

# ANNUAL GOVERNANCE STATEMENT 2014-15

## 1. Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs which facilitate the effective exercise of the authority's functions and which includes arrangements for the management of risk and ensuring a sound system of internal control.

The Corporate Governance Committee approved this Council's Local Code of Corporate Governance at its meeting on 29<sup>th</sup> June 2011. The adopted Code is consistent with the principles of 'CIPFA/SOLACE Framework', 'Delivering Good Governance in Local Government'. A copy of the adopted Code is on our website: [www.pembrokeshire.gov.uk](http://www.pembrokeshire.gov.uk) or can be obtained from the Chief Finance Officer.

This Statement explains how the Council is complying with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 and related practice.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and 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. It enables 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.

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 Council'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.

The governance framework has been in place at the authority during the financial year ended 31<sup>st</sup> March 2015 and up to the date of approval of the 2014-15 statement of accounts.

### **3. The Governance Framework**

The key elements of the Authority's governance framework are summarised below.

#### **3.1 Objectives, Policy and Decision Making**

##### Single Integrated Plan 2013-18

The Single Integrated Plan is the overarching plan for Pembrokeshire which outlines public, private and voluntary sector activity in Pembrokeshire over the period 2013-18.

The Single Integrated Plan is for everyone who lives in, visits, or has an interest in Pembrokeshire. It has been prepared for a range of audiences; for the people of Pembrokeshire, for the organisations that serve Pembrokeshire and as a means of communicating our priorities to external agencies and the Welsh Government.

The Single Integrated Plan was prepared by Pembrokeshire's Local Service Board (LSB) and its associated partnerships. The LSB is made up of senior representatives from Pembrokeshire County Council, Dyfed Powys Police, Hywel Dda Health Board, Pembrokeshire Association of Voluntary Services and Welsh Government, and was established with the purpose of providing collaborative leadership and to identify opportunities for service providers to work more closely together. A range of other organisations support the work of the LSB.

The overall aim and vision for Pembrokeshire is "*To ensure that Pembrokeshire is prosperous and that it remains vibrant and special*". Following a Single Needs Assessments, six outcomes were identified that partners have agreed to work towards over the next five years:

- Children, young people and families have the opportunity to fulfil their learning potential and to live healthy and happy lives;
- Pembrokeshire has a competitive, productive and sustainable economy;
- People in Pembrokeshire enjoy an attractive, sustainable and diverse environment;
- People in Pembrokeshire are healthier;
- Children and adults are safeguarded;
- Communities in Pembrokeshire feel safe.

The Authority adopted a Public Engagement Strategy in November 2012. The Strategy demonstrates the Council's commitment to putting public engagement at the core of the design and delivery of services, policies and programmes. It provides clear guidance to Heads of Service and managers and those who routinely undertake public engagement activities. The Authority also publishes an annual report on its public engagement work, illustrating the wide variety of consultation and engagement work being undertaken across the Authority and capturing examples of good practice.

An annual Engagement Action Plan is developed and taken forward by the Pembrokeshire Local Service Board with support from the Council's Partnership and Scrutiny Support Team and Communications Teams from main partner organisations.

In addition to the work undertaken to inform the Single Integrated Plan, the Council commenced a series of Public Engagement events during 2014 which were independently facilitated by Participation Cymru. This is part of an ongoing dialogue with the Community and Employees to review the vision and guiding principles of the Council and to inform the transformation of Council services to address current and future budget pressures.

##### Improvement Objectives

The annual improvement objectives are selected to reflect learning from previous years and advice received from regulators. The objectives selected for 2014-15 were:

- School Improvement
- Vulnerable Children

- Town Centre Improvement
- Waste Management
- Reconfiguring Adult Social Care Services

## Decision Making

The Council's Constitution codifies how the Council operates and provides the framework for its decision making processes, including delegation arrangements, and sets out the detailed procedures and codes of conduct by which Members and Officers operate to achieve Council objectives. A review of the Constitution, including the Modular Constitution, is currently being undertaken by an external consultant on behalf of the Council and should be completed by the summer 2015.

