



Bridgend & Vale
Internal Audit
Shared Service

Confidential

Internal Audit Report

Authority	Vale of Glamorgan Council
Directorate	Environment and Housing Services
Audit Title	Shared Regulatory Services
Audit Year	2015/16

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Audit	Shared Regulatory Service

Report Date	December 2015
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To	Dave Holland – Head of Shared Regulatory Service
Auditor	Sian Clemett-Davies
Report Date	8 th December 2015
Audit Ref	AR758

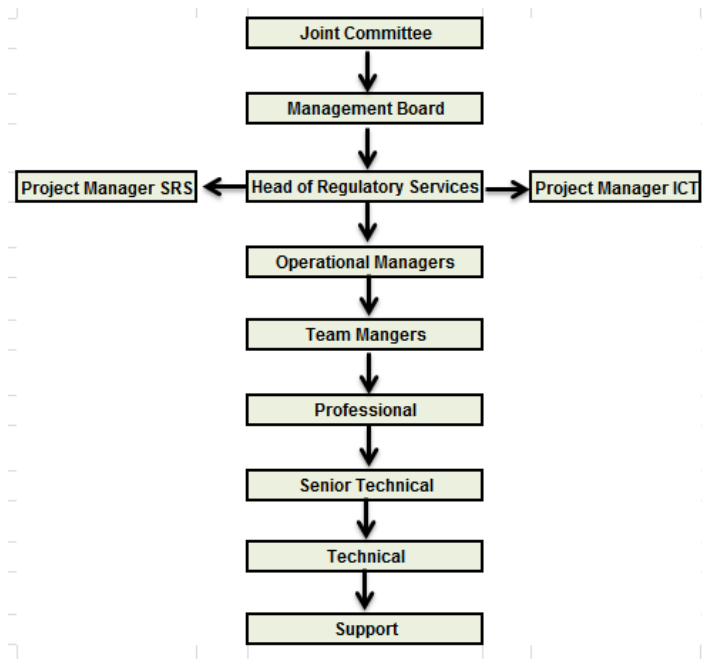
1. Introduction

- 1.1. An audit review of the newly formed Shared Regulatory Services (SRS) was undertaken as part of the 2015/16 annual Internal Audit Plan.
- 1.2. This report sets out the findings of the review and makes recommendations where it is felt that improvements in financial and non-financial administration could be made.
- 1.3. In 2013, Bridgend County Borough Council (BCBC), The County Council of the City of Cardiff (CCC) and Vale of Glamorgan Council (VoGC) considered and approved a shared service opportunity in relation to delivering a broad range of regulatory services including Trading Standards, Environmental Health and Licensing. Following a procurement exercise, using Regional Collaboration Funding, external agents, Atkins Consultants Ltd, were commissioned (September 2013) to produce a business case, target operating model and implementation plan for the creation of a shared service. The councils approved and adopted the Operating model in Autumn 2014.
- 1.4. Whilst the Shared Regulatory Service officially commenced on the 1st May 2015, the creation of a new organisation and the implementation of a new structure is a huge undertaking that needs to be well managed to ensure its successful delivery. The implementation of a collaborative approach is complex and will involve the co-ordination of a number of “Work Streams”.
- 1.5. A SRS Programme Plan and ICT Programme Plan have been created and these are supported by a Project Team. During 2015/16, the Project Team consisting of Work Stream leads, the two Project Managers and the Head of Regulatory Services will drive through the implementation of the plans.

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- 1.6.** For context purposes, the final service delivery model for the SRS is set out below. Staff were being interviewed and appointed tier by tier during the audit review which took place during the month of November 2015.



- 1.7.** It should be noted that the SRS is in the very early stages of development therefore this internal audit review will take place in two parts; Part One looking at the initial governance arrangements and Part Two, which will take place during 2016/17 when the service has had time to bed in, will involve more detailed evidence based testing of several aspects of the service, yet to be agreed by Internal Audit and the Head of Regulatory Services.

2. Objectives & Scope of the Audit

- 2.1.** The objective of the audit was to ensure that there are sound governance arrangements in place for the newly formed SRS.

