

Annual Audit Letter  
**Carmarthenshire  
County Council**

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## Introduction

The Welsh Assembly Government's strategy for Wales outlines a distinctive policy agenda for public service reform. To reflect this, new organisational arrangements came into being for your auditors and inspectors from 1 November 2002. At that date, District Audit and the Best Value Inspectorate merged with other parts of the Audit Commission to become the Audit Commission in Wales (ACiW). This now has responsibility for relevant audit, inspection and national studies work within Wales. One outcome of this was the appointment of a Relationship Manager to act as a key link between all regulators and the Council to help maximise the benefit and reduce the burden of regulation on local authorities.

The Welsh Assembly Government's overall strategy for Wales also continues to have significant implications for local authorities. Over the last year, the Council has been responsible for implementing the Wales Programme for Improvement (WPI) which involved:

- undertaking a Whole Authority Analysis (WAA) and risk assessment;
- ensuring it had appropriate performance management and internal control systems in place to inform this work;
- preparing an Improvement Plan;
- developing action plans to ensure continuous improvement in the way the Council's functions are exercised.

Members and officers approached these challenges in the spirit intended and as a result, the outcome of the WAA was an honest assessment of where the Council is performing well and where it needs to improve. These findings have been fully accepted and actions have been identified to move the Council forward.

The challenge now is for all members and officers to ensure that these actions are implemented and that the Council secures improvements in the public services it provides.

The key messages highlighted in this Letter follow, and are for members' attention.

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## KEY MESSAGES FOR MEMBERS

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### Accounts

The accounts closure process was found to have improved this year with revised monitoring arrangements being introduced so that potential problems could be identified and addressed quickly. Based on the results of our interim audit work, the core financial processes provide a sound basis for the preparation of the financial statements. Officers produced draft financial statements in line with the statutory deadline. We anticipate issuing the opinion before the end of December 2003.

### Dyfed Pension Fund

The poor performance of stock markets continues to impact on the financial health of the Pension Fund, as it does on other pension funds in both the private and public sector. However, steps have been taken by fund managers to help manage the situation and keep all members of the Fund informed.

### Financial aspects of corporate governance

#### Financial standing

The overall financial position of the Council continues to be sound. Funds and reserves are at a level that will assist the Council to avoid financial difficulties arising from unforeseen events. The Council's review of reserves in 2002/2003 identified that many of the balances would be fully utilised in the current year. A further review of the remaining earmarked reserves needs to be undertaken this year to confirm their continuing appropriateness, classification and levels. Whilst there are service pressures within some directorates, overall spending in the current year is within budget and the housing revenue account working balance has been increased to a more prudent level. Although the overall level of arrears is falling, arrears could be reduced further if recovery procedures were reviewed and strengthened to ensure robust timely action is taken to pursue outstanding sums.

#### Legality

Generally, the arrangements to ensure the legality of transactions are in place. However, the procedures for calculating and granting discounts in respect of right to buy council house sales need to be strengthened to ensure discounts applied are not overstated. Where incorrect discounts have been applied, steps must be taken to recover the amounts due.

## Systems of internal financial control

Internal Audit has met CIPFA's Internal Audit standards, although some further improvements could be made. Significant progress has been made to identify all the relevant costs for supporting people by the Welsh Assembly Government deadline, but the Council now needs to further develop its links with its NHS partners. A central contracts register needs to be introduced to improve the management and monitoring of contracts. The management and supervision of grant claims needs to be improved to minimise the risk of grant clawback and the corresponding impact on Carmarthenshire's capital programmes.

## Standards of financial conduct and prevention and detection of fraud and corruption

The Council continues to build on its policies and processes for maintaining standards of financial conduct and its arrangements for preventing and detecting fraud and corruption. However, there is still a relatively low awareness of these policies and procedures by staff which needs to be addressed.

## Use of resources

### Improvement

The WAA and risk assessment undertaken by the Council was found to be honest and robust and identified the Council's key strengths and areas of weakness which have been set out in the Improvement Plan and supported by action plans to address the weaknesses identified. The Council needs to develop underpinning detailed action plans to ensure all risk areas identified are addressed and that officers have the necessary skills, capacity and capabilities to deliver the actions identified.

The Council's 2003/2004 Improvement Plan was compliant with statutory guidance and published by the statutory date.

The accuracy of performance information had improved this year for both performance indicators (PIs) and targets, although work is still needed to improve the quality of local PIs and targets included in the Improvement Plan.

Three Audit Commission inspections were undertaken during the year, with two services being evaluated as having promising prospects for improvement and one excellent prospects; improvement plans have been developed for all three services which now need to be taken forward.

