



AUDIT COMMITTEE – 11TH JUNE 2019

SUBJECT: DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2018/19

REPORT BY: INTERIM HEAD OF BUSINESS IMPROVEMENT SERVICES & ACTING S151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To allow Members the opportunity to review the draft Annual Governance Statement (AGS) for 2018/19 and make any changes that they feel are required and justifiable.

2. SUMMARY

- 2.1 This report presents the Draft Annual Governance Statement (AGS) for 2018/19 which has been updated since 2017/18 particularly in respect of the areas for improvement.

3. RECOMMENDATIONS

- 3.1 Members are requested to consider the draft AGS for 2018/19 and advise and agree any changes that they feel are justified.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Authority is continually improving its governance arrangements.

5. THE REPORT

- 5.1 Attached as Appendix 1 is the draft Annual Governance Statement (AGS) for 2018/19 to allow Members to consider its content and make comments.

Conclusion

- 5.2 The draft Annual Governance Statement (AGS) for 2018/19 has been prepared by the Corporate Governance Review Panel. Work undertaken to address issues raised in the previous year's (2017/18) AGS has been assessed by the Review Panel and as a result one area has been carried forward to join two new areas moving forward as areas for improvement for this current Statement.

6. ASSUMPTIONS

- 6.1 It is assumed that during the annual governance review only those issues of corporate significance will be highlighted for consideration within the Annual Governance Statement (AGS).

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 Strong corporate governance arrangements are an essential element of ensuring that the Council's key priorities are effectively delivered.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications.

10. FINANCIAL IMPLICATIONS

10.1 There are no direct financial implications arising from this report.

11. PERSONNEL IMPLICATIONS

11.1 There are no personnel implications.

12. CONSULTATIONS

12.1 The draft AGS has been considered by the Corporate Governance Review Panel and discussed at a Corporate Management Team meeting. All comments have been reflected in the draft AGS attached as Appendix 1.

13. STATUTORY POWER

13.1 Local Government Act 2000.

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Consultees: R Edmunds, Corporate Director for Education & Corporate Services
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Appendices:
Appendix 1: Annual Governance Statement 2018/19

1. Background

- 1.1 The Corporate Governance Panel met 3 times between February 2018 and April 2019 to review corporate governance related matters. Minutes for the September 2018 and January 2019 meetings were reported to the Audit Committee. The outstanding draft minutes from the April 2019 meeting will be reported to Audit Committee at the next meeting in June.
- 1.2 Corporate Governance is a responsibility for all staff including the Corporate Management Team (CMT) and the wider Leadership Team; hence this collective responsibility ensures business as usual.

2. Scope of responsibility

- 2.1 The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 and the Local Government Measure (Wales) 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised; improvement is defined as having regard to a combination of strategic effectiveness, service equality, service availability, fairness, sustainability, efficiency and innovation.
- 2.2 The Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies to carry out sustainable development; to do this we have set and published Well-being Objectives including the steps we will take, and the resources we will need to deliver them. Although consideration is being given by Welsh Government to revoking or replacing the Local Government Measure 2009 in 2020, through the new Local Government and Elections Bill, at this time both pieces of legislation are current. Wales Audit Office and the Future Generations Commissioner accept that public bodies will publish one set of objectives and in doing so will meet the requirements of the 2009 Measure and Future Generations legislation.
- 2.3 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.4 The Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on our website at www.caerphilly.gov.uk or can be obtained from the Council's Communications Unit. This statement explains how the Authority has complied with the Code and also meets the requirements of regulation 5(4) of the Accounts & Audit (Wales) Regulations 2014 in relation to the publication of a Statement on Internal Control.