- 2.2.** The scope of the audit was to:

- Identify the governance arrangements that are in place (including ICT arrangements). Ensure that all parties have access to them and they are fully understood;
- Establish what processes and procedures the shared service are expected to comply with;
- Identify the budget arrangements including financial procedure rules that are in place for the collaboration;
- Identify the performance targets and how these are to be monitored and reported;

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- Clarify and agree the expectations and role of Internal Audit going forward.

3. Strengths & Areas for Improvement

3.1. During the audit a number of strengths and areas of good practice were identified as follows:

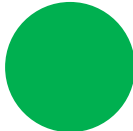
- A detailed Joint Working Arrangement and Business Plan have been created to ensure successful implementation of the service;
- The SRS governance framework has been established and includes elected Members from each of the three Local Authorities;
- An additional governance structure exists for the implementation phase of the service. Various Work Streams and nominated leaders will ensure that the delivery programme does not lose momentum.

3.2. The following key issues were identified during the Audit which need to be addressed:

- Arrangements with external Auditors are yet to be agreed and formalised.

3.3 A number of recommendations contained within the report are for advisory purposes and have been categorised as Merits Attention. No formal response to these recommendations is required; hence they are not contained within the Management Implementation Plan.

4. Audit Opinion

<p>Based on an assessment of the strengths and weakness of the areas examined, it has been concluded that the effectiveness of the internal control environment is considered to be sound and therefore substantial assurance can be placed upon the management of risks. This overall opinion is supported by the identification of a well-controlled system where only minor recommendations may have been made where it is considered that the action required is desirable and should result in enhanced control or improved value for money.</p>	 <p>Substantial Assurance</p>
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5. Acknowledgement

5.1. A number of staff gave us their time and co-operation during the course of this review. The Auditor would like to record her thanks to all of the individuals concerned particularly the Shared Regulatory Service Project Manager.

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6. Findings & Recommendations

Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results.

The criticality of each recommendation is as follows:

Fundamental: Action that is considered imperative to ensure that the organisation is not exposed to high risks
Significant: Action that is considered necessary to avoid exposure to significant risks
Merits Attention: Action that is considered desirable and should result in enhanced control

6.1. Joint Working Arrangement

Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.1.1.	<p><u>Expected Control:</u> That a formal, documented partnership agreement has been created and signed by all Participants.</p> <p><u>Possible Risk:</u> <i>Lack of formal agreement to shared regulatory services.</i></p>	<p>The new Shared Regulatory Service (SRS) is a collaboration between Bridgend County Borough Council (BCBC), The County Council of the City of Cardiff (CCC) and Vale of Glamorgan Council. The service operates under a Joint Working Agreement (JWA) a copy of which was provided to the Auditor at the beginning of the audit review.</p> <p><u>Key Dates</u></p> <ul style="list-style-type: none"> On the 22nd September 2014, the Vale of Glamorgan Council's Cabinet approved the proposal to create a SRS with approval also being gained from the BCBC and CCC Cabinets on 7th and 9th October 2014 respectively. As some of the functions undertaken by the Regulatory Service are 	None	N/A

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Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<p>“non-executive” functions these proposals were also considered and approved by full Council at each Authority, BCBC on 15th October, CCC on 23rd October and by the VoGC on 12th November 2014.</p> <p><u>Joint Working Agreement (JWA)</u></p> <ul style="list-style-type: none"> • 10th April 2015, the JWA is signed and dated. • Agreement “commencement date” 1st May 2015; this is the date that employees transferred their employment to the Host Authority. • The new staff structure will be completed by 1st December 2015. • The Agreement shall continue in full force and effect until all the Participants agree in writing either i) its termination or ii) until there is only one remaining Participant who has not withdrawn from the Agreement in accordance with Clause 25 (Termination and Rights to Withdraw); <p>The JWA has been signed and sealed by the following Participant representatives:</p> <ul style="list-style-type: none"> • Mayor (BCBC) • Assistant Chief Executive, Legal & Regulatory Services (BCBC) • Chief Executive (CCC) • Operational Manager Legal Services (CCC) • Managing Director (VoGC) <p>The Auditor verified against the Council Constitution documents for BCBC (s.14.05) and CCC (s.LD3) that these officers are delegated to execute the</p>		

