



COUNCIL – 27TH JANUARY 2015

SUBJECT: WALES AUDIT OFFICE REPORT – FOLLOW UP OF SPECIAL INSPECTION AND REPORTS IN THE PUBLIC INTEREST

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 A report has been published by the Wales Audit Office (WAO), detailing their findings following a review undertaken during October 2014.
- 1.2 The report from the Auditors requires a formal response. Their report is attached as Appendix 1.
- 1.3 This Council report includes a high level Action Plan for Members to consider and approve, to ensure that the one recommendation and the proposals for improvement are considered, actioned and that there is a robust monitoring process in place to ensure a successful outcome.

2. SUMMARY

- 2.1 This report refers to the follow up of the Special Inspection and Reports in the Public Interest, and includes 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 During October and November 2013, the Auditor General undertook a Special Inspection into the corporate governance arrangements at Caerphilly County Borough Council (the Council). The Special Inspection was to follow up the findings of the Appointed Auditor who issued a Report in the Public Interest in March 2013.
- 4.2 That report, published in March 2013, highlighted failures in governance arrangements and inadequacies in the processes followed by the Council to set the pay of Chief Officers. The Special Inspection also examined the wider governance issues highlighted in the Auditor General's Annual Improvement Report, published on 10 September 2013.
- 4.3 A second Report in the Public Interest on the Chief Officer Essential Car User and Annual Leave Allowances was published in December 2013. Court proceedings and disciplinary investigations are continuing in relation to the issues reported in the first Report in the Public Interest.

- 4.4 The report on the Special Inspection was published in January 2014 and concluded that a combination of a number of weaknesses inevitably led to governance failings at the Council and whilst the Council was making encouraging progress in improving its governance arrangements, it was too early to conclude whether these improvements could be sustained.
- 4.5 The Auditor General made eight recommendations in the Special Inspection Report of January 2014. The Appointed Auditor also made a series of recommendations in his two Reports in the Public Interest.
- 4.6 During October 2014, the WAO conducted reviews to:-
- Examine the Council's progress in addressing the recommendations made in the Special Inspection Report and the recommendations made by the Appointed Auditor in his second Report in the Public Interest.
 - Assess the Council's progress since the Special Inspection in addressing the recommendations made by the Appointed Auditor in his first Report in the Public Interest.
 - Follow up the Council's progress since the Special Inspection in addressing the four proposals for improvement identified in the WAO's Human Resources (HR) and workforce planning thematic review undertaken in 2011.
 - Provide a baseline assessment of the Council's progress in developing its approach to self-evaluation. This is a review carried over from the WAO's 2013-14 Regulatory Programme of Work.
- 4.7 The WAO's overall conclusion is that the Council has made good progress in addressing most of the recommendations from the Special Inspection Report and the Reports in the Public Interest. However, the Council still needs to take a lawful decision on the annual leave and essential user car allowances and to further improve other areas, particularly scrutiny.
- 4.8 The WAO recognises that the Council has addressed the majority of the WAO's recommendations, recognising that some of those outstanding are due to be completed within the next three to four months. The WAO has identified that further work is needed to more fully address other areas, such as Internal Audit, Scrutiny, Self-Evaluation, and to develop an HR Strategy and workforce planning.
- 4.9 To assist the Council in making the required improvement, the WAO have set out a list of eight proposals for improvement in addition to the one recommendation. Council are required to consider and accept these eight proposals and agree the Action Plan attached as Appendix 2. The one recommendation has previously been accepted by Council.
- 4.10 Council are requested to note that further progress in respect of the proposals for Improvement P1 to P8 have been made since the external audit work was concluded. These are identified for each proposal in Appendix 2. In addition, a report is included on the Agenda for debate and determination at Council in respect of the one recommendation (R1).
- 4.11 The WAO have acknowledged to date how the Improving Governance Programme Board (IGPB) 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, along with Cabinet, play a key active role in monitoring progress. There are also periodic 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.
- 4.12 Hence, to ensure that this impetus is continued, it is proposed that the IGPB continue to monitor progress in respect of completing those outstanding actions.

- 4.13 Cabinet reports will be presented quarterly and where appropriate, reports will be presented to Council along with progress reports to the Audit Committee. 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 any additional costs that are not already incorporated into the mainstream budget provision to implement the one recommendation and the eight proposals for improvement.
- 6.2 WAO costs associated with the work they have undertaken can be accommodated within the Revenue Budget for External Audit fees.

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 Follow Up Special Inspection and Reports in the Public Interest" Report including the one recommendation R1 and the proposals for improvement P1 to P8.
- 9.2 Council approves the Action Plan at Appendix 2 along with the approval to continue with the IGPB arrangements as detailed in Para 4.12 in respect of monitoring arrangements and delivery of the Action Plan.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To accept the "WAO Follow Up Special Inspection and Reports in the Public Interest" Report to ensure that progress can be made in addressing one outstanding recommendation and the 8 proposals for improvement.

11. STATUTORY POWER

11.1 Local Government Act 1972 and 2000.

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Background Papers:
File WAO CGI Inspections

Appendices:
Appendix 1 "WAO Follow Up Special Inspection and Reports in the Public Interest" Report –
Caerphilly County Borough Council
Appendix 2 Summary of Actions required for the one Recommendation R1 and the eight proposals
for improvement P1 to P8