The HIA referred to the delivery of the Internal Audit Operational Plan 2012/13 and explained that Appendix 1 provided a breakdown of work during 2012/13, compared to the revised Internal Audit Strategy. It includes assurance scores and number of issues raised for the completed reviews, definitions used to form our audit assurance and the ratings used to assess the risk-levels for issues raised.

A summary of the following Recent Internal Audit Reports, issued since February, 2013, which had been identified as a moderate risk, were provided by the HIA:-

- Domiciliary Care Package Review.
- Project Management – IT Related Projects.

Details pertaining to management's response to issues raised by Internal Audit had been included in the report, together with, Internal Audit Performance – Key Measures.

Measure - Review 100% of agreed S151 Assurance areas in Operational Audit Plan by 31st March, 2013. Work on all three projects had been completed, with one draft report to be finalised.

Measure - Review 100% of agreed Corporate Governance Assurance areas in Operational Audit Plan by 31 March 2013. Work completed on three of the four projects (75%), with the draft report for the review of risk management imminent.

Measure - Review 100% of High Inherent Risks from the Corporate Risk Register by 31 March 2013. Work completed work on all six risks.

In response to questions from the Chair and Councillor G.M. Kensler, the HIA confirmed that follow up reports could be provided in respect of the 12 moderate issues pertaining to Public Realm and the timescales for work undertaken in respect of housing maintenance.

RESOLVED – that Committee

- (a) notes Internal Audit's progress and performance to date in 2012/13.*
- (b) receives the recent Internal Audit reports issued, and*
- (c) agrees that follow up reports be provided in respect of the issues pertaining to Public Realm and the timescales for work undertaken in respect of Housing Maintenance.*

14 INTERNAL AUDIT CHARTER

A copy of a report by the Head of Internal Audit, which introduced the revised Internal Audit Charter, had been circulated with the papers for the meeting.

The HIA provided a summary of the revised Internal Audit Charter. He explained that the current Internal Audit Charter had been produced in 2010 in line with the Institute of Internal Auditors professional standards. The new Public Sector Internal Audit Standards had come into force on the 1st April, 2013 and the Corporate Governance Committee had been requested to approve a revised Charter which complied with the requirements of the new Standards.

The HIA provided a brief summary of the contents of the revised Internal Audit Charter which included:-

- Background to the Internal Audit Charter.
- Internal Audit in Denbighshire County Council.
- Head of Internal Audit's reporting lines.
- Internal Audit's access rights.
- The scope of Internal Audit's work.
- Internal Audit's resources.
- Conflicts of interest and other responsibilities.

In response to a question from Mr P. Whitham the HIA and HLDS agreed that a report in respect of accessing records to third parties, by Internal Audit, could be provided.

RESOLVED – *that*

- (a) *the Committee approves the revised Internal Audit Charter, and*
- (b) *a report in respect of accessing records to third parties by Internal Audit be provided for the Committee.*

15 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

The Corporate Governance Committee's Forward Work Programme (previously circulated) was presented for consideration. Members discussed potential amendments to the work programme and various business items with officers and after consideration the Committee agreed:-

- The Internal Audit Progress report be removed from the Forward Work Programme for May, 2013 as it would form part of the Annual Report.
- To include in the Forward Work Programme for the May, 2013 meeting a presentation by the Wales Audit Office on the national review of Governance Frameworks.

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

Meeting ended at 12.45 p.m.