



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Caerphilly County Borough Council: Corporate Governance Inspection

Project Brief

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Project Brief

Background to the special inspection

1. The Auditor General for Wales published his Annual Improvement Report on Caerphilly County Borough Council ('the Council') on 10 September 2013.
2. The Report said: 'Whilst there are weaknesses in its self-evaluation arrangements, and the pace of improvement is slow in some key priority areas, the Council has made some service improvements. However, since I concluded, in September 2012, that the Council was likely to comply with the requirement to make arrangements to secure continuous improvement during 2012-13, providing it increased the pace of improvement, we have found significant failings in its governance arrangements, and I will therefore undertake a special corporate governance inspection of the Council later this year.'
3. The Council's Appointed Auditor issued a Report in the Public Interest in March 2013 on failures in governance arrangements and inadequacies in the processes followed by the Council to set the pay of chief officers. The Appointed Auditor concluded that the Council 'acted unlawfully with regards to this pay-setting process', and made five recommendations. The Council is undertaking its own disciplinary investigation as a result of the report, but this is on hold pending an investigation by Avon and Somerset Police.
4. The Auditor General also concluded that, whilst the Council has discharged its improvement planning duties under the Local Government Measure in 2012-13 and acted in accordance with Welsh Government guidance, it has failed to discharge some of its improvement planning duties for 2013-14. The Council's progress against regulators' recommendations is mixed and often slow. Encouragingly it has accepted that accountability arrangements to manage and deliver the findings from audit and inspection work need to be strengthened, but these arrangements have not yet been put in place.
5. Although the Council has to date responded to the financial challenges it has faced and secured savings in advance of need, it does not have a rigorous approach to developing business cases or to setting, delivering, monitoring and evaluating savings in order to meet future demands and challenges.
6. The Council's performance in improving services in 2011-12 has been mixed and it has been slow to address some key priority areas. The Council with its partners has continued to make good progress in making Caerphilly county borough a safer place to live in. Education services for children and young people are adequate with adequate prospects for improvement, and a new Education Achievement Service for South East Wales has been created and is focussing on improving attainment within schools. Whilst the Council provides citizens with a range of channels to access its services, it has been slow to progress improvements to the way it engages citizens. The Council's efforts to regenerate and support the economy have had a mixed impact as has its performance in relation to health and social care. There are also key weaknesses in the way the Council manages its people, information and assets.

7. The Council has embedded performance management arrangements and has effective arrangements in place to collect, record and monitor performance information. However, it needs to address weaknesses in its approach to self evaluation and challenge, and report and account for its performance in a more balanced and transparent way.
8. As a result of his findings, the Auditor General made four statutory recommendations to the Council to which it must respond within 30 days. These are:
 - a. Address the five recommendations made by the Appointed Auditor in his Report in the Public Interest dated March 2013.
 - b. Address the outstanding proposals for improvement identified in the Auditor General's work to date.
 - c. Address the three recommendations made in the Auditor General's report Evaluation of Social Services Contributions to the Medium Term Financial Plan, dated July 2013.
 - d. Put in place arrangements that enable the Council to formulate, scrutinise and approve its improvement objectives in a timely way to meet its statutory obligations under the Measure.
9. The Auditor General has also decided as a result of the findings of the Appointed Auditor, and the wider governance issues highlighted in his Annual Improvement Report, to undertake a special inspection of the Council. The inspection will focus on the Council's governance and decision-making arrangements, and will assess the progress it has made in addressing the recommendations made in his Appointed Auditor's Report in the Public Interest issued in March 2013.

The purpose of the special inspection

10. The overall question that the inspection will focus on is 'Do the authority's governance and accountability arrangements support robust, transparent and effective decision making?'

Focus of the special inspection

11. The work will place particular emphasis on:
 - a. Leadership
 - b. Statutory Officer roles
 - c. Risk management
 - d. HR and people management
 - e. Performance management
 - f. Information and reporting
 - g. Whistleblowing
 - h. Internal audit
 - i. Learning from previous experience
12. Appendix A contains the Question Hierarchy that will be used to answer the overall question.

