

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 3 July 2013 at 9.30 am.

### **PRESENT**

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

Councillors Julian Thompson-Hill, Lead Member for Finance and Assets and Barbara Smith, Lead Member for Modernising and Performance were also in attendance.

### **ALSO PRESENT**

Head of Legal and Democratic Services (GW); Head of Internal Audit Services (IB); Audit Manager (BS); Head of Strategic HR (LA); HR Services Manager (CR); Chief Accountant (RW); Corporate Improvement Team Manager (TW) and Committee Administrator (KEJ) together with Wales Audit Office Representatives (GB & AV)

### **POINT OF NOTICE**

Due to the amount of business to be transacted and time constraints of committee members it was agreed to defer Agenda Item 5 'Committee Self-Assessment' to the next meeting and to vary the order of the agenda to accommodate that change.

#### **1 APOLOGIES**

Councillor Stuart Davies

#### **2 DECLARATION OF INTERESTS**

No declarations of personal or prejudicial interest had been raised.

#### **3 URGENT MATTERS**

No urgent matters had been raised.

#### **4 MINUTES**

The minutes of the Corporate Governance Committee held on 22 May 2013 were submitted.

**Matters Arising** – Page 8 Item No. 7 Annual Improvement Report – The Head of Legal and Democratic Services advised that the Scrutiny Chairs & Vice Chairs Group had agreed that the Corporate Risk Register be presented to this committee twice a year following review by the Corporate Executive Team in order to provide a strategic overview of the arrangements. Issues concerning individual risks requiring more detail would be dealt with by the appropriate scrutiny committee. The Chair

requested that the minutes of the Scrutiny Chairs and Vice Chairs Group be circulated to committee members for information. **[KEJ to action]**

Councillor Martyn Holland observed that references made within the minutes may not be easily understood by those who had not been present at the meeting.

**RESOLVED** that the minutes of the meeting held on 22 May 2013 be received and approved as a correct record.

## **5 COMMITTEE SELF ASSESSMENT**

Due to the amount of business to be transacted and time constraints it was –

**RESOLVED** that the Committee's Self Assessment session be deferred to the committee's next meeting on 4 September 2013.

## **6 INTERNAL AUDIT PROGRESS REPORT**

The Head of Internal Audit Services (HIAS) submitted a report (previously circulated) updating members on the latest progress of the Internal Audit Service. The HIAS highlighted particular areas of the report as follows –

- progress in delivering the Internal Audit Operational Plan 2013/14
- recent internal audit reports issued in respect of WG Free Breakfast Initiative; WG Higher Education Student Finance; Financial Systems – Ruthin 2012/13; Risk Management, and Ysgol Clawdd Offa, Prestatyn
- there were no outstanding concerns regarding management's response to issues raised with a separate agenda item on Strategic HR, and
- Internal Audit performance and key measures.

Members discussed their reporting requirements for internal audit reports and noted that in some cases reports were issued following the agenda deadline and therefore not included for discussion at the next meeting. The audit report issued in respect of Ysgol Clawdd Offa fell into that category and was a cause for concern in view of the low assurance rating provided. It was agreed that members be provided with a full audit report at the time of issue and that those subject to an amber/red assurance rating be considered at the committee's next meeting. **[IB to action]** Members would also have the opportunity to raise issues regarding other audit reports directly with the HIAS or at the meeting. In view of members' concerns regarding Ysgol Clawdd Offa, the HIAS provided a verbal update and the committee agreed to receive a detailed report at their next meeting. **[IB to action]** In response to a question from Councillor Gwyneth Kensler, the Head of Legal and Democratic Services confirmed that the Lead Member could be invited to attend.

Members also considered the breakdown of internal audit work for 2013/14 and the HIAS clarified issues in response to questions thereon providing definitions for a number of work areas and the remit in terms of audit work to be carried out within those areas. With regard to School Fund Audits, the HIAS reported upon a number of school themed visits and advised that he had developed plain English guidance for schools which would be made available in September.

**RESOLVED** that –

- (a) *subject to implementation of the reporting requirements for the committee as detailed above, the progress report on the Internal Audit Service be received and noted, and*
- (b) *a progress report on Ysgol Clawdd Offa, Prestatyn be submitted to the next meeting of the committee on 4 September 2013 and the Lead Cabinet Member for Education also be invited to attend. [IB to action]*

## **7 STRATEGIC HR INTERNAL AUDIT REPORT**

The HR Services Manager (HRSM) submitted a report (previously circulated) updating members on the actions identified as part of the Internal Audit report for Strategic HR. In view of the low assurance rating given for delivering the audit action plan which had been reported to the committee in February 2013, members had agreed to keep progress under review and requested an update at this meeting.

The HRSM reported upon progress with the action plan made since February and also detailed further work to be undertaken together with some revised timescales. She elaborated upon a number of outstanding areas of work which had been summarised within the report. Reference was also made to progress with the HR Improvement Plan which was referred to as a considerable undertaking.