3. The purpose of the governance framework

- 3.1 The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. During 2016/17 an Assurance Framework was produced as a diagrammatical representation of the governance and assurance processes in place. The Framework was endorsed by the Audit Committee in December 2016 and continues to be in place. It is intended to provide clarity and understanding of the connections between functions and activities that enable the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve

policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3 The governance framework has been in place at the Authority for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

4. The governance framework

4.1 The following paragraphs describe the key elements of the systems and processes that comprise the Authority's governance arrangements:

4.1.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

- The Council's Corporate Plan (2018-2023), approved by Council on the 17th April 2018, sets out the Cabinet's commitments, priorities and Well-being Objectives. The objectives were informed by the data and narrative included within the local assessment of well-being carried out by the Caerphilly Public Services Board (PSB). The plan includes our well-being statement detailing why we chose our objectives and how they will be monitored and resourced. The Corporate Plan is available on our website, at our main offices, and in hard copy on request.
- Long-term outcomes and interim performance standards have been established for each Well-being Objective. Progress is reported via relevant Scrutiny Committees.
- Through our chosen objectives we contribute to the high level strategic PSB Well-being Plan for the county borough area ('The Caerphilly We Want 2018-2023'). Our Corporate Plan follows the same planning cycle to ensure alignment.
- The Council's Annual Performance Report (published in October each year) tells citizens and service users how we have performed against the Well-being Objectives as required under the Well-being of Future Generations (Wales) Act 2015 and the Local Government Measure 2009.
- The Corporate Plan, PSB Well-being Plan and Annual Performance Report are endorsed by Council and communicated via media release.
- The Authority structures its communication programme around the Council's Well-being Objectives with planned activity aligned to the chosen objectives.

4.1.2 Reviewing the authority's vision and its implications for the authority's governance arrangements

- The Corporate Plan is regularly reviewed and refined to ensure we have employed the sustainable development principle to reflect our changing aspirations - at a local and national level. A formal annual review is conducted and reported to Cabinet.
- A performance management framework is established and is routinely reviewed to ensure it is fit for purpose.
- The Authority has used the information in the local assessment of well-being which identified the well-being needs and strengths of the area. The Authority is a facilitating partner in the PSB and lead on the data assessment work. Work is ongoing to make assessment data available in a regularly updated online form. We use this data to ensure we are supporting the economic, environmental, social and cultural well-being of the area.
- The Authority has considered its vision for the future and what operating models may be needed to take it forward over the coming years. A new Transformation Strategy **#Team Caerphilly – Better Together** has been developed and will be presented to Cabinet on the 12th of June 2019. It sets out the steps that will be needed, via a strategic action plan, to deliver on the strategy's aims. Governance

for the new strategy will be via Corporate Management Team (CMT), Scrutiny and Cabinet.

- Following the local government elections in May 2017 the new Cabinet took the opportunity to review the existing Well-being Objectives and as a result set its five year plan. This approach was taken to accord with the sustainable development principle to: take a longer term view; consider how we may help prevent decreased well-being; how we will integrate our activity with others, particularly through collaborating with partners on the PSB; and how we have involved our communities. Working in partnership requires new methods of planning, delivery and governance to deliver collective vision. As a statutory partner in the PSB the Authority has contributed to delivery of the Well-being Plan and is scrutinised in this activity by the dedicated Partnerships Scrutiny Committee.
- Delivering the well-being objectives of the Council has taken account of the statutory guidance for public bodies under the Well-being of Future Generations (Wales) Act 2015. The authority has updated its risk registers, planning tools, self-evaluation and reporting templates'