Under the Constitution a Leader and Cabinet form the decision making Executive. Their decisions must be in line with Council objectives, and are subject to examination by a number of Overview and Scrutiny Committees. Meetings of the Council, Cabinet and other Committees are open to the public except where confidential or exempt matters are being disclosed. Members are required to disclose personal interests where appropriate and withdraw from discussion and correspondence where they also have a prejudicial interest. The Constitution includes a right to 'call-in' Cabinet decisions to an Overview & Scrutiny Committee.

A Standards Committee made up of County Councillors and "non-elected" independent persons is the regulatory body for overseeing the conduct and standards of behaviour of Members.

All reports considered by the Council, Cabinet and Committees and the Minutes of decisions taken are, unless confidential or exempt, published and made available on the Council's website.

In addition, Senior Officers of the Council can make decisions under delegated authority. The Council has an Officer specific to the statutory role of, and designated as, Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Council, Cabinet, its Committees and Officers, and providing support and advice on the maintenance of ethical standards and advising the Council's Standards Committee. Further, a Head of Legal and Committee Services manages and oversees legal matters and the operation of Council, Cabinet and Committee proceedings.

### **3.2 Compliance with Established Policies, Procedures, Laws and Regulations**

The role of the Council's Monitoring Officer includes a responsibility to investigate and report upon allegations of contraventions of established policies, procedures, laws and regulations. The Head of Legal & Committee Services has overall responsibility for legal issues and to provide advice where appropriate.

The Chief Finance Officer as Council's Section 151 Officer has overall responsibility for financial administration and as such for providing advice, guidance and instruction in respect of financial matters.

The Council has an Internal Audit Service whose role includes reviewing compliance with established policies and procedures to determine the adequacy and effectiveness of the internal control environment, and a Policy and Performance Section providing support and advice.

New employees are subject to appropriate induction training which provides information on a range of policies, procedures and regulations including those relating to financial control, information governance, security, personnel and codes of conduct.

The Council also has in place a Standards Committee and Overview and Scrutiny Committees.

The Audit Committee, made up of County Councillors and a “non-elected” independent Member, considers matters related to the authority’s financial affairs and the appropriateness of its risk management, internal control, corporate governance and internal/external audit arrangements. The Audit Committee provides the forum for formal and transparent scrutiny of these arrangements, whilst improving oversight and accountability of the authority’s governance arrangements. During 2014 the independent Chair resigned and a new Chair was appointed at the meeting on the 22<sup>nd</sup> September 2014. Whilst the Audit Committee will review the authority’s Annual Statement of Accounts, responsibility for their approval remained with the Corporate Governance Committee.

The Democratic Services Committee considers matters related to democracy. The Council has designated the Head of Legal and Committee Services as the statutory officer “Head of Democratic Services”.

In addition there are external inspections from a range of bodies, including external auditors.

### **3.3 Financial Management**

The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs and ensuring the financial arrangements put in place conform with the governance requirements of Cipfa’s *Statement on the Role of the Chief Financial Officer in Local Government*.

Budget and Policy Framework Procedure and Financial Procedure rules are incorporated into the Council’s Constitution. The Council also relies on bids for external grant funding which presents risks as well as opportunities and may have complex relationships.

The Cabinet receives regular financial monitoring reports and approves corrective action where necessary. Integrated monitoring reports incorporating both financial and performance information are reported to Overview & Scrutiny Committees on a quarterly basis.

The Council’s Treasury Management Governance arrangements follow professional practice in accordance with the latest Code and are subject to regular review by the Treasury Management Panel.

Annual Statements of Accounts provide a snapshot of the Council’s financial position as at 31<sup>st</sup> March and are subject to mandatory external audit, which is undertaken by the Wales Audit Office. This process also allows for annual public inspection.

In order to inform the Cost Reduction and Efficiency Programme a series of Public and Member engagement sessions took place during the summer and autumn of 2014. This is part of an ongoing process of working with the Public, Members, Management and Employees to inform the programme.

### **3.4 Financial Control**

The system of internal financial control is based on a framework of regular budget and management information, financial regulations, standing orders relating to contracts and other procurement management arrangements, procedure rules and standard financial instructions, together with administration arrangements (including segregation of duties), management supervision and a system of delegation and accountability which are subject to review by the Internal Audit service.