Members sought clarification regarding a number of actions to be progressed, queried the reasons for the delay in their implementation and sought assurances regarding future progress. Officers responded as follows –

- reported upon the IT systems currently used for HR and work ongoing to match data from Payroll and Trent together with plans to integrate those systems to enable data to be inputted once
- elaborated upon the professional competency reviews for HR staff to measure performance and identify any development gaps
- a new recruitment framework had been introduced to address the problems relating to take up of references and validation of qualifications and safeguarding checks would be carried out to ensure compliance
- agreed that determination of competency gaps and succession planning was crucial in light of workforce pressures and advised that this process had been built into the workforce planning exercise undertaken annually with services
- confirmed that due to work pressures Payroll had been unable to attend meetings with HR but monthly meetings would likely restart in July
- acknowledged the reputational risk to the council arising from employment of ex-employees which had been included within the Pay Policy.

The committee also discussed with officers the need for accurate employee data and felt that more should be done to address that issue. Councillor Martyn Holland

felt that line managers should take some responsibility and suggested a process be introduced for managers to check the accuracy of staff data. **[LA/CR to action]**

The Head of Internal Audit Services (HIAS) verbally reported upon the follow up review carried out the previous week advising that he still had serious concerns regarding delivery of both the audit action plan and HR Improvement plan and felt that not enough progress had been made. He highlighted that only 21 of the 45 original actions had been completed and some deadlines had been extended more than once. It was felt that the plans were over ambitious in terms of timescale and may not be achievable. The final follow up report would be available shortly and a further follow up would likely take place in November. The Head of Strategic HR referred to the additional pressures on the service as a result of the current climate and changing priorities but provided some assurance regarding delivery of the action plans within timescales advising that additional dedicated resources had been provided specifically for that purpose. The HRSM agreed that the HR Improvement Plan was ambitious but she was confident that the December 2013 deadline for specific actions within the audit action plan would be met.

Members noted the audit opinion and confidence expressed by HR officers that deadlines could be met. The committee agreed to continue to monitor progress and receive a further update at their next meeting.

***RESOLVED*** that the Strategic HR Internal Audit Report be received and noted and a further progress report be submitted to the committee's next meeting on 4 September 2013. **[IB/LA/CR to action]**

## **8 DRAFT STATEMENT OF ACCOUNTS 2012/13**

The Chief Accountant (CA) submitted a report (previously circulated) providing an overview of the draft Statement of Accounts 2012/13 and the process underpinning it. The draft accounts had been appended to the report and would be made formally available for public inspection in August.

Members were provided with an update and overview of the draft accounts and would be receiving the final accounts for approval in September 2013. In providing details of the council's financial position the CA drew members' attention to the following areas within the accounts –

- the revenue position for the year and an explanation of the adjustments made
- the revenue outturn position on service and corporate budgets showing an underspend of £1.525m
- a higher than estimated Council Tax Yield of £265k
- contributions to and from earmarked reserves
- the balance sheet showing the value of assets and liabilities and the new methodology for calculating the value of council housing stock
- members' allowances and officers' remuneration
- related parties including elected members, officers and companies
- the Annual Governance Statement.

In light of the comprehensive and technical nature of the accounts members agreed to scrutinise the document outside the meeting and raise any questions directly with finance officers or at the meeting on 27 September when the final accounts were submitted. Mr. Anthony Veale, Wales Audit Office (WAO) reminded members that the accounts were subject to audit by the WAO but there were no obvious concerns.

Councillor Brian Blakeley queried the position regarding Clwyd Leisure Limited (CLL). The CA responded that audited accounts for 2012/13 were not yet available for any of the related companies and confirmed there were wider issues relating to CLL which were being discussed with them at senior level. In response to a question from Councillor Gwyneth Kenser the CA elaborated upon the council's process for dealing with termination and discretionary benefits and confirmed that any enhancement of pensions as a result would create an ongoing cost.

**RESOLVED** that the position as presented in the draft accounts be noted.

## **EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** that under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting for the following item of business on the grounds that it would involve the likely disclosure of exempt information as defined in Paragraph 14 of Part 4 of Schedule 12A of the Act.

## **9 BUDGET/MEDIUM TERM FINANCIAL PLAN - UPDATE**

Councillor Julian Thompson-Hill, Lead Member for Finance and Assets presented the confidential report (previously circulated) updating members on potential revenue budget settlements and the possible impact on the Council's financial planning.

In view of the uncertainty about future settlements it had been agreed to delay updating and publishing the 2013/16 version of the Medium Term Financial Plan until clarification had been provided by the Welsh Government. There would likely be significant financial impact across the council and a range of possible implications and scenarios modelled for the next three years had been detailed within the report. Council briefing scheduled on 15 July had been reserved for a budget workshop to brief members on the financial position going forward and provide opportunity for discussion. A further update would be presented to the committee on 4 September. In response to questions the CA –

- elaborated upon the likely impact of the 2011 Census on the council's revenue support grant funding
- explained the reasoning behind the estimated Council Tax collection rate with an assumption that any surplus would be used to deliver the Corporate Plan
- agreed that cost shunting in health services was an issue and mechanisms had been established to mitigate that risk
- funding would be sought from the Welsh Government to address the findings of the investigator's report into the November 2012 floods.