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Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		JWA. It was noted that the Managing Director had signed the Agreement on behalf of VoGC which is not in keeping with the VoGC Constitution however on contacting the Head of Legal Services; the Auditor confirmed that the Managing Director, in consultation with the Leader was given a specific delegation to execute the JWA. This was evidenced against Council minute number 600 of the 12 th November 2014.		
6.1.2.	<p>Expected Control: The Agreement details roles, responsibilities and service delivery expectations.</p> <p>Possible Risk: <i>Undefined roles, responsibilities and service expectations.</i></p>	<p>The JWA is a detailed ninety-seven page document which sets out the criteria and expectations for matters which include, but are not limited to:</p> <ul style="list-style-type: none"> • The role of the Joint Committee and Management Board including Terms of Reference; • The role of the Head of Regulatory Services; • Financial matters and Lead Finance Officer role; • Levels of service to be provided; • Employees; • Records and access to information including Data Protection and information governance; • Termination and rights to withdraw; • Governing law and jurisdiction. <p>It also includes a detailed Business Plan for the first year of service which is attached at Schedule 9 of the Joint Working Arrangement.</p>	None	N/A

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Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.1.3.	<p><u>Expected Control:</u> That a Business Plan setting out the strategic and operational detail of the service is formulated and regularly reviewed.</p> <p><u>Possible Risk:</u> <i>Lack of defined direction and vision for the service.</i></p>	<p>Each year the Head of Regulatory Services under the direction of the Management Board is required to develop a draft Business Plan which updates the information contained in the previous Plan. The Business Plan should identify the proposals for services and activities, business and financial objectives, efficiency targets, business continuity planning, risk management, indicative staffing levels and changes, performance improvement targets and costs and income for the next three financial years. Whilst it will be a three year Plan, it will be reviewed annually.</p> <p>A copy of the first SRS Business Plan 2015-2018 was provided to the Auditor. The document includes a set of priority themes that have been developed for the regional service; these are drawn from and reflect the strategic priorities of the three parent authorities. The Plan also details the key milestones for the transition phase and the arrangements for governance and access to services.</p> <p>Attached to the Business Plan is an Action/Delivery Plan which highlights the key objectives for the SRS in year one; again these have been aligned to the strategic themes of the three Councils.</p> <p>It should be noted that the Business Plan (whilst agreed by all Participants) is currently an interim document that will be developed further as the implementation of the new model progresses, and staff structures are put in place.</p>	None	N/A

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Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.1.4.	<p>Expected Control: A forward work plan for the remaining implementation activity has been agreed.</p> <p>Possible Risk: <i>Lack of planning resulting in failure of service provision.</i></p>	<p>A Project Team consisting of Work Stream Leads for ICT, Property, Equalities, Communications, Procurement, Finance, Legal and HR has been established for the 2015/16 implementation phase. Assisted by the Project Managers and the Head of Regulatory Services, the Work Stream leads will drive through the implementation of the Business Plan. A full list of the activities to be fulfilled is detailed at Appendix 4 of the Business Plan, and includes activities such as:</p> <ul style="list-style-type: none"> • Implementation and population of new structure; • Developing staff terms and conditions; • Creation of a Workforce Plan; • Set budgets for 2016/17 and 2017/18; • Develop income strategies; • Develop the ICT platform and home/mobile working solutions; • Develop and agree a detailed accommodation brief and set up new office locations; • Align policies, procedures and processes for service delivery seeking to achieve standardisation. • Develop a suite of indicators to measure more holistically the performance of the service. <p>Activities for implementation have also been incorporated into a themed Implementation Programme Plan complete with deadline dates and named officers who are accountable for delivery. A copy of the Plan was provided to the Auditor who noted that tasks/activities have been categorised into</p>	None	N/A

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Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		the following work streams: Human Resources, Finance, ICT, Assets and Property, Service Delivery, Training, Policies and Procedures and Communications and Marketing. This is a working document which will be updated throughout the implementation phase.		

