

REPORT OF CHIEF EXECUTIVE

SUBJECT: CHANGES TO THE AUDIT PROCESS

Purpose of Report

This report informs members about a pilot project that the Wales Audit Office are undertaking in the Welsh National Park Authorities.

Introduction/Background

For a number of years Members and officers of the Authority have argued that the Audit requirements imposed on the Authority, as a result of the Local Government Measure, are not fit for purpose, resulting in an excessively bureaucratic system that places a disproportionate cost on the Authority. This situation was likely to get worse with the introduction of the Well-being of Future Generations Act, with a movement away from an Annual Improvement Plan to a Well-being Plan.

New Approach

While the Wales Audit Office has been sympathetic to our concerns, the legal requirements imposed by the Local Government Measure have prevented significant change. However, the introduction of Well-being of Future Generations Act has provided an opportunity to develop a new approach. The three National Park Authorities have agreed to work with the Wales Audit Office on a four year pilot to develop a new approach.

This new approach is outlined in the Project Brief “**National Park Authorities – Governance Review**” included as Annex A.

This Review will move away from an audit system based on plans to one more focused on culture and arrangements. The Review will undertake 4 stages:

Stage 1

A survey of Members, Staff and Stakeholders

Stage 2

Focus groups with Members and Staff

Stage 3

A small number of structured interviews

Stage 4

Reporting – position statement collating perspectives on governance

All Members and Staff will have an opportunity of participating in the audit process.

The process will commence in November 2016 and will look to report around April 2017. This timescale is a significant improvement on the current model and will enable us to respond far more quickly to recommendations.

Financial considerations

The cost of the Audit process has been a concern for Members for a number of years. While we do not expect a short term reduction, this approach is likely to avoid any increases and will possibly lay the ground work for reductions in the audit fee in the future.

Risk considerations

The introduction of a new process of audit does have some risks. The pilot nature of the process means that it may highlight issues not previously identified and also miss some key issues. While audits reports over the past 5 years have been very positive, a new approach may well be more challenging. However, this may well provide more useful learning points and issues to resolve.

Stage 1 will be undertaken via an electronic questionnaire sent directly to their e-mail address by the Wales Audit Office. Some participants may find this challenging. We will seek to provide the necessary support to any participants, while maintaining confidentiality.

The face to face nature of Stages 2 and 3 will partly off-set any difficulties experienced in Stage 1.

Compliance

The Authority is working with the Wales Audit Office to ensure it complies with any relevant legislation.

Human Rights/Equality issues

The Authority is working with the Wales Audit Office to ensure it complies with good practice in relation to our Equality duty.

Biodiversity implications/Sustainability appraisal

There are no specific issues.

Welsh Language statement

The project will be undertaken in accordance to the requirements of the Welsh Language Standards, as relates to this Authority. All questionnaires and reports will be provided bilingually.

Recommendation

Members are asked to note the report.



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

National Park Authorities – Governance Review

Project brief

Audit year: 2016-17

Issued: June 2016

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Project brief

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Background to the review

1. Good governance promotes confidence in public services. The better organisations are governed, the better they will perform, and the more satisfied the public will be. Sound governance is paramount to service delivery and the economic and efficient use of taxpayers' money. Good governance are those high-level processes and behaviours that ensure an organisation performs by achieving its intended purpose, whilst complying with all relevant laws, codes and directions and meeting community expectations of probity, accountability and transparency. Governance should be enduring, not just something done from time to time.
2. It is important to recognise that implementing a set of processes and procedures will not deliver good governance unless they are accompanied by a good governance culture. The attitudes, values, beliefs, and behaviours of leaders must support good governance. However culture is not exclusively created by leaders, rather, it is the sum total of the behaviours of all the individuals in an organisation. Put simply, culture is how things really work.
3. The CIPFA/IFAC International Framework: Good Governance in the Public Sector, alongside CIPFA's revised framework for 'Delivering good governance in local government', launched on 1 April 2016, takes a principles and behaviours approach to characterising good governance rather than an approach that merely sets out expected processes and arrangements.
4. The Well-being of Future Generations Act (WFG Act) places a requirement on Welsh public bodies to adopt the sustainable development principle from April 2016. The principle is made up of five key ways of working that public bodies are required to take into account when applying sustainable development. These are:
 - looking to the long term so that we do not compromise the ability of future generations to meet their own needs;
 - taking an integrated approach so that public bodies look at all the wellbeing goals in deciding on their priorities;
 - involving a diversity of the population in the decisions that affect them;
 - working with others in a collaborative way to find shared sustainable solutions;
 - understanding the root causes of issues to prevent them from occurring.
5. One of the fundamental approaches advocated by the WFG Act is a shift in focus from gains in service output, to a stronger link between the actions of public bodies and the outcomes that enhance the quality of life of citizens and communities both now and in the future. The WFG Act is founded on Outcome Based Accountability which encourages a focus on the difference that is made, rather than just the inputs and processes that an organisation has.

6. Sustainable development is a way of doing things rather than a prescribed process or an end in itself. It will require a different mind-set and different behaviours from organisations and individuals. Therefore, ensuring good governance for future generations begins with building a culture within organisations where governance principles and behaviours actively promote sustainable development.

Overview of the Work

7. Following the Auditor General's consultation on the WFG Act and audit, all three National Park Authorities agreed to work with the Wales Audit Office in piloting approaches to audit under the Act. It has been agreed that over the next four years, the Wales Audit Office will undertake a series of governance reviews aimed at facilitating improved governance in the context of the WFG Act. Broadly, the approach is as follows:
 - 2016-17 – Examining the governance culture
 - 2017-18 – A facilitated review of governance arrangements
 - 2018-19 – Effectiveness review (tbc)
 - 2019-20 – Effectiveness review (tbc)
8. The 2016-17 review will be focussed on governance culture. It will examine attitudes, values, beliefs, and behaviours rather than review governance structures and processes. This will enable National Park Authorities to understand the underlying governance culture, and therefore allow them to focus attention on any blockages that may need to be addressed to enable arrangements to function effectively.

Methodology

9. This review will be carried out in the following stages:

Stage 1

A survey of Members, Staff and Stakeholders

Stage 2

Focus groups with Members and Staff

Stage 3

A small number of structured interviews

Stage 4

Reporting – position statement collating perspectives on governance

Timing

Activity	Timescale
Issue project brief	July 2016
Develop surveys	July-August 2016
Surveys	September 2016
Focus groups	October 2016
Structured interviews	November 2016
Reporting	January/February 2016

Wales Audit Office contacts

10. The Wales Audit Office contact for this review will be Huw Rees:

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