



SCRUTINY COMMITTEE REPORT

| | |
|----------------|-----------------------------|
| Date Written | 01 st April 2019 |
| Report Author | Gary Evans |
| Service Area | Internal Audit |
| Committee Date | 09 th April 2019 |

To: Chair, Ladies and Gentlemen

Recommendations made by external regulators (WAO, CSSIW, ESTYN, WG Commissioners etc.).

1.0 SUMMARY OF THE REPORT

1.1 To receive a report on regulatory body recommendations and directions to see if the Council is addressing these satisfactorily.

2.0 RECOMMENDATION(S)

2.1 Scrutiny Committee receive and consider this report and its content.

3.0 INTRODUCTION AND BACKGROUND

3.1 This report is being presented today as it forms part of the scrutiny committee's Work Programme.

3.2 As a Welsh Unitary Authority, Merthyr Tydfil County Borough Council (MTCBC) is responsible for providing a wide and complex range of both statutory and non-statutory services to its citizens. These include for example Education Services and Social Services amongst others.

3.3 To ensure that these services provide value for money and comply with their legislative and regulatory requirements as well providing best value and compliance with good practice they are regularly reviewed by a number of external audit and assessment regulatory bodies e.g. Wales Audit Office (WAO), the Care and Social Services Inspectorate Wales (CSSIW), Estyn etc.

- 3.4 The external reviews result in reports being published and provided to the Council, usually to a designated contact within the Council, with corresponding recommendations requiring implementation.
- 3.5 The responsibility for monitoring and managing the implementation of external regulatory recommendations resided with the respective department and responsible officers.

4.0 WHERE WE WERE

- 4.1 Prior to January 2006 there was no central recording or monitoring system for internal audit or external audit/regulatory body recommendations and action plans. This was identified by the Internal Audit Service as a weakness in existing governance arrangements within the Council and it was determined to introduce measures to address this.
- 4.2 The audit and inspection action plans (AAP) system was trialled at MTCBC from January 2006 and then implemented across the Authority from April 2006. This system was introduced as a means of focussing attention on the implementation of internal audit, external audit and inspection recommendations and action plans.
- 4.3 The AAP system was intended to be utilised and operated by the Internal Audit Service and by MTCBC management on a wider scale. There were two distinct aspects to the system:
- Monitoring, management and reporting of internal audit recommendations; and
 - Monitoring, management and reporting of external audit and inspection agency recommendations.
- 4.4 Internal Audit was responsible for updating the AAP system with all internal audit recommendations and for monitoring and managing their implementation by service areas.
- 4.5 Officers from all other departments were required to update their respective AAP with recommendations from other agencies (e.g. Wales Audit Office and other inspection regimes (CSSIW/Estyn) etc.).
- 4.6 Overall monitoring of the AAP system was undertaken by the Internal Audit Service with annual reports being presented to the Audit Committee.
- 4.7 Managers were reminded by the Internal Audit Service to update their AAP's periodically and again specifically before progress on implementation was reported to the Audit Committee.
- 4.8 The Wales Audit Office undertook a review of the Council's Service Improvement Framework in 2015/2016 which included an assessment of the existing AAP system and reported upon their findings in their Annual Improvement Report for 2015/2016.
- 4.9 Their published findings reported that the Council had a corporate mechanism in place for recording the recommendations made in all external and internal audit reports, the AAP system. They also made some criticism of the current arrangements in responding to external regulatory reports and reported that the Council was already aware of these and working on introducing improvements.

- 4.10 In view of their findings the WAO made a proposal for improvement in the Annual Report 2015/2016 that required addressing by the Council. The proposal for improvement was:

“The Council strengthens its arrangements for responding to external regulatory reports by:

- *Clarifying its process for dealing with reports that are received; and*
- *Clarifying the role of committees when receiving reports, and ensuring there is appropriate challenge and clear monitoring of the Council’s progress in addressing any recommendations.”*

- 4.11 In response to the proposal for improvement a procedure was drafted by the Internal Audit Service. The procedure was written on the basis of a corporate responsibility that the Council will need to address on a corporate wide basis and as such a draft version was reported to Corporate Management Team in December 2016 for their comments and approval.
- 4.12 Comments received from Corporate Management Team were incorporated into a revised procedure that was reported to Audit Committee on the 09th January 2017. A copy of this report and the respective procedure is attached as **Appendix 1**.