Methodology

13. The special inspection will be carried out between October 2013 and November 2013.
14. The special inspection will seek to answer the question: **Do the Authority's governance and accountability arrangements support robust, transparent and effective decision making?**
15. The delivery of this work will be shaped by structured interviews, document analysis, specific probes of recent decisions, follow up of the public interest report recommendations and survey data. The following table summarises the workstreams that will form part of the inspection and evidence tools to be used in each workstream:

Workstream	Workstream lead	Evidence tools
Governance arrangements and structures	Laura Nyogeri	Chief Officer survey Member survey Structured interviews Review of Authority's governance improvement plan implementation Documentation review Scrutiny follow up work
Public interest report follow up	Ian Davies	Structured interviews Documentation review
Risk management	Peter Stephenson	Structured interviews Documentation review
HR and people management: - Recruitment and redeployment of staff - Job evaluation in a transforming Council	Ian Davies/Laura Nyogeri	Structured interviews Documentation review
Procurement	Ian Davies/Laura Nyogeri	Sample review of 5 recent procurement decisions
Decision taking	Ian Davies/Sara Jane Byrne	Probe into processes and documentation for 5 recent key decisions
Internal audit	Chris Dickens	High level review of effectiveness of function
Whistleblowing	Sara Jane Byrne	Review of policies WAO diagnostic tool

Outputs

16. The output for this work will be a corporate governance inspection report planned for publication in December 2013.

Timing

17. A timetable for undertaking the work and producing the report is set out below:

Activity	Timescale
Scoping special inspection	August/September 2013
Develop and agree methodology and Question Hierarchy	By 27 September
Development of survey tools	By 27 September 2013
Review of documentation and confirmation of tracers	w/c 30 September 2013
Surveys to be run	30 September – 11 October 2013
Fieldwork – on site at Council; qualitative research; and stakeholder interviews	w/c 21 October 2013 over 3 weeks
Taking stock and confirmation of next steps	During w/c 21 October 2013
Further onsite fieldwork	w/c 4 November 2013
Drafting and issue of Draft Report for comment	November/December 2013
Publish Report	December 2013

Special inspection team

18. The contacts for the Wales Audit Office and PwC Special inspection Team is as follows.

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19. The division of responsibilities for delivering the work has been agreed as follows:

Stage	WAO Role	PWC role
1. Framework	1. Draft the Question Hierarchy. 2. Finalise and publish.	1. Comment on the draft.
2. Planning and resourcing	1. Comment and agree project plan, project brief, methodology, resource plan, tools, and communications 2. Secure appropriate resources	1. Develop detailed project plan 2. Prepare project brief for the Council 3. Develop methodology 4. Develop resource plan 5. Develop tools 6. Prepare communications 7. Secure appropriate resources
3. Delivery	1. To support delivery as per project plan.	1. To lead delivery of the project as per agreed project plan.
4. Drawing Conclusions	1. Lead and facilitate Drawing Conclusions session. 2. Feedback outline conclusions to the Council jointly with PWC	1. Collate evidence in time for Drawing Conclusion session. 2. Feedback outline conclusions to the Council jointly with WAO
5. Clearance and Reporting	1. QA draft report from PWC 2. Issue draft to the Council for comment 3. QA amends to draft report for final report 4. Publish final report	1. Draft report for QA and sign off by WAO. 2. Amend as appropriate based on any comments from the Council and finalise report for QA and sign off by WAO.

Interviewees

20. The following is a list of suggested interviews. The list is not exhaustive and will be informed by discussions with the Council.

Interviewee
Council Leader
Cabinet Members
Chairs of scrutiny committees
Corporate Management Team officers
Head of Human Resources
Head of Procurement
Head of Internal Audit
Other officers relevant to each workstream

Budget

- 21. We are required to recover the full cost of undertaking the special inspection through a supplementary fee. At this stage it is difficult to quantify the total cost of the inspection. We will monitor our costs and provide you with an update on our estimated additional fee during the course of the inspection.

Document Request

- 22. A documents request list will be agreed with the Council.

Appendix 1

Proposed question hierarchy

Do the authority's governance and accountability arrangements support robust, transparent and effective decision making?