4.1.3 *Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources*

- Service Delivery Plans contain key service objectives that are geared, where appropriate, towards achieving the overall strategic objectives detailed in the Council's Corporate Plan. They also contain performance data in respect of both national performance indicators and local performance targets for service delivery.
- In 2017 Service Delivery Plans were changed to a five year rolling plan to be more in keeping with the sustainable development principle and longer term thinking, this removes an artificial once a year deadline. This allows for better evaluation of results and in turn better evidence based decision making.
- Service Delivery Plans were produced after the conclusion of service area self-evaluations. Service self-evaluation outcomes are reported to Performance Management Scrutiny Committees. The self-evaluation process is currently being reviewed and is in the process of being altered to become an ongoing assessment rather than a one off 'point in time' (see para 5.2.2), as part of a wider system of review of performance management.
- This system is in turn supported by individual annual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to service and corporate objectives
- The Council has used a performance management software system, Ffynnon, to monitor individual performance indicators and their combined effect on the achievement of strategic objectives; however the contract for Ffynnon is not being renewed in 2019. This is being used as an opportunity to clear out considerable amounts of old data that is no longer used. Plans are underway to store the data locally using our own servers.
- Performance is monitored at officer and member levels, by Directorate Management Teams, Corporate Management Team, and with Cabinet Members. Scrutiny Committees hold dedicated performance management meetings every year.
- Measuring service quality is carried out by a range of consultative activities at service level and the Council conducts a "household survey" every two years. The consultation measures citizens' perception of the quality of services. The household survey was carried out in September 2017 and the feedback received was generally positive with high levels of satisfaction recorded for refuse, recycling, street lighting, libraries, country parks and the local bus services.

4.1.4 *Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication*

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Cabinet supported by a framework of Statutory and Scrutiny Committees. Delegated decisions made by authorised senior officers, under the scheme of delegation, are posted on the intranet, when appropriate. CMT have no collective decision making powers.
- The Council's Constitution is a living document and is reviewed and refreshed on a regular basis to reflect current legislation and working practices. In addition to the Annual Report presented to the Annual Meeting of council each May, ad hoc reports are presented to Council in relation to any proposed changes. In addition Members approved that overseeing the Council's Constitution should be added to the terms of reference of the Council's Democratic Services Committee.
- Various guidance notes for officers have been prepared to sit alongside the Council's Constitution and training has been rolled out. The documentation is available on the Council's corporate governance page. These arrangements have now been formally embedded within the Council's governance arrangements.

4.1.5 *Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff*

- The Council's Constitution contains formal codes of conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of personal interests and offers of gifts and hospitality.
- Both members and officers are made aware of the personal conduct and disclosure requirements and they are available for reference on the Council's intranet.
- All declarations of Member gifts and hospitality are reported to the Council's Standards Committee. For Officers a 6 monthly update is given to the Council's Audit Committee.
- Leadership and development competencies are being reviewed which will identify effective behaviours the organisation requires from its managers and staff.

4.1.6 *Reviewing and updating standing orders for contracts, financial regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks*

- The Monitoring Officer in conjunction with senior officers and members undertakes periodic reviews of the Council's Constitution including reviewing Standing Orders for Contracts, Financial Regulations and the Scheme of Delegation to ensure that current practices and legislation are reflected.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both corporate and operational levels, the key elements of which are a Corporate Risk Register; Directorate Risk Registers and Service Level Risk Assessments built into the business planning process. We are currently in the process of introducing new Directorate Performance Assessments (DPAs) which will incorporate Risk Registers and will also ensure that they are regularly reviewed and updated (see para 5.2.2).
- The Council has a formally agreed Risk Management Strategy which was endorsed in 2013. This has been updated and was presented to Cabinet on 7th June 2017 followed by Audit Committee on 13th September 2017. Training is delivered to relevant Members as a matter of routine. The Corporate Risk Register is reported to Audit Committee twice a year and quarterly to Corporate Management Team, although this can be more frequently if the need arises.

4.1.7 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines (published May 2018). These extend to monitoring and reviewing the adequacy of the governance framework.
- Training for new members of the Audit Committee and refresher training is carried out periodically and at least twice in a Council term. Ad hoc training is provided as required or where specific needs have been identified.
- The Terms of Reference are reviewed annually and are updated if required.

4.1.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:-

Corporate Management Team;
Heads of Service;
Monitoring Officer;
Section 151 Officer;
Senior Information Risk Owner (SIRO);
Statutory Data Protection Officer;
Internal Audit;
External Audit;
Performance Management Framework.