A fraud risk register is maintained by the Internal Audit section based on local knowledge of services and the emergence of widely identified fraud risks. This is subject to ongoing review to ensure that it remains current and is used to focus counter fraud work undertaken by the Internal Audit Service.

The Counter Fraud and Fraud Awareness work carried over the last two years has increased the number of referrals of purported fraud and irregularity for investigation. This has resulted in a strengthening of controls in areas where investigations have been undertaken. The continued budget pressures may increase the likelihood of fraud activity as incentive, opportunity and rationalisation of behaviour may become more apparent. This places greater emphasis on counter fraud work both as a deterrent and to identify and pursue fraud in accordance with the Authority's zero tolerance policy.

### **3.5 Promoting Values, Standards and Conduct of Behaviour**

There is a framework related to standards and ethics and this includes:

- Codes of Conduct for Officers and Members
- Equal Opportunities Statement
- Registers of personal and business interests and related procedures for other declarations
- Protocol governing Member/Officer relations
- Whistle-blowing Policy
- Corporate Complaints procedure
- Code of Practice for considering planning applications and appeals
- Anti-Fraud and Anti-Corruption strategy
- Standards Committee
- Designated Monitoring Officer in accordance with legislation
- Related Member and officer training and induction programmes.

It is good practice for individual Members to compile an annual report in respect of their work in the previous year. This has been undertaken by a number of Members.

### **3.6 Risk Management and Internal Audit**

The Business Risk Management Strategy is produced bi-annually and updated annually to ensure that it is appropriately focused. The Audit Committee approved the Business Risk Management Strategy at their meeting on the 17<sup>th</sup> June 2013 and the annual update at their meeting on the 22<sup>nd</sup> September 2014. Progress against the approved annual work plan is provided to the Audit Committee throughout the year.

The Corporate Risk Management Group provide strategic direction for the Operational Risk Management Group and review the Corporate Risk Register. This Group is responsible for ensuring that all major risks encountered by the Council are identified, assessed and responded to at an appropriate level. This includes major service, directorate and corporate business risks. It is recognised that there are demographic changes being faced by the Council that impact on the delivery of certain services. There is an on-line Business Risk Management system in place, with content and assessments reviewed regularly by service managers. Business risk management is integrated into business/service planning and operations. A copy of the Council's Corporate Risk Register is available on the Council's website.

During 2014-15 the Business Risk Management function was passed to the Internal Audit Service to allow the Risk Manager to focus on strengthening the Council's Business Continuity arrangements. To maintain independence an audit review of the Business Risk Management function was undertaken by a neighbouring Council.

The Council maintains an Internal Audit Service whose work plan takes account of their own risk assessment and the key risks of the Council and its Directorates. It operates taking account of professional standards, particularly the Public Sector Internal Audit Standards, reporting to the appropriate level of service management.

The Public Sector Internal Audit Standards requires the Head of Internal Audit (Audit and Business Risk Manager) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The Head of Internal Audit (Audit and Business Risk Manager) is also responsible for ensuring that the internal audit arrangements conform with the governance requirements of Cipfa's *Statement on the Role of the Head of Internal Audit in Public Service Organisations*.

The Council's Business Risk Management & Internal Audit arrangements are monitored by the Audit Committee.

The Head of Information Technology & Central Support Services acts as the Senior Information Risk Owner (SIRO) and reports directly to the Chief Executive. An IT Steering/Information Governance Group, made up of senior officers from across the Council, is in place to ensure the ongoing risk assessment and safeguarding of the Council's information. Following meetings of the group, the SIRO reports to Corporate Management Team. The Council has numerous safeguards in place to protect its information, which includes encryption of portable IT devices, storage media and email correspondence. These safeguards are under constant review and improvement, with an annual audit of the Council's information governance arrangements undertaken by the Internal Audit Service and external reviews undertaken by organisations such as the Information Commissioners Office (ICO). Training is provided internally and by external trainers.

