



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2015-16

## Pembrokeshire County Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Colin Davies and Justine Morgan under the direction of Jane Holownia.

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Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

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# Summary report

## About this report

- 1 This Annual Improvement Report (AIR) summarises the audit work undertaken at Pembrokeshire County Council (the Council) since the last such report was published in September 2015. The major component of our audit work during this period is the Corporate Assessment of the Council that we undertook between April and November 2015. This AIR summarises the conclusions we drew from our Corporate Assessment work and further detail is contained in the Council's [Corporate Assessment Report 2015](#), published in December 2015, which is available on [our website](#).
- 2 This AIR also includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner.
- 3 Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.
- 4 Taking into consideration the work carried out during 2015-16, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2016-17.
- 5 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 6 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at [info@audit.wales](mailto:info@audit.wales) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

## 2015-16 performance audit work

- 7 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the Council's own mechanisms for review and evaluation. For 2015-16, we undertook improvement assessment work under three themes: use of resources; governance; and performance.
- 8 The work carried out since the last AIR, including that of the 'relevant regulators', is set out below:

Project name	Brief description
Wales Audit Office: Corporate Assessment	Review of the Council's capacity and capability to deliver its priorities and improved outcomes for citizens.
Wales Audit Office: Financial Resilience Assessment	Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. The review also covered the Council's reserves position, policy and use of reserves.
Wales Audit Office: Annual 'Improvement Plan' Audit	Review of the Council's published plans for delivering on improvement objectives.
Wales Audit Office: Annual 'Assessment of Performance' Audit	Review of the Council's published performance assessment.
Wales Audit Office: Follow-up work	Review of the Council's corporate processes for responding to regulatory reports, tracking implementation of recommendations and reporting to appropriate committees.
Estyn: Desk top analysis	An overview of key education performance indicators prepared by Estyn.
CSSIW: Review of the Social Services Department's Performance 2014-15	Annual Review and Evaluation of Performance of the Council's social services functions for 2014-15.
Welsh Language Commissioner: Review of the Council's Welsh Language Scheme	Assessment of the effectiveness of the Scheme in providing Council services to members of the public who prefer to communicate in Welsh.

## The Council cannot yet provide adequate assurance that its arrangements are capable of delivering its priorities and improved outcomes for citizens, but it is in the early stages of developing a new corporate strategy and organisational principles

- 9 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General has concluded that weaknesses identified in the Council's arrangements may mitigate their effectiveness in securing continuous improvement during 2016-17. The Auditor General has reached this conclusion because:
- a whilst the Council, in collaboration with its partners, has achieved improvements in some key priority areas it continues to face challenges in improving educational attainment and transforming social services;
  - b the Council does not have sufficient focus on its key strategic corporate functions to have assurance that it is optimising its use of resources; and
  - c weaknesses in governance arrangements and their application are leading to inefficiency, poor accountability and a lack of transparency in decision-making.

## Recommendations

- 10 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- a make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - c conduct a special inspection and publish a report and make recommendations; and
  - d recommend to Ministers of the Welsh Government that they intervene in some way.
- 11 Within our **Corporate Assessment Report 2015**, published in December 2015, the Auditor General made a formal recommendation to the Council which is set out below.

R1 The Council should develop a strategic plan that sets out a clear vision for the future delivery of its services within the financial constraints it faces over the medium term. This plan should consider and set out, with a clear timeframe, how the Council:

- intends to meet its service priorities, and achieve the cost reductions necessary over the medium term;
- will consult and engage with its citizens to inform decision-making in relation to service change proposals;
- will evaluate and decide which business operating models provide the best options for delivering future services, incorporating assessment of the medium and long-term social and community risks of proposed spending cuts;
- will ensure timely and robust scrutiny and other appropriate governance arrangements are put in place to manage and deliver change; and
- post change, will monitor and scrutinise financial and service performance to ensure that cost reductions are being realised and agreed service standards and outcomes are being achieved.