6.2. Governance

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.2.1.	<p>Expected Control: Robust governance arrangements have been put in place for the SRS.</p> <p>Possible Risk: <i>Lack of leadership and accountability for the service.</i></p>	<p>The Executives and Councils of each of the Participants have agreed to establish a Joint Committee of elected Members in respect of certain executive and non-executive regulatory functions to be known as the “Regulatory Shared Service Joint Committee”, this will ensure democratic oversight of the service. It should be noted that each Council will continue to deal with licensing matters through their own existing Licensing Committees.</p> <p>The JWA states that: <i>“Each Participant shall appoint two elected members of that Participant to be members of the Joint Committee and in the case of Participants operating Executive Arrangements at least one of those members from each Participant authority shall be a member of that Participant’s</i></p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<p><i>Executive”</i></p> <p>The Auditor identified the membership of the Joint Committee and determined that two elected members had been appointed from each Participant including at least one Executive member. In addition the Chief Executive (or other nominated officer) and the Section 151 Officer of each Participant is entitled to attend every meeting of the Joint Committee. Decisions are to be made by a majority vote and each Participant shall have one vote.</p>		
6.2.2.	<p>Expected Control: The Joint Committee should meet on an annual basis.</p> <p>Possible Risk: <i>Non-compliance with the Joint Committee Terms of Reference.</i></p>	<p>The Joint Committee should meet on an annual basis and may in every year, hold additional meetings as they see fit. A copy of the “Joint Committee Dates and Deadlines” timetable was provided to the Auditor which showed that meetings had been scheduled for the next twelve months as follows:</p> <ul style="list-style-type: none"> • 3rd November 2015 • 4th February 2016 • 18th May 2016 (AGM) • 4th August 2016 • 4th November 2016 <p>The Joint Committee Terms of Reference are set out in the JWA along with the “Rules for the Conduct of Meetings and Proceedings”. They also specify the quorum for meetings of the Joint Committee:</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<i>"No item of business shall be transacted at a meeting of the Joint Committee or sub-committee unless at least one member is present from all three of the Participants".</i>		
6.2.3.	<p>Expected Control: To ensure robust management and oversight of the shared service and its implementation.</p> <p>Possible Risk: <i>Failure to successfully deliver the shared service.</i></p>	<p>Sitting beneath the Joint Committee on the governance structure is an officer Management Board (MB). This Board has been tasked with the oversight of project implementation and future operation of the service. The composition, operation and Terms of Reference of the MB are set out in the Joint Working Arrangement at Schedule 3.</p> <p>The Project Manager described the MB as a high level project/sounding board which operates from a strategic and operational level. They are not a decision making body but can veto things.</p> <p>The Management Board should comprise <i>"one officer representative from and nominated by each of the Participants; and the Head of Regulatory Services"</i>. The Auditor identified the membership of the MB as follows:</p> <ul style="list-style-type: none"> • Chairman: Director of Environment and Housing (VoGC) • Vice Chair: Assistant Director City Operations (CCC) • Head of Regulation Partnership and Transformation (BCBC) • Head of Regulatory Services (VoGC) • Head of Human Resources (VoGC) • Head of Legal Services (VoGC) 	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<ul style="list-style-type: none"> Finance Support Manager (VoGC) Support Manager ICT (VoGC) <p>In addition to this membership, the Section 151 Officer, the Monitoring Officer, legal, procurement and/or technical officers for each Participant are entitled to attend and participate in Board meetings (in a non-voting capacity).</p>		
6.2.4.	<p>Expected Control: Management Board meet on a regular basis.</p> <p>Possible Risk: <i>Non-compliance with Terms of Reference.</i></p>	<p>The Management Board will meet regularly (as appropriate) and the quorum necessary shall be a representative from all three Participants. However if quorum is not met and a meeting is re-convened, the required quorum shall remain the same but can be met by attendance through telephone or video-conference facility.</p> <p>The “Joint Committee Dates and Deadlines” timetable also sets out the scheduled meetings for the MB as follows:</p> <ul style="list-style-type: none"> 16th October 2015 20th January 2016 3rd May 2016 18th July 2016 18th October 2016 	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.2.5.	<p>Expected Control: Officer delegations are documented.</p> <p>Possible Risk: Lack of defined controls.</p>	<p>The Head of Regulatory Services, who has been appointed by the Joint Committee, will carry out the role and functions set out in Schedule 1 Part 3 of the Joint Working Arrangement. He also has the authority to delegate further, in writing; all or any of his delegated functions under the JWA to other officers and is required to report on service provision to the Joint Committee.</p>	None	N/A
6.2.6.	<p>Expected Control: Programme Management Board governance structure is clearly defined and documented.</p> <p>Possible Risk: <i>Lack of defined governance arrangements in place for the Programme Boards.</i></p>	<p>The aforementioned governance structure is that of the shared service however, in addition to this there is a “Programme Management” governance structure; this includes the Joint Committee, Management Board and Head of Regulatory Services as well as a Programme Board, Strategic Board, Operational Board, Work Stream Leads, Working Groups and Local Authority representatives. This additional governance structure exists purely to direct and manage the projects needed to deliver the final SRS model. Once the implementation phase has concluded this additional governance structure will change and eventually no longer be needed.</p> <p>A copy of the updated Programme Management governance structure was provided to the Auditor upon request along with documented Terms of Reference for the Programme Board, Strategic Board, Operational Board and Works Streams.</p>	None	N/A