Level 2	Level 3
1.1 Do clear roles and responsibilities enable good governance and strong accountability?	1.1.1 Does the authority ensure that its standing orders, scheme of delegation and financial instructions are well understood, complied with and appropriate to its objectives and circumstances?
	1.1.2 Does the authority effectively communicate the collective responsibility of its members and the respective roles and remits of its committees to members and staff?
	1.1.3 Does the authority promote and support the role and responsibilities of its statutory officers?
1.2 Do elected members and officers exhibit appropriate values and behaviour?	1.2.1 Does the authority communicate the values and standards of behaviour that are expected from its members, senior officers and staff?
	1.2.2 Does the authority's ethos and culture support the highest standards of good governance and real accountability?
	1.2.3 Are relationships amongst and between members and officers constructive and effective?
	1.2.4 Is the authority open and transparent in the manner that it operates?
	1.2.5 Does the authority effectively manage risks of: <ul style="list-style-type: none">•actual or perceived conflicts of interest;•fraud & corruption?
1.3 Are there adequate arrangements in place to support members and officers to be effective in their role?	1.3.1 Do the authority's decision making processes support good governance and clear accountability?
	1.3.2 Does the authority effectively recruit officers?
	1.3.3 Does the authority appoint officers and members to governance and decision making structures effectively?

Level 2	Level 3
	<p data-bbox="603 275 1358 342">1.3.4 Are remuneration arrangements for members and officers effective, transparent and objective?</p> <p data-bbox="603 376 1347 443">1.3.5 Does the authority effectively develop the capability of its members and officers?</p> <p data-bbox="603 477 1386 584">1.3.6 Are severance, early retirement and redundancy arrangements for members and officers effective, transparent and objective?</p>
<p data-bbox="193 611 544 701">1.4 Is decision making across the authority robust and effective?</p>	<p data-bbox="603 618 1374 685">1.4.1 Do the authority's decision making processes support good governance and clear accountability?</p> <p data-bbox="603 719 1358 786">1.4.2 Are members well informed about the implications of their decisions and alternative options?</p> <p data-bbox="603 819 1394 927">1.4.3 Is the evidence for decisions well documented (including the criteria, rationale and considerations on which they are based) and communicated?</p>
<p data-bbox="193 954 560 1144">1.5 Do challenge, scrutiny and review processes ensure a range of informed views are sought and actively considered to aid decision making and improvement?</p>	<p data-bbox="603 960 1310 1028">1.5.1 Is the scrutiny and challenge of decisions and policies effective, objective and transparent?</p> <p data-bbox="603 1061 1353 1169">1.5.2 Is scrutiny of the authority's performance, and the effectiveness of its policies and procedures, effective, objective and transparent?</p> <p data-bbox="603 1202 1174 1236">1.5.3 Is the Audit committee effective in its role?</p> <p data-bbox="603 1270 1390 1413">1.5.4 Does the Internal audit function provide adequate and effective assurance to management on the integrity of the authority's corporate governance framework and identify areas for improvement?</p> <p data-bbox="603 1447 1350 1514">1.5.5 Is the authority's annual review of its overall corporate governance arrangements wide-ranging, thorough and robust?</p> <p data-bbox="603 1547 1394 1615">1.5.6 Does the authority respond effectively to external review and scrutiny?</p>
<p data-bbox="193 1641 555 1771">1.6 Does the engagement that the authority has with its stakeholders support real accountability?</p>	<p data-bbox="603 1648 1394 1756">1.6.1 Does the authority fully understand its accountabilities to key stakeholders and the public, and communicate these effectively internally and externally?</p> <p data-bbox="603 1789 1374 1897">1.6.2 Does the authority have regular and constructive dialogue with the Welsh Government regarding its aims, performance and improvement activity?</p>

Level 2	Level 3
	<p>1.6.3 Does the authority provide opportunities for members of the public to raise and receive answers to specific questions on corporate and service performance?</p> <p>1.6.4 Do the authority's published improvement plan and its assessment of performance provide a fair and understandable account of its:</p> <ul style="list-style-type: none"> • activities and achievements • use of resources and financial position • performance • improvement activity • corporate governance arrangements? <p>1.6.5 Does the authority engage effectively with its staff and representatives in relation to key decisions?</p>
<p>1.7 Does the authority ensure that effective governance and accountability is maintained when the authority delivers services through companies, trusts or other external entities?</p>	<p>1.7.1 Is the authority clear about its reasons for delivering services through external entities?</p> <p>1.7.2 Does the authority fully understand the financial commitment and risk to which it is exposed through external entities?</p> <p>1.7.3 Does the authority have effective arrangements in place for monitoring the financial and service performance of external entities, maintaining accountability and for ensuring audit access?</p>



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