12 As a result of our recommendation, and following consultation with members, Council officers prepared a Recommendation Response Document (the document) which was endorsed by Cabinet on 22 February 2016. This document sets out an action plan based around four themes, namely, vision, financial management, governance and scrutiny, and engagement and risk. The document also sets out the arrangements by which the Council will monitor its progress in addressing the Auditor General's formal recommendation. The document is available on the Council's website.

13 We note also that the new **Improvement Plan 2016/2017** approved by the Council on 12 May 2016 contains five improvement objectives, two of which are focused on transforming the Council namely:

- a **Governance:** We will continue to improve our governance and scrutiny arrangements to enhance the transparency and accountability of decision making; and
- b **New Ways of Working:** We will develop a strategic plan that sets out a clear vision for the future delivery of services within the financial constraints that we face over the medium term.

Both of these improvement objectives are informed by and respond to the Auditor General's formal recommendation, and the priorities and concerns raised in the Council's consultation with the public.

- 14 We will monitor and report further on the Council's progress in addressing the Auditor General's recommendation as part of our improvement assessment work during 2016-17.
- 15 The Auditor General also makes recommendations that may be relevant to the Council in his Local Government National Reports. A list of recommendations contained in those reports issued in 2015-16 can be found in [Appendix 3](#). Lower-priority issues, known as proposals for improvement, are contained in our other reports and may be referred to later on in this report.
- 16 In addition, the CSSIW and the Welsh Language Commissioner included areas for improvement in their inspection reports and letters issued to the Council during 2015-16. These are available at [www.cssiw.org.uk](http://www.cssiw.org.uk) and [www.comisiynyddygybraeg.cymru](http://www.comisiynyddygybraeg.cymru) respectively.
- 17 Estyn issued no inspection reports to the Council during 2015-16.



# Detailed report



# Performance

**Whilst the Council, in collaboration with its partners, has achieved improvements in some key priority areas it continues to face challenges in improving educational attainment and transforming social services**

- 18 A summary of our assessment of the Council's vision and strategic direction, performance, and its performance management arrangements is included here. Further detail is available in the Council's [Corporate Assessment Report 2015](#).
- 19 We concluded that the Council is in the early stages of developing a new corporate strategy and organisational principles and, whilst it has arrangements in place to engage and inform, it has yet to connect with a broad cross section of its citizens. We came to this conclusion because:
  - a the Council recognises the need for fundamental culture change and a radically new strategic approach and has appointed a strategic partner to provide it with the expertise and capacity necessary for the Council to drive forward a transformation agenda which is currently in the earliest stage of development; and
  - b whilst the Council demonstrates a commitment to engage with and inform its citizens about its budget priorities and challenges, its arrangements for doing so have not yet connected with a broad cross section of people.
- 20 We concluded that the Council has achieved improvements in some key priority areas, improved its performance over the previous year, and improved in comparison with other Welsh councils. We came to this conclusion because:
  - a despite the increasing financial pressures, there have been improvements in the Council's priority areas, including waste management, environmental health, safeguarding, social services and education;
  - b the Council has improved its overall performance against the national indicators over the previous year and in comparison with other Welsh Councils, and
  - c the Council is working proactively with strategic partners to deliver improved outcomes for the citizens of Pembrokeshire.
- 21 We concluded that the Council has recognised the need to review its improvement planning and risk management arrangements in order for it to better demonstrate progress on corporate priorities whilst achieving necessary cost reductions. We came to this conclusion because:
  - a the Council is reviewing its improvement planning approach to ensure that its corporate priorities are appropriately resourced and that progress towards their achievement can be measured and demonstrated; and
  - b the Council is strengthening its arrangements for identifying and mitigating business risk.