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6.3. Service Structure

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.3.1.	<p>Expected Control: All employees have transferred employment to the Host Authority.</p> <p>Possible Risk: <i>Non-compliance with JWA and Business Plan.</i></p>	<p>The Joint Working Arrangement commenced on the 1st May 2015; at this time, some 170 “in-scope” employees were successfully transferred from BCBC and CCC to the Vale of Glamorgan Council (as host employer) and were paid under their newly transferred contract on the 15th May 2015.</p> <p>It was initially anticipated that the new structure would be in place by the 1st September 2015 however this has been delayed until 1st December 2015. This has been caused by two factors; the postponement of the meeting of the Early Retirement/Redundancy Committee and a commitment to staff who have been on sickness/maternity/annual leave to await return to work before interview. It should be noted that this delay will have an impact on other actions in the Programme Plans particularly those related to the ICT and accommodation Work Streams. Any risks and challenges that may occur as a result of these delays are documented by Project Managers on a “risk and issue log” and should be communicated and escalated in accordance with the processes documented in the Terms of Reference.</p> <p>In the final exit meeting with the Head of Regulatory Services and SRS Project Manager on the 1st December 2015, the Auditor was advised that the new staff structure has now been completed.</p> <p>Whilst the new structure is now in place, not all staff will be on the VoGC Terms and Conditions because of "Transfer of Undertakings (Protection of</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<p>Employment) Regulations 2006" (TUPE) arrangements; some will remain on their own Terms and Conditions but some will opt for the VoGC's. An exercise is currently taking place with staff to enable them to decide which Terms and Conditions they will opt for. Further information is available to staff on StaffNet so they may compare Terms and Conditions.</p> <p>The Project Manager advised that once the new structure has been entirely populated, the VoGC's Personnel Officer will be in a position to provide accurate staff details. It is clear that there is much work to be done during the implementation phase but staff will be involved in various Work Streams to ensure its successful delivery.</p>		
6.3.2.	<p><u>Expected Control:</u> That a service delivery model has been created and implemented.</p> <p><u>Possible Risk:</u> <i>Lack of leadership and accountability resulting in poor governance.</i></p>	<p>As discussed and illustrated in the introduction of this report, the new integrated service delivery model operates under a single management structure with a shared governance arrangement. There are nine tiers within the SRS structure; Joint Committee, Management Board, Head of Regulatory Services, Operational Managers, Team Managers, Professional, Senior Technical, Technical and Support. Interviews were ongoing throughout the audit review and concluded on 27/11/2015.</p> <p>Organised into three service delivery sectors, each managed by an Operational Manager, the SRS provides for:-</p> <ul style="list-style-type: none"> • Neighbourhood Services - Activities relating to residential premises or having an impact on the local community; 	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<ul style="list-style-type: none"> • Commercial Services - Activities relating to business premises (generally where national standards apply), and; • Enterprise and Specialist Services - Comprising a number of specialists. 		
6.3.3.	<p><u>Expected Control:</u> The service can be accessed by the public and allows adequate work space for employees.</p> <p><u>Possible Risk:</u> <i>Public are unable to access regulatory services.</i></p>	<p>The Service has approximately 208 employees in total and is currently accessed and delivered through five points across the Bridgend, Cardiff and the Vale.</p> <p>It is proposed that the new service functions will be delivered from a mix of customer-facing “satellite” offices located in each Council area and from a centrally located office. The satellite locations will be established in each area to provide customer facing services on a local basis and also provide work spaces for employees of the service to work from. Additionally office accommodation will be required for a central team of officers who will manage and administrate the service. During the year, accommodation will be assessed in more detail in order to develop and agree a detailed accommodation brief; expectations are that staff are “fully agile”.</p>	None	N/A
6.3.4.	<p><u>Expected Control:</u> Policies and procedures have been formulated and agreed.</p> <p><u>Possible Risk:</u></p>	<p>The Auditor discussed staff policies with the Project Manager and learned that whilst all staff were using Timeware and Oracle there is still a lot of work to be done to align policies and procedures.</p> <p>A Workforce Plan will be created and staff will be engaged via “Working Groups”. Further work is also due to take place in regards to flexible and</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	<i>Inconsistent working practises.</i>	mobile working arrangements as these may divert away from the standard Vale policies if there is a business need to change them. All these actions have been incorporated into the Project Plan to ensure that they are completed during year one.		
6.3.5.	<p><u>Expected Control:</u> Work is taking place to progress the ICT Programme Plan.</p> <p><u>Possible Risk:</u> <i>Failure to deliver ICT commitments.</i></p>	<p>While there is much work to be done in aligning ICT across the geographical bases and disciplines, the longer term intention is to provide officers with mobile devices for use in the field, allowing data entry from any location.</p> <p>A trial period is considered to be the best approach before committing long term to a particular method or system and there are a number of potential options that would move the service closer to fully agile working. Further work will commence to develop the most suitable database solution for the service longer term. In the interim to ensure business as usual the current databases will be maintained locally. A dedicated ICT Project Manager has been appointed to support the implementation of a detailed ICT Programme Plan which will run alongside the project timeline and set out the key milestones and outcomes through the implementation period and beyond.</p> <p>The Auditor met with the ICT Project Manager and Support Manager (Applications) and was advised that there are three main phases in the Programme. Phase 1 (the website) was completed in time and on budget; Phase 2 is now under way. A copy of the Programme Plan was provided to</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		the Auditor and this was discussed during the meeting. The Project Manager advised that decisions regarding accommodation are now critical and meetings are scheduled to take place to progress this work stream.		