5.0 WHERE WE ARE NOW

- 5.1 The revised corporate procedure has been in operation since 2017. This now includes managers in receipt of external agency report recommendations reporting to Corporate Management Team and the Audit Committee. To date the focus has pre-dominantly been on reports produced by WAO.
- 5.2 Implementation of the revised corporate procedure further highlighted weaknesses with the existing AAP system that had already been identified. A new modernised AAP system was commissioned to be produced by Internal Audit with the Council’s ICT Department. This new system is currently in the roll-out stage throughout the Council. Feedback from the pilot departments has been very positive.
- 5.3 A retrospective exercise was undertaken by Internal Audit to identify historical reports from external agencies going back to 2014/2015 to enable a comprehensive information base to be created of report recommendations that required to be reported under the revised procedure.
- 5.4 To date progress on recommendations has been made on a regular periodic basis to Corporate Management Team and Audit Committee on WAO reports and this has proven to be effective in generating improvement. Next steps need to include the reporting of other agency reports. **Appendix 2** contains a summary of reports to date and the details of those reports for financial years 2018/2019 back to 2014/2015.

6.0 WHERE WE WANT TO BE

- 6.1 The reporting of all agency reports on a regular periodic basis as per the revised procedure. To date the focus had been on WAO reports to assess how the system was operating.

6.2 Establishing the procedure as an embedded process across all relevant departments that does not require the current level of prompting or ‘chase up’ from a central department.

7.0 WHAT WE NEED TO DO NEXT

7.1 To date the Internal Audit Service has voluntarily adopted the responsibility for creating, introducing, monitoring, prompting and reporting upon departmental and corporate progress. The time involved in this process treated as an ‘overhead’ by Internal Audit as it took time away from their primary role of providing assurance, however it was felt it was a worthwhile exercise as it ultimately improved and strengthened the governance framework of the Council.

7.2 From the 01st April 2019 the Internal Audit Service is no longer employed by MTCBC directly as all staff members have transferred to the new Regional Internal Audit Shared Service established in collaboration with Rhondda Cynon Taf CC, Bridgend CC and the Vale of Glamorgan CC. Therefore the internal audit provision is now contracted in by MTCBC. The monitoring of the AAP system does not form part of this contract, however until an alternative solution can be found it is planned that Internal Audit will continue to monitor the system in the short term.

7.3 A decision needs to be made by MTCBC as to how the AAP system will be monitored on a longer term basis including the reporting of other agency reports and recommendations.

8.0 CONTRIBUTION TO WELLBEING OBJECTIVES

8.1 Improvements in the MTCBC’s governance framework will positively contribute to all Wellbeing Objectives.

ELLIS COOPER
DEPUTY CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
& CORPORATE SERVICES

| BACKGROUND PAPERS | | |
|--|-------------------------------|--------------------------|
| Title of Document(s) | Document(s) Date | Document Location |
| Audit Committee report 09 th January 2017 | 09 th January 2017 | Members Library |
| WAO Annual Improvement Report 2015-2016 | 2015-2016 | Internal Audit office |
| Does the report contain any issue that may impact the Council’s Constitution? | | No |

Civic Centre, Castle Street,
Merthyr Tydfil CF47 8AN

Main Tel: 01685 725000

www.merthyr.gov.uk



Cyngor Bwrdeistref Sirol
MERTHYR TYDFIL
County Borough Council

AUDIT COMMITTEE

| | |
|-------------------|-------------------------------|
| Date Written | 03 rd January 2017 |
| Report Author | G Evans |
| Exempt/Non Exempt | Non Exempt |
| Committee Date | 09 th January 2017 |

To: Chair, Ladies and Gentlemen

External Regulatory Reports Reporting and Monitoring Procedures

8.0 SUMMARY OF THE REPORT

- 1.1 The Wales Audit Office reported upon the current corporate system for recording the recommendations made in all external and internal audit reports in their Annual Improvement Report 2015-2016.
- 1.2 This contained some criticism of the current arrangements in responding to external regulatory reports and made a Proposal for Improvement that the Council needs to respond to.
- 1.3 In response to this Proposal for Improvement amendments to the existing arrangements have been documented in a procedure that it is planned to be implemented corporate wide. This procedure was reported to Corporate Management Team in December 2016 for consultation.

9.0 RECOMMENDATIONS that

- 2.1 Audit Committee Members note the content of the revised procedure (attached as Appendix A to this report).

10.0 INTRODUCTION AND BACKGROUND

- 3.1 During 2015-16 the Wales Audit office conducted a review of the Council's Service Improvement Framework to evaluate how established it had become since their

earlier Corporate Assessment in 2014-15 and to assess the impact it was having in helping the Council to achieve its aims.