## Estyn's evaluation of schools performance in Pembrokeshire

- 22 Performance in the Foundation Phase indicator<sup>1</sup> is above average compared to levels in similar authorities and has improved at a faster rate to the national average over the last four years. Performance in the core subject indicator<sup>2</sup> at key stage 2 has improved over the last five years. Despite a slight decline in 2015, performance is close to average compared with levels in similar authorities.
- 23 Performance in the core subject indicator at key stage 3 is around average compared to levels in similar authorities and has improved at a similar rate to the national average. Although performance at key stage 4 in the level 2 including English or Welsh and mathematics<sup>3</sup> has improved in the last two years, the authority has not reached the benchmark for performance set by the Welsh Government since 2012. Performance in the capped points score is equally weak. The local authority is underperforming in all of the core subjects at key stage 4. The proportion of pupils achieving five A\* or A GCSE grades has declined for three successive years. The performance of pupils eligible for free school meals in the main indicators<sup>4</sup> at key stage 4 is below average compared to performance levels of these pupils in similar authorities.
- 24 Primary school attendance has improved and is close to average compared with levels in similar authorities. Secondary school attendance has also improved but at a slower rate, and the authority is below average compared with similar authorities.

## The Council continues to face challenges as it transforms its services and effects change required by the Social Services and Well Being (Wales) Act 2014

- 25 The CSSIW published its [Annual Review and Evaluation of Performance 2014/2015 for Pembrokeshire](#) in October 2015 and this is available on its website. Based upon its work to date, the CSSIW concludes that the Council continues to face challenging times and financial pressures, as it transforms both adult and children's services alongside preparing for the implementation of the Social Services and Well Being (Wales) Act 2014.
- 26 The CSSIW reported that progress has been made on the areas of improvement identified in last year's report and the Council has also identified key priorities in its improvement plan. The remodelling of services for older people continues to be sustained and this has strong political support. The transformation and strengthening of commissioning arrangements are now being expanded to cover children's services, an important step in shaping the market in which the Council operates. Implementation of these arrangements will continue to be monitored during the year.

1 The **Foundation Phase indicator** refers to the percentage of pupils who reach the expected performance (outcome level 5) in three areas of learning in the Foundation Phase: literacy, language and communication in English or Welsh first language; mathematical development; and personal and social development, wellbeing and cultural diversity.

2 The **core subject indicator** refers to the percentage of pupils who attain the level expected of them in mathematics, science and either English or Welsh as a first language. This equates to level 4 or above at key stage 2 and level 5 or above at key stage 3.

3 The **level 2 indicator including English or Welsh and mathematics** represents a volume of learning equivalent to five GCSEs at grade A\* to C including English or Welsh first language and mathematics.

4 Where the text refers to '**main indicators**', at key stage 4 this would include the level 1 indicator (a volume of learning equivalent to five GCSEs at grade A\* to G), the level 2 indicator (a volume of learning equivalent to five GCSEs at grade A\* to C), and the percentage of pupils achieving five GCSEs at grade A\* to A, in addition to the core subject indicator and the level 2 indicator including English or Welsh and mathematics. The 'main indicators' prior to key stage 4 are the Foundation Phase indicator and core subject indicators for key stages 2 and 3. The performance indicators for the Foundation Phase key stages 2 and 3 are based on teacher assessment. The performance indicators for key stage 4 are based on externally verified qualifications such as GCSEs.

- 27 During the past 12 months there has been significant change in senior officers, with a new statutory director of social services appointed. The previous heads of service in both adults and children left in the latter part of the year and interim arrangements were in place until Autumn 2015. A new head of children's services has now been appointed and a new head of adult services took up post in September 2015. During this time of change, the CSSIW reports that the Council must ensure it maintains momentum on service remodelling, in order to bring about the required efficiency savings, as well as continuing to engage its workforce to drive forward transformation.
- 28 The Council has identified two main priorities for social services within its improvement plan. In adult services it is to ensure continuity and change service delivery to improve efficiency and sustainability. In children's services it aims to build the capacity of its services and schools to ensure vulnerable children and young people are safe at home and in education, and reach their full potential. The Council can demonstrate that it is planning for the implementation of the Social Services and Wellbeing (Wales) Act 2014 next year. The CSSIW concludes that it is important that momentum is continued in order to drive through the required service changes and deliver them to the citizens of Pembrokeshire.