6.4. Finance

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.4.1.	<p><u>Expected Control:</u> Budgets have been set, documented and agreed by all Participants.</p> <p><u>Possible Risk:</u> <i>Failure to deliver in budget and in line with business plan.</i></p>	<p>The agreed gross budget for the SRS during 2015/16 is £9.799M. This includes allocations for core service costs, implementation costs as well as several "Authority Specific Service" costs which will be recharged to relevant Authorities.</p> <p>At this stage, the SRS is working to the high level budgets set out in Schedule 5 of the Joint Working Agreement and summarised over the page.</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality																														
		<p align="center"><u>Summary of costs (2015/16) as set out in JWA – Schedule 5</u></p> <table border="1"> <thead> <tr> <th>Authority</th> <th>Gross Budget Apportionment</th> <th>Implementation Costs</th> <th>Authority Specific Services Gross Budget</th> <th>Totals</th> </tr> <tr> <td></td> <td>£'000</td> <td>£'000</td> <td>£'000</td> <td>£'000</td> </tr> </thead> <tbody> <tr> <td>BCBC</td> <td>1,443</td> <td>244</td> <td>319</td> <td>2,006</td> </tr> <tr> <td>CCC</td> <td>3,648</td> <td>616</td> <td>1,571</td> <td>5,835</td> </tr> <tr> <td>VoGC</td> <td>1,304</td> <td>220</td> <td>434</td> <td>1,958</td> </tr> <tr> <td></td> <td>6,395</td> <td>1,080</td> <td>2,324</td> <td>9,799</td> </tr> </tbody> </table> <p>On the 3rd November 2015, the Joint Committee were presented with a financial monitoring report for the period 1st May to 30th September 2015. This had been prepared from the consolidated figures gathered from each Authority for this period and did not include income streams but, indicated that these were in line with previous years financial information. It should be noted that the budget will reflect more accurately associated costs and income streams upon completion of the appointment process to the new staff structure.</p> <p>The Auditor contacted the Finance Support Manager in regards to budgets for 2016/17 and 2017/18 and was advised that as the SRS is still in its early stages, detailed budgets are not yet available but are in the process of being prepared and expected to be available to the before the end of</p>	Authority	Gross Budget Apportionment	Implementation Costs	Authority Specific Services Gross Budget	Totals		£'000	£'000	£'000	£'000	BCBC	1,443	244	319	2,006	CCC	3,648	616	1,571	5,835	VoGC	1,304	220	434	1,958		6,395	1,080	2,324	9,799		
Authority	Gross Budget Apportionment	Implementation Costs	Authority Specific Services Gross Budget	Totals																														
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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<p>December 2015.</p> <p>During the meeting with the Head of Regulatory Services and SRS Project Manager on the 1st December 2015, the Auditor was advised that detailed budgets will be available to the Management Board for their meeting on the 8th December 2015 and a dedicated meeting to approve budgets has been scheduled with the Joint Committee on the 17th December 2015 (the Host's Section 151 Officer will be presenting the budgets).</p>		
6.4.2.	<p>Expected Control: All SRS staff adopt the financial regulations of the Host and are adequately trained in there application.</p> <p>Possible Risk: <i>Non-compliance to the Host's financial regulations.</i></p>	<p>All staff within the SRS will be required to <i>“adopt the financial regulations and Standing Orders for Contracts (however expressed) of the Host Authority from time to time in force”</i>.</p> <p>The Auditor requested a position statement from the Finance Support Manager and was informed that Operational Managers have received the Vale's Financial Procedure Regulations and Contract Standing Orders but the next tier down, the Team Managers, have only recently been appointed therefore are still working to their own regulations (since procurement is still taking place in their originating Authority). Inevitably, changes will occur after 1st December 2015 with discussions currently taking place with the Corporate Training and Organisational Development Manager regarding roll out of training and the set-up of Oracle and i-Procurement which needs to be made available to all relevant officers. This is a huge exercise that has just commenced.</p>	None	N/A