***RESOLVED** that the position as presented within the report and appendices be noted.*

## **OPEN SESSION**

Upon completion of the above business the meeting resumed in open session.

### **10 STRATEGIC RISK MANAGEMENT FRAMEWORK**

The Corporate Improvement Team Manager (CITM) submitted a report (previously circulated) regarding the Strategic Risk Management Framework which governed how the Council managed risk at corporate and service level. Details of the systems in place in order to manage risk effectively had been included within the report. Members were asked to consider whether any further actions were required to provide assurance about the risk management framework.

Lay Member Paul Whitham sought assurances that processes were in place to identify risks at an early stage for inclusion within the Corporate Risk Register (CRR). The CITM explained the mechanisms for identifying emerging risks for consideration by the Corporate Executive Team (CET) together with the work of the Corporate Improvement Officers and individual services in that regard. He confirmed that officers considered the risks detailed within standard committee reports but most risks were identified during dialogue with individual services. The CITM referred to the responsibilities of CET as owners of the risk register and the role of the Corporate Improvement Team as facilitator within that process.

Councillor Barbara Smith, Lead Member for Modernising and Performance referred to the responsibilities of both officers and elected members in identifying risk, including the role of the Corporate Governance Committee in that regard. She referred to the recent Internal Audit report on the risk management process and recommendation to better engage elected members within that process. The CITM responded that Cabinet Members would be involved in reviewing the CRR in future alongside CET. Another issue arising from the audit report was the need for some services to further embed risk management and the CITM advised that the Corporate Directors were taking a lead role in that regard which was also reflected within the service challenge process. The Audit Manager added that a number of suggestions to facilitate the integration of risk management within services had been discussed with the Senior Leadership Team.

In light of the responsibilities of elected members within the risk management process the Chair highlighted the need for training and was keen for all members to participate. It was agreed that the CITM provide a risk briefing session for members at the next Council Briefing meeting to be held on 16 September.

***RESOLVED** that –*

- (a) the report detailing the Strategic Risk Management Framework be received and noted, and*

- (b) *a Risk Briefing Session be provided by the Corporate Improvement Team Manager at the next Council Briefing to be held on 16 September, 2013. [TW to action]*

At this juncture (11.40 a.m.) the committee adjourned for a refreshment break.

## **11 WALES AUDIT OFFICE: 2013 - 14 PERFORMANCE AUDIT WORK AND FEES**

A report by the Corporate Improvement Team Manager (previously circulated) was submitted presenting the programme of performance audit work to be carried out by the Wales Audit Office (WAO) at Denbighshire County Council during 2013 – 14 and the associated fee for that work. The WAO Representative, Mr. Gwilym Bury elaborated upon specific elements of work for Denbighshire covering –

- Corporate Assessment Update
- Improvement Plan Audit
- Assessment of Performance Audit
- Data Quality Review
- Local Review

In addition a programme of Improvement and Local Government National Studies would be undertaken in respect of –

- Improvement Study – Safeguarding
- Local Government National Studies – Welfare Reform & Delivering with less – the impact on services and citizens

Members were advised that Denbighshire had the second lowest performance fees for local authorities in Wales which reflected in part the council's lower risk compared to some years ago. Councillor Julian Thompson Hill added that this was due to the proactive work carried out by the council over the last few years.

In response to questions Mr. Bury provided some indicative time scales for each piece of work for Denbighshire. In terms of the national studies no decision had been made to date regarding which authorities would be selected for field work but the studies would be carried out in the current financial year. A national report into the all Wales position would be produced and it was likely that councils selected for the study would also receive individual feedback.

The committee looked forward to receiving the reports in future and it was –

**RESOLVED** *that the report on the Wales Audit Office 2013 – 14 Performance Work and Fees be received and noted.*

## **12 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME**

The Corporate Governance Committee's work programme (previously circulated) was presented for consideration.

During debate Councillor Martyn Holland highlighted the need for a mechanism for elected member representatives on outside bodies to report back to the council on their activities. The Head of Legal and Democratic Services (HLDS) agreed to prepare a draft protocol for that purpose for the committee's consideration. After further discussion the committee –

- reaffirmed that the following additional items be included for consideration at the next meeting on 4 September 2013 –
  - Corporate Self Assessment **[IB to action]**
  - Strategic HR Internal Audit Report Update **[IB/LA/CR to action]**
  - Ysgol Clawydd Offa Internal Audit Report **[IB to action]**
- agreed that in light of the additional items to be considered above, the next meeting of the committee be held at the earlier start time of 9.00 a.m. **[KEJ to action]**
- agreed to receive the Corporate Risk Register as a business item every six months **[TW to action]**, and
- requested that the HLDS prepare a draft protocol for representatives on outside bodies to report back on their activities for the November meeting. **[GW to action]**

**RESOLVED** that, subject to the amendments and agreements referred to above, the forward work programme be approved.

The meeting concluded at 12.10 p.m.