### The Council met its improvement planning and reporting duties under the Local Government Measure 2009

- 29 The Council has, as in previous years, met its improvement reporting duties under the Measure and the Auditor General's November 2015 Improvement Assessment Certificate concluded that the Council had discharged its improvement reporting duties under the Measure. In particular:
- a The Council had published an assessment of its performance during 2014-15 in its **Annual Improvement Review 2014-2015** (the Report) before 31 October 2015. The Report evaluated the Council's success in achieving its improvement objectives.
  - b The Report included information for citizens and communities who wanted to provide feedback or make comments on the Report.
  - c The Report assessed the Council's performance in the preceding financial year (2014-15) and set out how the Council had sought to discharge its duties under the Measure.
  - d The Report included details of performance and comparisons as measured by the national statutory performance indicators.
  - e The Report included details of the ways in which the Council had sought to collaborate although there was limited commentary on the outcomes of the collaborations.

- 30 The Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to make arrangements to secure continuous improvement in the exercise of its functions. The Auditor General's June 2015 **Improvement Plan Certificate** concluded that the Council had discharged its improvement planning duties under the Measure.

### Welsh Language Commissioner's evaluation of performance

- 31 The role of the Commissioner was created by the Welsh Language (Wales) Measure 2011. New powers to impose standards on organisations came into force through subordinate legislation on 31 March 2015. The Commissioner will continue to review Welsh-language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 32 The Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.

# Use of resources

## The Council does not have sufficient focus on its key strategic corporate functions to have assurance that it is optimising its use of resources

- 33 A summary of our assessment of the Council's use of resources is included here. Further detail is available in the [Council's Corporate Assessment Report 2015](#).
- 34 We concluded that the Council does not have sufficient focus on its key strategic corporate functions. We came to this conclusion because:
- a there is considerable scope to improve the Council's financial planning, management and decision-making arrangements if they are to continue to serve the Council well in addressing the financial challenges it faces for 2015-16 and beyond;
  - b the Council has a strong property portfolio and recognises the need to develop a more strategic approach to the management of its assets in order to support improvement priorities and achieve value for money, however, progress is too slow;
  - c whilst staff value the arrangements in place for personal performance appraisal and learning and development, the HR function lacks the vision and capacity to fulfil a strategic corporate enabler role, and strategic workforce planning is underdeveloped; and
  - d the Council's use of technology and information management functions provide generally effective support to services, although it is unclear how these enabler services are held to account for their performance by members.
- 35 Subsequent to our Corporate Assessment, we undertook a further assessment of the Council's financial resilience during the period May to October 2015. The scope of this work included the Council's delivery of its 2014-15 savings plans, and its financial planning for the 2015-16 financial year. Our work focused on answering the following question: Is the Council managing budget reductions effectively to ensure financial resilience?
- 36 Overall we concluded that there is considerable scope to improve the Council's financial planning, control and governance arrangements to help the Council address the financial challenges it faces for 2015-16 and beyond. We came to this conclusion because:
- a while the Council's Summary MTFP is broadly fit for purpose in identifying the budget 'gap', the Council has yet to develop a long-term vision and strategy to support the radical changes in service delivery necessary to reflect anticipated reductions in local government finances;

- b policies relating to financial management are well developed but there is scope to improve financial reporting; and
  - c whilst reporting to members has improved in 2015-16 further work is required, particularly around variance analysis and the actions required to address variances.
- 37 We reported the findings of our Financial Resilience Assessment to the Council in May 2016. The Council has accepted our findings and confirmed that it is working to address the issues identified.

### Audit of Pembrokeshire County Council's accounts

- 38 On 17 December 2015, the Auditor General issued an Annual Audit Letter to the Council. The letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice. The Auditor General issued an unqualified opinion on the Council's accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. The Annual Audit Letter can be found in [Appendix 2](#) of this report.