- 3.2 They published their findings in their Annual Improvement Report 2015-2016.
- 3.3 Their published findings reported that the Council has a corporate mechanism in place for recording the recommendations made in all external and internal audit reports, the Audit and Inspection Action Plan system (AAP system). They also made some criticism of the current arrangements in responding to external regulatory reports and reported that the Council was already aware of these and working on introducing improvements.
- 3.4 In view of their findings the Wales Audit Office made a Proposal for Improvement in the Annual Improvement Report 2015-2016 that needs to be addressed by the Council. The Proposal for Improvement is:
- The Council strengthens its arrangements for responding to external regulatory reports by:*
- *Clarifying its process for dealing with reports that are received; and*
 - *Clarifying the role of committees when receiving reports, and ensuring there is appropriate challenge and clear monitoring of the Council's progress in addressing any recommendations.*
- 3.5 In response to the Proposal for Improvement a procedure has been drafted by Internal Audit. The procedure is a corporate responsibility that the Council will need to address on a corporate wide basis and as such a draft version was reported to Corporate Management Team in December 2016 for their comments and approval.
- 3.6 Further to the comments received from Corporate Management Team a revised procedure has been produced for reporting to Audit Committee for Members comments and suggestions before it will be progressed to implementation. The revised procedure is attached as Appendix A.

4.0 FINANCIAL IMPLICATION(S)

- 4.1 There are none specifically identified in this report.

ELLIS COOPER
DEPUTY CHIEF EXECUTIVE

COUNCILLOR PHIL WILLIAMS
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

| BACKGROUND PAPERS | | |
|--|----------------------------|--------------------------|
| Title of Document(s) | Document(s) Date | Document Location |
| Audit Universe | 2015/2016 and 2016/2017 | Internal Audit Office |
| Audit Planning Files | 2016/2017 | Internal Audit Office |
| Does the report contain any issue that may impact the Council's Constitution? | | No |

EXTERNAL REGULATORY REPORTS - REPORTING AND MONITORING PROCEDURES

Receipt and Distribution of Reports

- External regulatory reports are normally received by the Chief Executive and forwarded to the relevant Chief Officer or Head of Service. E.g. Estyn reports referred to the Chief Education Officer, CSSIW reports to the Chief Officer Social Services and WAO reports to the Head of Corporate Services and different Commissioner reports to relevant officers. Internal Audit need to be copied into the distribution email. Any report received directly by Chief Officers/Heads of Service need to be forwarded to the Chief Executive and Internal Audit for information.
- All external reports received are reported to Corporate Management Team by the relevant Chief Officer/Head of Service (as per the distribution arrangements)
- Internal Audit will enter the report recommendations onto the Audit and Inspection Action Plan (AAP) system. (ICT are in the process of developing a new system to facilitate reporting and monitoring).
- Internal Audit will send an email to the responsible officer notifying them that the recommendations have been entered onto the AAP system. The email contains a link to the location of the recommendations on the AAP system.
- The Audit Manager (responsible officer) is copied in so that arrangements can be made for the report to be included on the forward plan for audit committee. This does not prevent reports being presented to Cabinet, Council or Scrutiny Committee either before or after the report is taken to Audit Committee.

It is proposed that Audit Committee's role is clarified to:

- Ensure that appropriate action has been taken to address the recommendation and if not why not.
- Consider if the report needs to be referred to another Committee.
- Determine if a further follow up report on progress is required by Audit Committee.

Monitoring and Reporting Progress of Implementation of Recommendations

- Recommendations made in external regulatory reports will be placed on the AAP system by Internal Audit. Chief Officers/Heads of Service will be notified when this has been done and will be required to update the AAP system with progress made in implementing the recommendations.
- Periodically (timeframe to be determined but likely to be quarterly) Internal Audit will report the progress by management on the implementation of agreed recommendations contained within the AAP system to Audit Committee. This report will highlight those areas where progress on implementation is not being achieved as agreed and allow Members to decide who to invite to Audit Committee to report on the level of progress achieved etc.
- Depending on the nature of the report and the recommendations made, Audit Committee may recommend that an update also be reported to the relevant Scrutiny Committee.
- Internal Audit will explore a mechanism to ensure that all regulatory reports are identified and recorded on the AAP system.

(Proposals in italics below are subject to the new system being developed with this functionality.)

- *Chief Officers / Heads of Service will receive notifications from the AAP system when recommendations, which should have been implemented as per the due date, have not been implemented.*
- *Various reports will be available from the AAP system which to be used by Corporate Management Team, Senior Officers and Councillors to identify and monitor progress in implementing recommendations made within their service area. (Training / guidance will be provided upon introduction of the new AAP system).*
- *On an annual basis, Internal Audit will provide Audit Committee with an update on progress that has been made in implementing recommendations made in all external regulatory reports.*