### **3.7 Performance Management, Quality and Use of Resources**

The Council prepares an Annual Improvement Plan which summarises progress against targets and sets the main objectives for improving performance and service standards for the forthcoming year. As part of the Council's performance management framework each Directorate is required to produce annual service improvement plans which are aligned to the Single Improvement and Annual Improvement Plans to set specific targets for achieving those objectives at service levels. For 2014-15, all Heads of Services reported quarterly progress on their service improvement plans to the Corporate Management Team.

Performance Appraisals are aligned to overall corporate and service objectives and must be undertaken for all employees either individually or as part of a team.

The Council currently uses a performance management system to manage performance data.

A Member/Officer Strategic Asset Management Working Group is to be established in 2015 and a revised Strategic Asset Management Plan 2015-16 to 2019-20 and associated Action Plan is currently being developed in order to better manage the Council's property assets whilst maximising revenue savings and capital receipts.

The Performance Management Framework places significant emphasis on the importance of measuring the quality of services for users. In addition, the Council's approach to Service Improvement Planning also encourages Heads of Service and managers to identify appropriate sources of service user views.

### **3.8 External Scrutiny**

The Council has an objective and professional relationship with external auditors and inspectors. Though recent inspections have delivered some challenging messages to the Authority, all the recommendations made have been implemented or are in the process of implementation.

Through reviews by external auditors, inspectors and other external agencies, the Council continually seeks ways for improvement in the way in which its functions are exercised and in pursuing the economical, effective and efficient use of resources. Where external auditors and inspectors make their reports available to the public they will be published on the inspectorates website.

There are also procedures to meet responsibilities under the Environmental Information Regulations and the Freedom of Information Act/Data Protection Act.

## **4. Review of Effectiveness**

### **4.1 Annual Review**

The Council 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 Directors, Corporate Heads of Service and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of Internal Audit, Risk Management and the Corporate Risk Management Group, and findings and comments made by the external auditors and other review agencies and inspectorates.

The review is also informed by the work of the Head of Paid Service (Chief Executive), Chief Finance Officer, Monitoring Officer (Monitoring Officer) and Head of Democratic Services (Head of Legal & Committee Services) in performing their statutory roles.

In order to facilitate the annual review of effectiveness for 2014-15, the Internal Control Group prepared a Gantt chart "Process and Timescale for Compilation and Approval of the Annual Governance Statement" which outlined required actions by officers and Members. The Audit Committee approved the process and have been involved in each stage of the annual review.

The Council's Internal Control Group, made up of the Chief Finance Officer, Deputy Chief Executive, Head of Legal & Democratic Services, Head of Revenues & Assurance and the Audit & Business Risk Manager, co-ordinate the Council's annual review of the effectiveness of the governance framework including the system of internal control. The Audit Manager from the Wales Audit Office is also invited to attend these meetings.

The Internal Audit Service undertook an audit review of "Compliance with the Local Code of Corporate Governance" which resulted in the audit opinion "substantial assurance" being given. Recommendations were made to review and update the Local Code of Corporate Governance in 2015-16 to ensure that it reflects compliance with the International Framework: Good Governance in the Public Sector.

Following review of the Annual Governance Statement by the Audit Committee, it is forwarded to the Corporate Governance Committee for formal approval (Delegated responsibility under the Constitution, Part 3). The approved Annual Governance Statement is signed by the Leader of the Council and Chief Executive.

### **4.2 Members and Officers**

The [Cabinet](#) monitors the effectiveness of governance and internal control systems via the consideration of regular performance and financial information reported by senior management together with consideration of various strategies, plans and policies. From 2012-13, reporting arrangements were extended to Overview & Scrutiny Committees.

[Overview and Scrutiny Committees](#) within the Authority support the work of the Cabinet and Council as a whole, giving advice on policies, budget and service delivery. Decisions of the Cabinet are also monitored by these Committees and there is the facility to 'call in' a decision made by Cabinet that has not yet been implemented in order to assess whether the decision is appropriate.

The Centre for Public Scrutiny undertook a Scrutiny Improvement Study across Wales between 2012 and 2014; the outcome was a revised set of characteristics which can be used by Local Authorities to self-assess the effectiveness of overview and scrutiny on a regular basis. These characteristics have been adopted by the Authority and will form the basis for ongoing evaluation.