# Governance

## Weaknesses in governance arrangements and their application are leading to inefficiency, poor accountability and a lack of transparency in decision-making

- 39 A summary of our assessment of the Council's governance arrangements is included here. For more detail, please refer to the Council's [Corporate Assessment Report 2015](#).
- 40 We concluded that weaknesses in the Council's governance arrangements and their application are leading to inefficiency, poor accountability and a lack of transparency in decision-making. We came to this conclusion because:
- a a lack of understanding of roles and responsibilities weakens governance and accountability;
  - b decision-making is not consistently transparent; and
  - c the Council lacks effective arrangements to identify and address weaknesses in governance.

## The Council is embedding arrangements for responding to reports and recommendations from external regulators

- 41 The Council has formalised its arrangements for responding to recommendations contained within internal and external reports including reports produced by the Auditor General. Internal Audit are sent copies of the reports, usually referred from CMT, who then determine a responsible officer and appropriate timescale for action against each recommendation. This information is recorded on the Council's Internal Audit and Business Risk Management system, MKI. The system generates reminders and the responsible officer is expected to provide a progress update, which is then reviewed by the Internal Audit team to establish if the recommendation can be closed down. If updates on progress and/or the recommendation is not addressed within the expected timescale it is followed up under a Recommendation Monitoring and Escalation Protocol.
- 42 The Internal Control Group has requested that a report be sent to CMT on a quarterly basis to identify all reports received during the period and any areas where there are problems addressing recommendations. The Audit Committee also receives copies of external assurance provider reports for consideration.
- 43 This systematic approach helps to provide the Council with assurance that it has noted and addressed regulatory report findings and recommendations, and a mechanism to track and report progress against any outstanding recommendations.
- 44 Since the Council's last AIR was published, a further five national reports with recommendations that may be relevant to the Council has been published. A list of recommendations contained in reports issued during 2015-16 is included in [Appendix 3](#).



# Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority’s likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority’s track record of improvement. The Auditor General will summarise his audit and assessment work in a published annual improvement report for each authority (under section 24).

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

# Appendix 2 – Annual Audit Letter

Cllr Jamie Adams  
Leader  
Pembrokeshire County Council  
County Hall  
Haverfordwest  
SA61 1TP

Dear Cllr Adams

## **Annual Audit Letter – Pembrokeshire County Council 2014-15**

This letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice. This letter concludes the 2013-14 and 2014-15 audit of the financial statements.

### **The Council complied with its responsibilities relating to financial reporting and use of resources although there remains scope for improvement in some areas**

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 29 September 2015, I issued an unqualified audit opinion with two emphasis of matter paragraphs confirming that the accounting statements present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. I issued a certificate confirming that the audit of the accounts had been completed on the same date.

The first emphasis of matter related to the 2013-14 comparative information included in the Council's 2014-15 financial statements. The emphasis of matter arose as there was a difference of opinion between the Council and us about a decision the Council made relating to employers' pension contributions, which, in our view, resulted in unlawful expenditure being included in the 2013-14 financial statements.

The second emphasis of matter related to the current accounting arrangements for the Cleddau Bridge and the work that is to be carried out to clarify the future financial management arrangements of the Bridge.

The key matters arising from the 2014-15 accounts audit were reported to members of the Corporate Governance Committee in my Audit of Financial Statements report on 28 September 2015. We reported that our work had identified some significant weaknesses in the Council's approach to asset valuations. Our testing identified a number of errors in the way assets were valued and this resulted in a £25 million reduction in the value of assets. We will work with officers to address this for 2015-16.

I issued a similar audit opinion on the 2013-14 financial statements on 17 July 2015, along with the certificate confirming that the audit of the 2013-14 accounts was complete.

**I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources although areas for improvement have been identified**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts, as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009.

My Annual Improvement Report published in July 2015 concluded that the Council had delivered improvement in its priority areas during 2014-15 but it had been distracted by governance challenges which, if unaddressed, had the potential to limit the Council's ability to secure improvement in the coming year.

We have undertaken a detailed Corporate Assessment on the Council's arrangements during 2015 and this was published on 8 December 2015.