- The Monitoring Officer attends each formal CMT in the first part of the meeting where Cabinet and Council reports are discussed. The S151 Officer attends CMT in respect of budget setting and monitoring reports and the Medium-Term Financial Plan (MTFP). In addition the S151 Officer will attend for agenda items with a material financial impact. The standard committee reporting procedure and template requires the Monitoring Officer to examine reports to the Executive for compliance with legal and procedural issues. Their comments are referred to the Council's Corporate Management Team for action.
- In addition to the above, the Authority has a Deputy S151 and Deputy Monitoring Officer to ensure adequate cover for these roles is in place during periods of sickness or annual leave.

4.1.9 Arrangements for whistle blowing and for receiving and investigating complaints from the public

- The Council has in operation a widely publicised Whistleblowing Policy, which forms part of the Council's Constitution. The regime is overseen by senior officers within the Authority and reported to the Council's Standards Committee on an annual basis.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.
- The Audit Committee has continued to play a more proactive role in monitoring the level of complaints and the procedures that are in place. Reports are regularly presented. In addition, individual Scrutiny Committees may receive reports on complaints.
- There are a number of avenues for members of the public to report concerns, complaints and other matters.

4.1.10 Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training

- Formal induction programmes and training and development plans are in place for members. Where identified by the Personal Development Review (PDR) process senior officers participate in management development training.
- It had previously been recognised that the induction and training of members was sporadic in respect of some committees. In order to address this issue Council approved the implementation of a new, more focused training regime for members which includes the identification of certain aspects of training as mandatory.
- A training needs analysis is carried out every 18 months by Democratic Services to help Members identify their own development needs and a training programme is then put together as a result of the analysis.
- The Council has previously undertaken a successful senior member development programme, which was a training framework for members who hold or aspire to hold senior office.
- A review of induction arrangements for officers is being undertaken as this area can be improved. Although some progress has been made with developing an I.T. solution, this is still in progress and needs review in line with the impact of the GDPR. Meetings of the HR Strategy Group have been infrequent but the People Services Division is looking to reframe and alter the focus of the group to improve effectiveness moving forward. Appropriate training has and will continue to be delivered where identified.

4.1.11 *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation/engagement*

- The authority formally adopted a new 3 year Corporate Communication and Engagement Strategy in 2019 which clearly defines the way the organisation communicates with staff, residents, partners and other key stakeholders across the county borough. The council is increasingly using digital channels in its communication and engagement activity, but is also mindful of the needs of all residents, so continues to adopt a mixed approach using both digital and traditional platforms.
- Details of current and recent consultations (including links to live consultation documents/surveys and reports relating to completed consultations) are available on the CCBC website.
- Extensive consultation/engagement is undertaken annually in relation to the budget setting process. Guidance exists to ensure that effort is made to engage with protected characteristic groups.

4.1.12 *Incorporating good governance arrangements in respect of partnerships and other group working as identified in the CIPFA Framework "Delivering Good Governance in Local Government" and reflecting these in the authority's overall governance arrangements*

- The authority has adopted a partnerships and collaborations framework which specifies the minimum governance requirements in respect of all the authority's partnerships and the enhanced requirements in respect of its key partnerships.
- In addition, the framework sets out the requirements for creating new partnerships and collaborations and importantly includes the arrangements for disbanding and exiting arrangements.
- The authority maintains details of all current partnerships and collaborations; this is reviewed and updated bi-annually and reported to the Corporate Governance Review Panel and Audit Committee periodically.
- The authority has long-standing partnership arrangements with the third sector and has enshrined these in its Compact Agreements. In 2013 this agreement brought in the PSB partners, third sector organisations, Community and Town Council's and the Caerphilly Business Forum. The Compact has been updated to align with the PSB's Well-being Plan and will be resigned as a new Third Sector Agreement at the PSB's annual conference in July 2019.