The [Audit Committee](#) provides formal and transparent scrutiny of the Council's risk management, internal control, corporate governance, financial management and internal/external audit arrangements via the consideration of regular reports from senior management and the Wales Audit Office.

The [Standards Committee](#) oversees the conduct and standards of behaviour of Members.

During 2014-15 and early 2015-16, five of the Council's Statutory Officers left the employment of the Authority; the Head of Paid Service, the S151 Officer, the Head of Democratic Services, the Monitoring Officer and the Director of Social Services. The Head of Paid Service role has been the responsibility of the Director of Transportation, Housing and Environment since August 2014 with the appointment of a new permanent Head of Paid Service expected in July 2015. The S151 Officer, Monitoring Officer and Head of Democratic Services posts have been filled. The Director of Social Services & Leisure has taken over responsibility for the statutory Director of Social Services role from the former Director for Children & Schools.

Annual Directorate and Corporate Service Assurance certificates are required ensuring wider engagement in the review process. Again whilst not able to provide absolute assurance the Directorate self assessment approach regarding opinion on governance, internal control and risk management can reinforce responsibilities, and identify areas that may need improvement, especially any issues considered high priority for inclusion in the concluding Action Plan. It provides a pathway for a more fully informed picture and has been recognised by external audit as good practice.

This information is reviewed by the Chief Finance Officer, Audit & Business Risk Manager and the Head of Revenues & Assurance, along with other relevant information such as budget monitoring reports in compiling this statement.

In order to improve the interaction and challenge of senior management in the annual review of effectiveness, a joint workshop between Corporate Management Team and Corporate Heads of Service was held at during the early stages of the process. There was also improved interaction and challenge with Members, facilitated by a meeting between the Audit & Business Risk Manager and the Leader of the Council.

### **4.3 Internal Audit**

The effectiveness of the Council's internal controls is examined in detail through the work of the Internal Audit Service of the Deputy Chief Executive's Directorate on an on-going basis working with managers. The section's work plan is based around a needs and risk assessment process following consultation with Directors and Heads of Service, and approved by the Section 151 Officer and the Audit Committee.

The Audit & Business Risk Manager reports on individual audit reviews and assignments, specifically in respect of the governance, internal control, risk management and financial management arrangements in place and provides an opinion as to their adequacy and effectiveness, together with recommendations and action plans for improvement.

Internal Audit are unable to give absolute assurance and conclusions reached may have had to place reliance on assurances given by management, however on the basis of the results of reviews completed during the year the Head of Internal Audit's overall opinion remains that the Council has adequate governance, internal control, risk management and financial management arrangements in place, which are operating effectively.

The work of the Internal Audit Service, along with the wider financial aspects of corporate governance and performance management, are examined and validated each year by the Council's external auditors.

### **4.4 External Review Agencies**

The Council's external auditors (Wales Audit Office) and other inspection agencies, such as Estyn and CSSiW can provide further assurance or opinion by reporting throughout the year on the performance of the Authority and these may include comment on the system of internal control. Improvement and action plans have been developed to respond to any recommendations made.

All external inspection reports are recorded on the Internal Audit automated software (MKInsight) providing greater oversight of assurance providers' opinions and recommendations. Reports are presented to the Audit Committee for consideration and who may then refer areas of concern to the relevant Overview & Scrutiny Committee. Recommendations from external reviews are treated in accordance with the Internal Audit Recommendation Monitoring and Escalation Protocol.

External Audit (Wales Audit Office) produce an Annual Improvement Report in addition to their Appointed Auditor's brief Annual Letter.

The 2013-14 Statement of Accounts, whilst approved by the Corporate Governance Committee in September 2014, have not yet been signed off by the Wales Audit Office due to a formal objection in regard to the Cleddau Bridge. Work is ongoing between the Council and Wales Audit Office to resolve the issue and it is anticipated that the Wales Audit Office will be in a position to issue their audit opinion in June/July 2015.