Our work on the Council's financial planning arrangements was published in December 2014 and concluded that the Council has generally robust financial management arrangements that had served it well, and is developing a longer-term strategic view although members were not sufficiently involved in the planning and monitoring of savings plans. We are undertaking follow-up work on financial resilience, the outcome of which will be published shortly.

Looking forward, the recent Welsh Government budget settlement, together with a range of other cost pressures, will mean that all local government bodies in Wales will face extremely challenging financial positions. The Medium Term Financial Plan approved by Council in March 2015 for the period 2015-16 to 2017-18 established challenging efficiency savings totalling some £36.7 million. The Council will need to continue to develop its financial planning and monitoring arrangements to be in a position to effectively respond to this challenge.

**My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems**

I have discussed improvements that could be made to the grants management and production process with officers on completion of our 2013-14 programme of work. The most significant issue related to improving the arrangements in place to confirm the accuracy and appropriateness of expenditure incurred by third parties. My audit of the 2014-15 grants has now begun and I will report the outcomes of this work in early 2016 once this year's programme of certification work is complete.

The proposed financial audit fee for 2014-15 was £174,964. We anticipate that the final financial audit fee will be some £209,000 as a result of our additional work on the former CEO's severance package (£24,000), the query relating to the Audit Committee vice chair (£4,000) and the additional testing on asset valuations (£6,000).

Yours sincerely

**Richard Harries**

For and on behalf of the Auditor General for Wales

cc. Ian Westley, Chief Executive  
Jon Haswell, Director of Finance

# Appendix 3 – National report recommendations 2015-16

Date of report	Title of review	Recommendation
April 2015	<p><b>The Financial resilience of Councils in Wales</b></p>	<p>R1 Councils should ensure that their corporate plan:</p> <ul style="list-style-type: none"> <li>• is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure;</li> <li>• maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and</li> <li>• should clearly articulate the desired role of the council in five years - the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances.</li> </ul> <p>R2 The medium term financial plan should identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.</p> <p>R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.</p> <p>R4 Councils should review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.</p> <p>R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.</p> <p>R6 Councils should develop corporate wide policies on income generation with a view to increasing revenue streams and relieving financial pressures.</p> <p>R7 Councils should:</p> <ul style="list-style-type: none"> <li>• strengthen budget setting and monitoring arrangements to ensure financial resilience; and</li> <li>• review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.</li> </ul>