5. Review of effectiveness

5.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Review Panel who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure:-

- The Authority's policies are put into place.
- Laws and regulations are complied with.
- Required processes are adhered to.
- Performance and financial statements and other published information are accurate and reliable.
- Human, financial, data/information and other resources are managed efficiently and effectively.
- Services are delivered efficiently and effectively.

5.2 The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework.

5.2.1 Corporate Level Review

A management group, the Corporate Governance Review Panel, consisting of the following officers and the Cabinet member for Finance, Performance and Governance has been established to oversee the compilation of the Annual Governance Statement:-

- Corporate Director for Education & Corporate Services,
- Head of Corporate Finance and S151 Officer,
- Head of Legal Services and Monitoring Officer,
- Interim Head of Business Improvement Services,
- Head of Customer and Digital services / SIRO,
- Internal Audit Manager.

The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

5.2.2 Directorate Level Review

The Council has also introduced Directorate Assurance Statements requiring members of Corporate Management Team to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement. All issues highlighted have been included.

A review of the Performance Management Framework has resulted in a new way to review service outputs at a Directorate and Corporate level. During the 2018/19 financial year new Directorate Performance Assessments (DPAs) have been developed. These will go live from April 2019. Quarterly reports will be presented to the Corporate Management Team and arrangements will also be put in place for progress reports to be presented to Cabinet and Scrutiny Committees. The concept is to bring together a range of performance activities in one quarterly output using information under categories of progress against strategic objectives, performance

indicators, customer information such as complaints, resource information on finance or sickness absence and other workforce data. As previously mentioned, risk registers will also be an integral part of the DPAs. The purpose of the change is to make 'self-assessment /evaluation a continuous learning process rather than a year-end point in time view. The DPAs are also intended to promote learning and understanding of performance and bring together a range of different evidence sets to help identify if there is cause and effect across differing data sets. The process has changed the Planning and Performance Framework as the DPA will be the main vehicle for monitoring progress of Directorate's service priorities and objectives.

5.2.3 Scrutiny Committees

The Council has Scrutiny Committees who meet in public and make recommendations on the improvement and development of policies and hold the Executive and officers exercising delegated powers to account for their decisions.

Wales Audit Office carried out a national study of scrutiny across all 22 Welsh local authorities. The Council received its 'Scrutiny Fit for the Future' report with recommendations for improvement. The Scrutiny Leadership Group considered the report and agreed that the report findings would be considered by Members at a workshop and also aligned with the already planned self-evaluation due in October 2018. This resulted in a report to Council in April 2019 that made a number of recommendations for improvement. An action plan to implement these changes will be monitored by the Scrutiny Leadership Group and the changes will be reviewed in April 2020.

5.2.4 Audit Committee

The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework

Periodic ad-hoc training and development sessions are held for Members of the Audit Committee to ensure that they are equipped with the knowledge required to effectively undertake their roles.

5.2.5 Standards Committee

The Council has appointed a Standards Committee in accordance with the provisions of the Local government Act 2000 and associated regulations. Its terms of reference are set out in the Council's Constitution.

5.2.6 Business Improvement Team (BIT)

The Business Improvement Team (formerly the Performance Management Unit) was refocused during 2018/19 to better reflect a move from data collection to the use of data to identify improvement. The BIT is responsible for developing and maintaining the authority's performance management framework in accordance with the Wales Programme for Improvement and the Well-being of Future Generations (Wales) Act 2015 as it applies to public bodies. It supports and challenges the authority as a whole, and individual services, to continuously improve through use of relevant data. The BIT works with the external auditors to co-ordinate audit and inspection reviews.

The BIT will co-ordinate and support the new Directorate Performance Assessment (DPA) process.

The BIT is part of the Council's Corporate Policy Unit which includes partnerships, equalities and voluntary sector support. This has strengthened our approach to performance management by reinforcing the links to our policy and planning activities. It has enhanced our ability to respond to the requirements of the Well-being

of Future Generations (Wales) Act 2015 in terms of having a lead role within the Public Services Board, demonstrating our own contribution to the well-being goals for Wales, delivering our Well-being Objectives, and embedding the sustainable development principle.