Wales Audit Office undertook a Corporate Assessment of the Council in April 2015. A formal report is expected in the summer and any recommendations for improvement will be included within the Priorities for Improvement for 2015-16.

## 5. Significant Governance Issues and Priorities for Improvement from the 2013-14 Annual Governance Statement

The progress made in addressing the two significant governance issues and five priorities for improvement highlighted in the 2013-14 Annual Governance Statement is shown in the table below, having been reported to the Council's Audit Committee in February 2015:

No.	Significant Governance Issues	Actions During 2014-15	Further Actions for 2015-16
5.1	<p><b>Financial Challenges</b></p> <p>The financial challenges for the Council will continue indefinitely as the UK Government continues to try and address the public sector debt and Wales continues to share the impact of ongoing cuts in public expenditure. Welsh Government's commitment to protect health funding, and resultant cuts to local government funding will necessitate some hard choices to be made.</p> <p>It is anticipated that the -1.5% indicative financial settlement for the Council for 2015-16 could be nearer -4.0%, resulting in an increase to the planned £7.1m cost reductions for 2015-16. A number of European grants are coming to the end of the current round and it is not yet known whether the Council will be successful in obtaining funding in the next round.</p> <p>The Council is continuing to progress its £150m 21<sup>st</sup> Century Schools programme and will be exiting from the Housing Revenue Account (HRA) negative subsidy system in April 2015 to a system of self financing. The estimated figure to exit from the HRAS is £80.5m.</p>	<p>The following key actions for 2013-14 have been completed:</p> <ul style="list-style-type: none"> <li>• Medium Term Financial plan extended to include expected future year financial settlements.</li> <li>• On-going programme of Cost Reduction and Efficiencies to review the delivery method and cost of all Council services.</li> <li>• Transformation and Efficiency Group established to challenge all current methods of service delivery and take a lead on identifying and generating future cost reductions/efficiencies.</li> <li>• Ongoing workshops and consultation exercises undertaken with Members, employees and the Community.</li> <li>• Regular monitoring of the planned cost reductions/efficiencies by the Corporate Management Team.</li> <li>• Internal Audit work focusing on the cost reduction and efficiency programme ongoing.</li> <li>• Programme/project boards in place for the effective delivery of the 21<sup>st</sup> Century Schools programme.</li> <li>• Successful exit from the Housing Revenue (HRA) negative subsidy system/ implementation of rent reform.</li> </ul>	See 6.1

	<b>Priorities for Improvement</b>	<b>Actions During 2014-15</b>	<b>Further Actions for 2015-16</b>
5.2	<p><b>Commission on Public Service Governance and Delivery</b></p> <p>The Williams report issued in January 2014 proposed a radical and comprehensive reform package covering many aspects of governance and delivery across the Welsh public sector.</p> <p>Options tabled were the merger of Pembrokeshire and Ceredigion County Councils and a merger of both with Carmarthenshire County Council. There were also options tabled for support services to be merged into shared service centres.</p> <p>Currently the outcome of this review and timescale for action is uncertain.</p>	<ul style="list-style-type: none"> <li>Continued dialogue with the Welsh Government, the WLGA and potential partners.</li> <li>Joint working opportunities explored where practicable.</li> </ul>	See 6.2
5.3	<p><b>Grant Funding Management Arrangements</b></p> <p>Developing a corporate approach to the administration of grant funding that ensures the consideration of all financial risks and the provision of effective exit strategies should the grant funding cease.</p>	<ul style="list-style-type: none"> <li>Limited progress due to resources available.</li> <li>Internal Audit review of a number of grant funding irregularities.</li> </ul>	<ul style="list-style-type: none"> <li>Consideration to be given to whether the management of grant funding should be undertaken corporately or remain within Directorates.</li> <li>Ongoing Internal Audit review of grant funding management arrangements.</li> <li>Financial risks and effective exit strategies to be built into all new grants, European and otherwise.</li> </ul>
5.4	<p><b>Grant Schemes (CPGS/THI)</b></p> <p>Potential irregularities with two grants were referred to the Police for investigation, resulting in the need to review and strengthen the management and internal controls for the Commercial Property Grant Scheme (CPGS) and Townscape Heritage Initiative (THI) Grant Scheme.</p>	<ul style="list-style-type: none"> <li>The Audit Committee concluded its internal review of the grant schemes.</li> <li>A revised procedural manual has been approved by WEFO and is operational.</li> <li>Internal Audit have regular oversight of the grant process.</li> </ul>	No further actions.