Date of report	Title of review	Recommendation
April 2015	<p>The Financial resilience of Councils in Wales</p>	<p>R8 Councils must review their finance teams and ensure that they have sufficient capacity and capability to meet future demands.</p> <p>R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.</p>
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view.</p>	<p>R1 To clarify the nature and operation of consortia. We found there to be continuing uncertainty about some aspects of the nature of regional consortia and their present and future scope (paragraphs 2.2 to 2.20). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• Local authorities should clarify whether consortia services are jointly provided or are commissioned services (services provided under joint-committee arrangements are jointly provided services and are not commissioned services).</li> </ul> <p>R2 To focus on outcomes through medium-term planning. We found that the development of effective regional consortia was hindered by a focus on short-term actions and uncertainty about the future of consortia (paragraphs 2.33 to 2.36; 3.16 to 3.17). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• As any possible local authority re-organisation will not be fully implemented until 2020, the Welsh Government and regional consortia should develop three-year plans for the further development, scope, and funding of regional consortia linked to appropriate strategic objectives.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view.</p>	<p>R3 To develop more collaborative relationships for the school improvement system. The development of the National Model for Regional Working involved many school improvement partners but we found that this had not led to the development of sufficiently collaborative relationships (paragraphs 2.25 to 2.32). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• Regional consortia should develop improved arrangements for sharing practice and supporting efficiency (for example, one consortium could take the lead on tackling an issue or have functional responsibility for the development of a policy).</li> <li>• The Welsh Government, local authorities and regional consortia should recognise the interdependency of all partners fulfilling their school improvement roles and agree an approach to: <ul style="list-style-type: none"> <li>– information sharing and consultation about developments related to school improvement;</li> <li>– developing collaborative relationships of shared accountability; and</li> <li>– undertaking system wide reviews, and an alignment of the understanding and position of regional consortia across all Welsh Government relevant strategies.</li> </ul> </li> </ul> <p>R4 To build effective leadership and attract top talent. Regional consortia, local authorities and the Welsh Government have all found difficulties in recruiting to senior leadership for education and we found there had been limited action to address this (paragraphs 2.37 to 2.40). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• the Welsh Government and local authorities should collaborate to improve the attractiveness of education leadership roles to attract the most talented leaders for the school improvement system; and</li> <li>• local authorities should collaborate to support the professional development of senior leaders and to ensure appropriate performance management arrangements are in place for senior leaders.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view.</p>	<p>R5 To improve the effectiveness of governance and management of regional consortia. Whilst continuing progress is being made, we found that regional consortia have not yet developed fully effective governance and financial management arrangements (paragraphs 3.2 to 3.36). We therefore recommend that local authorities and their regional consortia should:</p> <ul style="list-style-type: none"> <li>• improve their use of self-evaluation of their performance and governance arrangements and use this to support business planning and their annual reviews of governance to inform their annual governance statements;</li> <li>• improve performance management including better business planning, use of clear and measurable performance measures, and the assessment of value for money;</li> <li>• make strategic risk management an integral part of their management arrangements and report regularly at joint committee or board level;</li> <li>• develop their financial management arrangements to ensure that budgeting, financial monitoring and reporting cover all relevant income and expenditure, including grants funding spent through local authorities;</li> <li>• develop joint scrutiny arrangements of the overall consortia as well as scrutiny of performance by individual authorities, which may involve establishment of a joint scrutiny committee or co-ordinated work by local authority scrutiny committees;</li> <li>• ensure the openness and transparency of consortia decision making and arrangements;</li> <li>• recognise and address any potential conflicts of interest; and where staff have more than one employer, regional consortia should ensure lines of accountability are clear and all staff are aware of the roles undertaken; and</li> <li>• develop robust communications strategies for engagement with all key stakeholders.</li> </ul>



Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R1 Improve corporate leadership and comply with Welsh Government policy on safeguarding through:</p> <ul style="list-style-type: none"> <li>• the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements;</li> <li>• the appointment of a lead member for safeguarding; and</li> <li>• regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Ensure there is a corporate-wide policy on safeguarding covering all Council services to provide a clear strategic direction and clear lines of accountability across the Council.</p> <p>R3 Strengthen safe recruitment of staff and volunteers by:</p> <ul style="list-style-type: none"> <li>• ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children;</li> <li>• creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and</li> <li>• requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the Council which are underpinned by a contract or service level agreement.</li> </ul> <p>R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:</p> <ul style="list-style-type: none"> <li>• ensuring safeguarding training is mandated and coverage extended to all relevant Council service areas, and is included as standard on induction programmes;</li> <li>• creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all Council departments, elected members, schools, governors and volunteers; and</li> <li>• requiring relevant staff in partner organisations who are commissioned to work for the Council in delivering services to children and young people to undertake safeguarding training.</li> </ul>

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R5 In revising guidance, the Welsh Government should clarify its expectations of local authorities regarding the roles and responsibilities of the designated officer within education services, and the named person at senior management level responsible for promoting the safeguarding.</p> <p>R6 Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and Council-wide set of performance information covering:</p> <ul style="list-style-type: none"> <li>• benchmarking and comparisons with others;</li> <li>• conclusions of internal and external audit/ inspection reviews;</li> <li>• service-based performance data;</li> <li>• key personnel data such as safeguarding training, and DBS recruitment checks; and</li> <li>• the performance of contractors and commissioned services on compliance with Council safeguarding responsibilities.</li> </ul> <p>R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the Council's safeguarding practices.</p> <p>R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the Council.</p>