5.2.7 Information Governance

The Head of Customer and Digital services is the Council's Senior Information Risk Owner (SIRO), whose role is to assure the Council's information through implementation of the Council's Information Risk Management Policy. The SIRO assesses half yearly information risk returns from each Head of Service (as the information asset owner) to ensure risks are reported appropriately, measures to reduce risk are effective and information risk management is embedded into the culture of the organisation.

The new Statutory Data Protection Officer role – an independent advisory role required by the General Data Protection Regulations (GDPR) – reports to CMT via the SIRO, and also fulfills the Data Protection officer role for the majority of the Council's schools (as separate Data Controllers in Law) via a Service Level Agreement. The Data Protection Officer manages the Corporate Information Governance Unit and works closely with a network of Information Governance (IG) Stewards within each directorate who assist Heads of Service in assuring the information that is managed and used by their service area. IG Stewards are responsible for communicating key messages to staff and management across the organisation on IG policies, ensuring staff are appropriately trained, and developing and maintaining a GDPR compliant record of processing activities via their Information Asset Registers and Privacy Notices.

Despite the UK Data Protection Bill only recently being enacted and Information Commissioner Guidance still being finalised, substantial progress has been made over the last 2 years on the Council's action plan for compliancy with the General Data Protection Regulation, overseen by the Corporate Governance Review Panel. Service areas have completed main preparatory tasks, but further work is needed to make sure council privacy notices are fully compliant and all current data processors sign up to GDPR compliant contract terms. This work is ongoing.

It is likely that growing awareness of individual's rights under GDPR will lead to more requests for information under data protection law, which together with annual increases in freedom of information requests will be challenging for services to address within statutory timescales. Therefore further work on records management and open data needs to be prioritised once any additional requirements of UK Data Protection Act are fully addressed.

5.2.8 Internal Audit

Internal Audit Services is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. Each report includes recommendations for improvements and an agreed management action plan. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

Following recommendations in the external auditor's annual ISA260 reports the role of Internal Audit and the contribution made towards the overall governance framework is being reassessed. This process is evolving and developing over time in line with the needs of the organisation and will embrace the principles promoted within the Public Sector Internal Auditing Standards (PSIAS).

During 2017/18 the Internal Audit Section's conformance with the Public Sector Internal Audit Standards (PSIAS) was subject to external review which determined that with the exception of a few minor issues the Section was compliant. A report and action plan outlining the actions required to address the minor issues raised was presented to the Audit Committee on the 10th April 2018. Work is ongoing to achieve the actions outlined in the action plan and a progress report will be presented to the Audit Committee.

The Internal Audit Manager is a key contributor to the annual review of the Authority's governance processes and has concluded for the year 2018/19 that overall the Council's systems and control procedures are effective but there is need for improvement in some specific areas. This opinion was presented to the Audit Committee on 23rd April 2019 as part of the annual internal audit report required by the Council's Financial Regulations.

The improvements required in some specific areas refer to two ongoing investigations, one within a school and the other relating to operational activities within a service area. The school issue is an isolated incident relating to one member of staff and is not something that is common across our school estate. The service area investigation is ongoing and relates to contract administration/management and once the investigation is concluded any changes or system improvements identified will be reported on and an appropriate action plan agreed and implemented.

5.2.9 **External Audit**

The Council receives regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

5.3 **Review Outcome**

The Council's governance arrangements are regarded as generally fit for purpose and are in accordance with the governance framework. The Council is committed to maintaining and improving the governance framework and resources are prioritised for this.

The 2017/18 Annual Governance Statement identified 6 areas, listed below, where improvements could be made to strengthen existing processes and procedures during 2018/19. Progress has been monitored and reviewed by the Corporate Governance Review Panel during the year and a position update is included against each item.