5.5	<p><b>Transitions Service</b></p> <p>An Internal Audit review identified a number of opportunities to improve the process for the transition of young people from children to adult services to ensure that there is a coordinated approach applying clear eligibility criteria in accordance with a documented strategy which has clearly defined roles and responsibilities of all agencies involved.</p>	<ul style="list-style-type: none"> <li>• A working group was established in year which incorporated the issues raised to review the Transitions Service, progress has been made in year.</li> </ul>	No further actions.
<b>Priorities for Improvement</b>		<b>Actions During 2014-15</b>	<b>Further Actions for 2015-16</b>
5.6	<p><b>Procurement Card</b></p> <p>A procurement card fraud in an Education service resulted in the dismissal and prosecution of an officer and raised concerns over the controls in place to manage these transactions. A subsequent Internal Audit review identified that non-compliance with procedural requirements in the service provided an opportunity for abuse. A further Internal Audit review of procurement card usage across the Education directorate did not identify any other significant concerns and assisted in strengthening controls and raising awareness of compliance with procedural guidance.</p>	<ul style="list-style-type: none"> <li>• Procurement card usage monitoring and challenge by the Procurement Team with any anomalies being referred to Internal Audit for investigation.</li> <li>• Supervisory and management responsibilities reinforced.</li> <li>• Counter fraud work undertaken.</li> </ul>	No further actions.
5.7	<p><b>Impact on Assets of Severe Weather</b></p> <p>The impact of severe winter weather in 2013-14 on Councils assets and infrastructure has been severe. The potential future impact needs to be identified and quantified, including the financial impact of remedial action.</p>	<ul style="list-style-type: none"> <li>• The Council is participating in the Wales Coastal Flood Review. An internal officer review panel meets regularly to monitor progress against planned actions, review lessons learnt from previous bad weather (winter storms 2014) and to plan for the longer term.</li> </ul>	No further actions.

## 6. Significant Governance Issues/Priorities for Improvement from the 2014-15 Annual Governance Statement

The following issues and actions have been identified as highest priorities for improvement following this, the 2014-15 review:

No.	Significant Governance Issues	Key Actions for 2015-16
6.1	<p><b>Financial Challenges</b></p> <p>The financial challenges for the Council will continue indefinitely as the UK Government continues to try and address the public sector debt and Wales continues to share the impact of ongoing cuts in public expenditure. Welsh Government's commitment to protect health funding, and resultant cuts to local government funding will necessitate some hard choices to be made.</p> <p>Welsh Government have advised the Council to plan for an annual reduction of 4.5% in its financial settlements which has resulted in cost reductions/efficiencies of £12.3m for 2015-16, £13.1m for 2016-17 and £11.3m for 2017-18 being required (including indicative council tax increases of 4.5% per annum).</p> <p>The £12.9m cost reductions/efficiencies for 2014-15 were achieved.</p> <p>The next round of European grants are commencing but it is not yet known whether the Council will be successful in obtaining funding in the next round.</p> <p>The Council is continuing to progress its £150m 21<sup>st</sup> Century Schools programme.</p>	<ul style="list-style-type: none"> <li>• Completion of a five year Medium Term Financial Plan 2015-16 to 2019-20.</li> <li>• Identification and achievement of cost reductions/efficiencies to ensure future balanced budgets.</li> <li>• Working with a strategic partner.</li> <li>• Budget consultation and engagement exercises with Members, employees and the community.</li> </ul>
6.2	<p><b>White Paper Reforming Local Government: Power to Local People</b></p> <p>The Welsh Government has consulted on proposals for change to local government in Wales in the consultation White Paper Reforming Local Government: Power to Local People. The period of consultation closed on the 28<sup>th</sup> April 2015 and a summary of findings will be published later this year.</p> <p>The proposed changes aspire to set out the role of Local Government for the next generation by delivering new purpose and greater innovation in the design of Local Authorities across Wales.</p>	<ul style="list-style-type: none"> <li>• Ongoing engagement with communities to redefine the Vision and Guiding Principles of the Council along with the transformation of service delivery.</li> <li>• Embracing the proposed measures to strengthen corporate governance and improvement through reviewing the current Committee structure</li> <li>• Ensuring that there is a sound performance management Framework in place to assist with corporate planning decisions and policy development.</li> <li>• Ensuring that the governance arrangements are adapted to suit the changing role that the Authority may have in service delivery.</li> <li>• The impact of the proposed Welsh Government Local Government Reorganisation on the White Paper will be monitored.</li> </ul>