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R1 Improve governance, accountability and corporate leadership on older people's issues through:</p> <ul style="list-style-type: none"> <li>• the appointment of a senior lead officer who is accountable for coordinating and leading the Council's work on older people's services;</li> <li>• realigning the work of the older people's strategy coordinators to support development and delivery of plans for services that contribute to the independence of older people;</li> <li>• the appointment of a member champion for older people's services; and</li> <li>• regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Improve strategic planning and better coordinate activity for services to older people by:</p> <ul style="list-style-type: none"> <li>• ensuring comprehensive action plans are in place that cover the work of all relevant council departments and the work of external stakeholders outside of health and social care; and</li> <li>• engaging with residents and partners in the development of plans, and in developing and agreeing priorities.</li> </ul> <p>R3 Improve engagement with, and dissemination of, information to older people by ensuring advice and information services are appropriately configured and meet the needs of the recipients.</p> <p>R4 Ensure effective management of performance for the range of services that support older people to live independently by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures to enable Members, officers and the public to judge progress in delivering actions for all council services;</li> <li>• ensuring performance information covers the work of all relevant agencies and especially those outside of health and social services; and</li> <li>• establishing measures to judge inputs, outputs and impact to be able to understand the effect of budget cuts and support oversight and scrutiny.</li> </ul>

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R5 Ensure compliance with the Public Sector Equality Duty when undertaking equality impact assessments by:</p> <ul style="list-style-type: none"> <li>• setting out how changes to services or cuts in budgets will affect groups with protected characteristics;</li> <li>• quantifying the potential impact and the mitigation actions that will be delivered to reduce the potentially negative effect on groups with protected characteristics;</li> <li>• indicating the potential numbers who would be affected by the proposed changes or new policy by identifying the impact on those with protected characteristics; and</li> <li>• ensuring supporting activity such as surveys, focus groups and information campaigns includes sufficient information to enable service users to clearly understand the impact of proposed changes on them.</li> </ul> <p>R6 Improve the management and impact of the Intermediate Care Fund by:</p> <ul style="list-style-type: none"> <li>• setting a performance baseline at the start of projects to be able to judge the impact of these overtime;</li> <li>• agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding; and</li> <li>• improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R1 Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none"> <li>• setting an agreed council vision for leisure services;</li> <li>• agreeing priorities for leisure services;</li> <li>• focusing on the Council's position within the wider community sport and leisure provision within the area; and</li> <li>• considering the potential to deliver services on a regional basis.</li> </ul> <p>R2 Undertake an options appraisal to identify the most appropriate delivery model based on the Council's agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none"> <li>• the availability of capital and revenue financing in the next three-to-five years;</li> <li>• options to improve the commercial focus of leisure services;</li> <li>• opportunities to improve income generation and reduce council 'subsidy';</li> <li>• a cost-benefit analysis of all the options available to deliver leisure services in the future;</li> <li>• the contribution of leisure services to the Council's wider public health role;</li> <li>• better engagement with the public to ensure the views and needs of users and potential users are clearly identified;</li> <li>• the impact of different options on groups with protected characteristics under the public sector equality duty; and</li> <li>• the sustainability of service provision in the future.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R3 Ensure effective management of performance of leisure services by establishing a suite of measures to allow officers, Members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility specific performance and include:</p> <ul style="list-style-type: none"> <li>• capital and revenue expenditure;</li> <li>• income;</li> <li>• council 'subsidy';</li> <li>• quality of facilities and the service provided;</li> <li>• customer satisfaction;</li> <li>• success of 'new commercial' initiatives;</li> <li>• usage data – numbers using services/facilities, time of usage, etc; and</li> <li>• impact of leisure in addressing public health priorities.</li> </ul> <p>R4 Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none"> <li>• regularly reporting performance to scrutiny committee(s);</li> <li>• providing elected Members with comprehensive information to facilitate robust decision-making;</li> <li>• benchmarking and comparing performance with others; and</li> <li>• using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.</li> </ul>



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