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6.5 Audit Expectations

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.5.1.	<p>Expected Control: Expectations of external audit are agreed and formalised.</p> <p>Possible Risk: <i>Non-compliance with the Joint Working Arrangement.</i></p>	<p>Schedule 5, of the JWA states that the Host’s external auditor (Wales Audit Office) will be the external auditor of the Shared Regulatory Service. It also states that, following each year-end the Host is required to prepare the annual accounts for the Joint Committee and Management Board and ensure that all relevant information is available for external inspection.</p> <p>Additionally, the Joint Committee must approve the annual accounts within the statutory deadlines, which shall be presented along with the annual audit letter prepared by the designated external auditor.</p> <p>The Auditor spoke with the Project Manager to identify whether these expectations had been communicated to and agreed with Auditors at Wales Audit Office but was advised that arrangements had not yet been formalised.</p>	To ensure that the arrangements and expectations of the Host’s external auditors are agreed and formalised.	Significant
6.5.2.	<p>Expected Control: Expectations of internal audit are agreed and formalised.</p> <p>Possible Risk: <i>Unidentified areas of risk that are not</i></p>	<p>The Agreement states that: <i>“The Shared Regulatory Service and its finances will be incorporated into the risk assessed Internal Audit Programmes of the Host Authority. Final reports shall be made available to the Joint Committee, Management Board and to the Parties internal auditors”.</i></p> <p>On speaking with the Project Manager, the Auditor noted that there are some new services under the umbrella of regulatory services that are not</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	<i>incorporated into the annual internal audit plan.</i>	only new to the SRS but new to Internal Audit i.e. Illegal Money Lending Unit (IMLU) and Primary Authority which is an income generating regulatory consultancy service. With this in mind, the Head of Regulatory Services and Operation Manager Audit will need to ensure that these areas are discussed and considered during the annual internal audit planning stage; this will ensure that any high risk areas are identified, assessed and incorporated into the Council's Annual Audit Plan for 2016/17, 2017/18 and so on.		

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7. Management Implementation Plan

Rec no.	Recommendation	Cat. Code (see Key)	Criticality	Report Ref.	Agreed (Y/N)	Management Comments	Job Title of Officer Responsible	Date to be implemented
1	To ensure that the arrangements and expectations of the Host's external auditors are agreed and formalised.	C	Significant	6.5.1	Y	To be discussed and implemented by Heads of Service	Head of Regulatory Service & Head of Finance	1 st February 2016

Management Implementation Plan Category Code Key

Category Code	Category Description	Category Code	Category Description
A	Accomplishment of objectives	S	Safeguarding of assets
C	Compliance	X	Governance
R	Reliability and integrity of information	Y	Corporate impact
E	Value for money	Z	Self-audit