1. **To review and strengthen the procedures around the operation and maintenance of the cabinet forward work programme –**

The Cabinet forward work programme is now routinely reviewed by the Corporate Management Team on a weekly basis and is also presented to all Scrutiny Committee meetings. The work programme is also available on the Council's website.

The procedures around the operation and maintenance of the Cabinet work programme are now well established and are business as usual so no further actions are required.

2. **Ensuring that the Authority is prepared for the requirements of the new General Data Protection Regulations 2018 –** The implementation date for GDPR has now passed and the preparation work undertaken has put us in a good position to move forward. This specific action is no longer an issue for the AGS.

3. Service Asset Management plans need to be reviewed alongside the Medium Term financial Plan's savings proposals for future years –

The Asset Management (Land and Property) Strategy has been updated and was presented to Cabinet in May 2019. The following services have had their asset management plans completed by the Property Department and are currently with the respective service areas for sign-off: -

- Corporate Offices
- Adult Education and Youth Service
- Housing
- Countryside
- Library Services
- Infrastructure

In the coming weeks draft versions of the asset management plans are also due to be completed for Cemeteries, Allotments and Amenity Sites. Other service areas will be covered under a rolling programme of reviews.

4. A draft "Income Management and Service Cost recovery" policy has been produced. This will need to be finalised and approved –

As part of the Council's Future Caerphilly Transformation Strategy, **#Team Caerphilly – Better Together**, a Commercial & Investment Strategy is being drafted for Cabinet consideration. This will replace the Income Generation Policy that was previously drafted. The Commercial & Investment Strategy will be presented to Cabinet for approval by the end of October 2019.

5. Continue to monitor the Authority's compliance with the General Data Protection Regulation 2018 in light of the recent Data Protection Act 2018 and emerging case law and make changes to Council processes and record keeping as appropriate – Work is still ongoing to deal with some legacy issues and to embed good practices across the authority, this will continue into 2019/20 as will the monitoring of the GDPR landscape. This will need to remain live on the current governance statement.

6. The Corporate Management Team has created a new Business Improvement Portfolio (BIP) Board to drive forward an agenda of change, innovation and improvement across the Authority -

During the 2018/19 financial year the Council has developed its Future Caerphilly Transformation Strategy, **#Team Caerphilly – Better Together**. The Strategy is due to be considered by Cabinet on the 12th June 2019 and it provides details of a new operating model for the Council that examines how services are prioritised, how they can become more business efficient, how we can explore opportunities for greater customer focus and digital delivery, and how we will consider alternative delivery models and seek out commercial opportunities. Furthermore, the Strategy provides details of the new relationships that will need to be built with our staff and communities to ensure the successful delivery of the outcomes that we aim to achieve through the ambitious transformation programme.

The Transformation Strategy includes a Strategic Action Plan and progress against this will be monitored by the #Team Caerphilly Project Board. Periodic progress reports will also be prepared for the Cabinet and the Policy & Resources Scrutiny Committee.

It will be essential to ensure that robust governance arrangements are in place to underpin the emerging transformation programme.

The review of the Council's governance arrangements operating throughout 2018/19 has highlighted three areas where steps will need to be taken to ensure that sound governance arrangements are in place: -

1. **GDPR** - Work is still ongoing to deal with some legacy issues and to embed good practices across the authority, this will continue into 2019/20 as will the monitoring of the GDPR landscape.
2. **Directorate Performance Assessments (DPAs)** – These will go live from April 2019 and the effectiveness of the new approach will need to be monitored and reviewed.
3. **Future Caerphilly Transformation Strategy, #Team Caerphilly – Better Together** – Progress against the Strategic Action Plan will need to be closely monitored and we will need to ensure that robust governance arrangements are in place to underpin the emerging transformation programme.

We propose over the coming year to take steps to address the above 3 matters to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified during the review process and we will monitor their implementation over the coming months.

Signed

David Poole
Leader of the Authority

Christina HARRY
Interim Chief Executive

End