No.	Significant Governance Issues	Key Actions for 2015-16
6.3	<p><b>Member Officer Relations</b></p> <p>Behaviours could impact upon decision making, which could result in objectives not being achieved and a decline in performance.</p>	<ul style="list-style-type: none"> <li>• Clear demarcation of Member and officer roles to enable effective operational management of service delivery.</li> <li>• Information sharing protocol and regular briefings for Members on critical issues.</li> </ul>
No.	Priorities for Improvement	Key Actions for 2015-16
6.4	<p><b>Appointment of Chief Executive and review of Senior Management Structure</b></p> <p>The Chief Executive/Head of Paid Service role has been the responsibility of the Director of Transportation, Housing and Environment since August 2014 with the appointment of a new permanent Chief Executive/Head of Paid Service expected in July 2015.</p>	<ul style="list-style-type: none"> <li>• The Chief Executive post has been advertised with interviews planned for the 15<sup>th</sup> and 17<sup>th</sup> July 2015.</li> <li>• Once appointed the Chief Executive will be asked to undertake a review of the Senior Management Structure within their first three months in post.</li> </ul>
6.5	<p><b>Partnerships and Significant Projects</b></p> <p>Building on the work undertaken in 2014-15 to strengthen the overall governance arrangements in relation to partnership work and the management of significant projects.</p>	<ul style="list-style-type: none"> <li>• Review and develop business risk registers for all key partnerships.</li> <li>• Review and develop business risk registers for all significant projects throughout the Authority.</li> <li>• Ongoing maintenance of the Joint Working Register.</li> </ul>
6.6	<p><b>State Aid</b></p> <p>An Internal Audit review identified a number of opportunities to improve the arrangements in place to comply with State Aid requirements.</p>	<ul style="list-style-type: none"> <li>• Assignment of a responsible lead officer in respect of State Aid.</li> <li>• Review activities of the Authority to identify what constitutes State Aid.</li> <li>• Raise awareness of State Aid across the Authority.</li> <li>• Maintain a central register of State Aid awarded by the Authority.</li> <li>• Maintain a central register of de-minimis State Aid received by the Authority.</li> <li>• Creation of a State Aid working group of officers.</li> </ul>
6.7	<p><b>Asset Management</b></p> <p>Internal Audit reviews for two consecutive years have only provided a limited assurance opinion on Asset Management. In both years the WAO, as part of their external audit of the fixed assets within the statement of accounts, have required a significant number of amendments to be made to valuations.</p>	<ul style="list-style-type: none"> <li>• The Property and Asset Management service will work with the Finance service, the Audit Committee and the WAO to address the internal control weaknesses identified.</li> </ul>

**Leader/Chief Executive (Head of Paid Service)**

We have been advised on the implications of the results of the review of the effectiveness of the governance framework including the system of internal control by the Internal Control Group and a plan to address weaknesses and ensure continuous improvement of the system in place.

To the best of our knowledge, the framework identified above has been effectively operated during the year.

The process by which the effectiveness of the governance framework including the system of internal control is reviewed will continue to be developed in the future taking account of the Code, experience, best practice, appropriate guidance and any changes in legislation impacting on the Annual Governance Statement.

We propose over the coming year to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



**COUNCILLOR J. ADAMS**  
Leader

Date:



**I. WESTLEY**  
Chief Executive

Date: