



## COUNCIL - 28TH JANUARY 2014

**SUBJECT: WALES AUDIT OFFICE REPORT – SPECIAL INSPECTION  
CAERPHILLY COUNTY BOROUGH COUNCIL**

**REPORT BY: INTERIM CHIEF EXECUTIVE**

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### **1. PURPOSE OF REPORT**

- 1.1 A report has been published by the Wales Audit Office (WAO), detailing their findings following a Special Inspection undertaken during October and November 2013.
- 1.2 The report from the Auditors requires a formal response.
- 1.3 This report includes an Action Plan for Members to consider and approve, to ensure that all of the statutory recommendations are considered, actioned and that there is a robust monitoring process in place to ensure a successful outcome.

### **2. SUMMARY**

- 2.1 The report refers to the Special Inspection Report, and a high level action plan proposed to Council for approval.

### **3. LINKS TO STRATEGY**

- 3.1 Good governance is a pre-requisite of the activities of any Local Authority, along with the requirement to continually improve the Authority's services.

### **4. THE REPORT**

- 4.1 In September 2013, the Auditor General announced his intention to conduct a Special Inspection into Corporate Governance arrangements at Caerphilly County Borough Council following the findings of the Appointed Auditor who issued a Report in the Public Interest in March 2013. This report highlighted failures in governance arrangements and inadequacies in the processes followed by the Council to set the pay of Chief Officers. The Auditor General also wished to follow up the wider governance issues highlighted in his Annual Improvement Report, published on 10 September 2013.
- 4.2 In light of the findings of the Appointed Auditor and the wider governance issues highlighted in the Annual Improvement Report, this Special Corporate Governance Inspection focused on the Council's governance and decision-making arrangements, and assessed the progress it has made in addressing the recommendations made in the Appointed Auditor's Report in the Public Interest. Their inspection sought to answer the question:

**“Do the Authority’s governance and accountability arrangements support robust, transparent and effective decision making ?”**

- 4.3 The WAO’s overall conclusion is that a combination of weaknesses inevitably led to governance failings at the Council and whilst it is making encouraging progress in improving its governance arrangements, this will take time to embed, which means it is too early to conclude whether these improvements can be sustained.
- 4.4 The Special Inspection report by the WAO is attached as Appendix 1.
- 4.5 The report recognises the progress that has been made by the Authority, which is reflected in paragraph 18 of Page 8 as set out below:
- “We found that there is a strong determination amongst Members and Officers to ensure the governance arrangements are working properly and to re-build the Council’s credibility. In response to the Report in the Public Interest, the Council is making improvements to its governance and decision-making arrangements. The Council has developed an Action Plan, not only to address the recommendations in the Report in the Public Interest, but also to review and strengthen other aspects of governance including scrutiny, human resources, performance management and risk management. It is positive that the Council has taken the opportunity to do this.”
- Furthermore, Paragraph 17, page 7 states that “there has been a healthy focus in the Council on getting on with providing services and dealing with normal business”.
- 4.6 The report stresses the need for the Council to ensure that it continues to implement the improvements in governance, but ensures that the same impetus is applied to improving other aspects of Corporate Services.
- 4.7 The Auditor General has concluded in the report that “whilst this report identifies areas for improvement, I have not concluded that these matters represent a failure to comply with the requirements of Part 1 of the measure”.
- 4.8 To assist the Council in making the required improvement, the WAO have set out a list of recommendations. Council are required to consider and accept these recommendations and agree the Action Plan attached as Appendices 2 and 3.
- 4.9 The WAO report acknowledges how the Improving Governance Programme Board (IGP) has successfully driven the Council’s Action Plan to improve its governance arrangements. The Board is now well established, with a regular reporting format to ensure that Corporate Management Team play a key active role and that Cabinet are updated monthly. There are also progress updates to the Audit Committee. The strong project management arrangements driven by a Senior Project Officer have been essential to ensure the pace of improvement has been maintained.
- 4.10 Hence, to ensure that the recommendations R1 to R8 are effectively and promptly delivered, it is proposed that all of these recommendations are taken forward using the same process as detailed in Paragraph 4.9 above. The IGP Board will continue to meet every 3 weeks up to the end of April 2014, when it is anticipated that the majority, if not all, of the actions will be completed.

Monthly Cabinet reports will be presented and where appropriate, reports will be presented to Council along with progress reports to the Audit Committee on 5 March 2014 and finally 11 June 2014. These reports will include detail of how any remaining recommendations can be completed and monitored.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 Corporate governance is directly linked to the Council's Strategic Equality Objectives (in particular SEO 7 - Corporate Compliance), which stem from duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 and the Welsh Language (Wales) Measure 2011.
- 5.2 Equalities Implications are a standard part of all committee reports, in order to ensure that due regard has been given to the outcomes of decisions on individuals and groups from all communities of Caerphilly County Borough, regardless of their backgrounds and circumstances. Consultation and Engagement practices also reflect this due regard.
- 5.3 Guidance documents and a comprehensive training programme are available to staff members and elected members on the Equalities and Welsh Language aspects of undertaking their roles.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 It is not anticipated that there will be further additional costs that are not already incorporated into the mainstream budget provision or cannot be accommodated from those funds set aside of £ 50 k as agreed at Cabinet on 23 July 2013, except for the additional audit fees associated with the work undertaken by the WAO to produce the Special Inspection Report. The fees are estimated to be in the range of £100 k to £130 k.
- 6.2 The Whole Authority Budget Monitoring Report presented to the Policy and Resources Scrutiny Committee on 21 January 2014 identifies an anticipated surplus in miscellaneous finance of £897 k. Council are requested to consider funding these one off additional fees from this surplus.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no personnel implications associated with this report.

## **8. CONSULTATIONS**

- 8.1 There are no consultation responses that have not been reflected in this report.

## **9. RECOMMENDATIONS**

- 9.1 Council accept the Wales Audit Office Special Inspection Report and its recommendations R1 to R8.
- 9.2 The Action Plans at Appendix 2 and Appendix 3 are approved, along with the approval to continue with the IGP arrangements as detailed in Paras 4.9 and 4.10.
- 9.3 Council agree to the use of surpluses totalling £130 k as referred to in Paragraph 6.2, to fund the one-off Audit fees associated with the Special Inspection.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To accept the Special Inspection Report to ensure that progress can be made in addressing the WAO recommendations.

10.2 To ensure sufficient funds are set aside to cover audit fees resulting from the Special Inspection.

## **11. STATUTORY POWER**

11.1 Local Government Act 1972 and 2000.

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Background Papers:  
File WAO Special Inspection

Appendices:  
Appendix 1 WAO Special Inspection – Caerphilly County Borough Council  
Appendix 2 Action Plan – Timelines and Responsible Officers  
Appendix 3 Summary of Actions required for each Recommendation