### Performance

The Council continues to make progress in developing its arrangements to meet the changes in the funding regime for post 16 education. Once guidance is received from ELWa, the Local Education Authority (LEA) will need to ensure that these arrangements are implemented effectively.

## The purpose of this Letter

This Annual Audit Letter summarises for members the more important matters arising from our audit for 2002/2003 and comments on other current issues, including the work completed on the audit of the Council’s 2003/2004 WAA and Improvement Plan. For completeness and to reflect the new ACiW role, we have also included matters raised in inspection reports issued in 2002/2003. Detailed reports have either been produced during the year or are currently being drafted on specific aspects of our work. For information, the reports we have issued are listed at the end of this Letter.

The Audit Commission has circulated to all audited bodies a statement, which summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

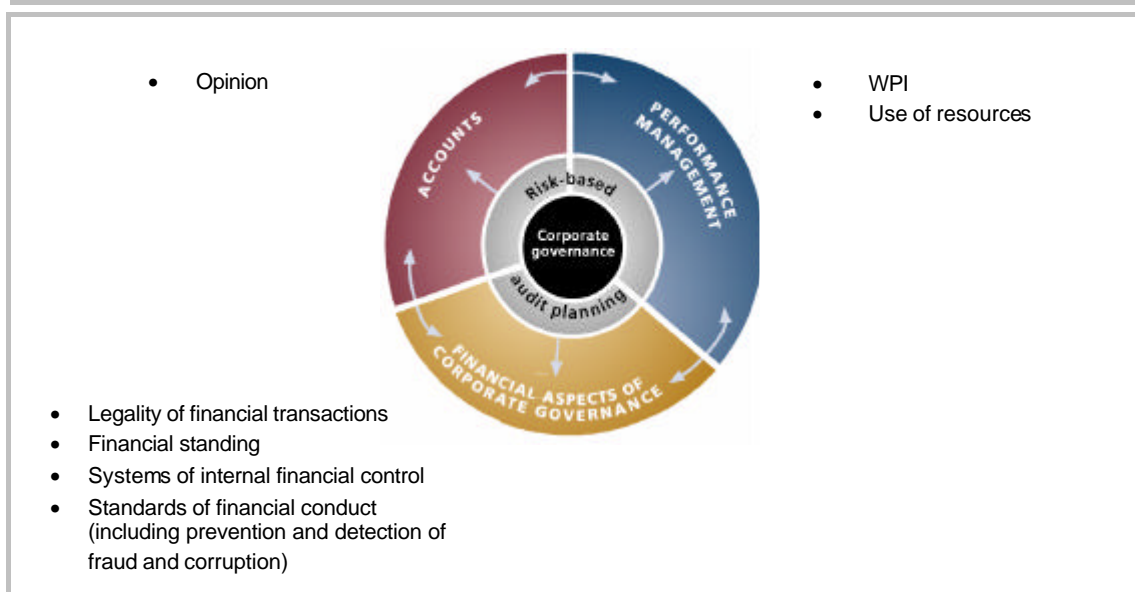
The Annual Audit Letter is an important means by which the public might learn about the Council’s stewardship of public funds. The Council is required to:

- publish the Annual Audit Letter as soon as reasonably practicable following its receipt;
- keep copies of the Letter available for purchase by any person on payment of a reasonable sum.

## Audit objectives

The audit has addressed the requirements of the Code of Audit Practice (the Code) by adopting a risk based approach to planning. This ensures that our audit work has been focused on the significant financial and operational risks, relevant to our audit responsibilities, that the Council faces. Central to the audit are the corporate governance arrangements at the Council. The audit is then structured around the three key elements of our responsibilities, as shown in Exhibit 1.

**EXHIBIT 1: THE THREE MAIN ELEMENTS OF OUR AUDIT OBJECTIVES**



During the audit, we have also worked with the Council to maximise the benefits of an integrated audit approach. We have reviewed your arrangements for dealing with risks and undertaken more detailed work in identified areas of higher risk.

## **Audit fee**

Our agreed audit fee for the year is £202,826. This is allocated to our Code of Practice areas as follows:

- accounts £41,037 (20%);
- financial aspects of corporate governance £50,503 (25%);
- performance/WPI £111,286 (55%).

Although some audit work has yet to be completed, our fee will be as agreed with the Council during June 2003.

## Accounts

*The accounts closure process was found to have improved this year with revised monitoring arrangements being introduced so that potential problems could be identified and addressed quickly. Based on the results of our interim audit work, the core financial processes provide a sound basis for the preparation of the financial statements. Officers produced draft financial statements in line with the statutory deadline. We anticipate issuing the opinion before the end of December 2003.*

### Core process review

Our review of the core financial processes enables us to determine whether the procedures which you have in place are likely to ensure that:

- entries in the main accounting system are materially correct;
- the budgetary and other high level controls which you have established will detect any material errors which do arise;
- the closing procedures ensure that information in the main accounting system is completely and accurately transferred to the financial statements.

The results of our interim audit work indicate that there has been a general improvement in controls and that the core financial processes should provide a sound basis for the preparation of the financial statements. We have identified some areas where further improvements can be made and these have been reported to officers and actions agreed.

### Financial statements and reporting

The process for closing the accounts has improved this year, with closer monitoring arrangements being implemented to enable potential problems to be identified and addressed quickly. The Audit Committee approved the Council's financial statements and the Dyfed Pension Fund accounts on 17 September 2003 in accordance with statutory requirements. We are currently concluding our audit of the Council's and Pension Fund's Statements of Accounts and anticipate issuing opinions by 31 December 2003.

### SAS 610 - Reporting to those charged with governance

The Statement of Auditing Standards (SAS) 610 'Reporting to those charged with governance' applies to the audit of the Council's accounts. The SAS requires auditors to report to those charged with governance (as distinct from management) the following matters for the first time in 2002/2003 before they give an opinion on the financial statements:

- expected modifications to the auditor's report;
- unadjusted mis-statements;
- material weaknesses in the accounting and internal control systems identified during the audit;
- their views about the qualitative aspects of the entity's accounting practices and financial reporting;

- matters specifically required by other auditing standards to be communicated to those charged with governance;
- any other relevant matters relating to the audit.

To comply with this requirement, we have agreed that we will report to the Audit Committee that meets on 18 December any issues identified during our audit in respect of the above matters. The Audit Committee has been given delegated authority by the Council to deal with all governance issues.

## Dyfed Pension Fund

*The poor performance of stock markets continues to impact on the financial health of the Pension Fund, as it does on other pension funds in both the private and public sector. However, steps have been taken by fund managers to help manage the situation and keep all members of the Fund informed.*

### Financial health

Last year we reported that although the Dyfed Pension Fund had been the only fund in surplus in Wales at 31 March 2002, poor stock market performance had reduced the total assets of the Fund by some £88 million at December 2002. World events have continued to have a significant effect on the value of the stock market. The poor performance of the market has continued to impact upon the financial health of pension funds both in the private and public sector. Along with other pension funds, the Dyfed Pension Fund is now in deficit, that is, its liabilities exceed its assets by some £126.2 million (excluding authorities that don't make FRS 17 disclosures), Carmarthenshire's share of this deficit is some £68.2 million.

### Management action

To ensure that all members of the Fund are aware of the situation and to help plan future policy in relation to the Pension Fund, the following actions have been undertaken:

- a report was presented to the Pension Fund Panel in September 2003 outlining projected 2004 investment valuations based on various economic scenarios which have been shared with member bodies;
- increased contributions have been included in the forward planning process;
- discussions are ongoing with the actuary regarding assumptions made in forward planning, particularly in regards to the likely recovery of money markets in the longer term.

### Final accounts

Work on the final accounts of the Pension Fund is nearing completion. We anticipate issuing the opinion with that of the Council's full financial statements before the end of December.

## Financial aspects of corporate governance

### Financial standing

*The overall financial position of the Council continues to be sound. Funds and reserves are at a level that will assist the Council to avoid financial difficulties arising from unforeseen events. The Council's review of reserves in 2002/2003 identified that many of the balances would be fully utilised in the current year. A further review of the remaining earmarked reserves needs to be undertaken this year to confirm their continuing appropriateness, classification and levels. Whilst there are service pressures within some directorates, overall spending in the current year is within budget and the housing revenue account working balance has been increased to a more prudent level. Although the overall level of arrears is falling, arrears could be reduced further if recovery procedures were reviewed and strengthened to ensure robust timely action is taken to pursue outstanding sums.*

### Funds and reserves

The cumulative balance on the County Fund at 31 March 2003 was £7.7 million, an increase of £0.4 million in the year.

The Council's balance sheet identifies total cash backed reserves and balances as follows:

#### EXHIBIT 2: BALANCES AND RESERVES

*Funds and reserves increased by £4.1 million.*

	2000/2001 £ million	2001/2002 £ million	2002/2003 £ million
County Fund (as above)	7.6	7.3	7.7
School reserves	5.1	5.9	5.8
Housing revenue account	3.0	0.6	1.4
Specific reserves	13.6	19.4	22.4
<b>Total</b>	<b>29.3</b>	<b>33.2</b>	<b>37.3</b>

*Source: Carmarthenshire County Council financial statements. Figures for 2002/2003 are subject to audit.*

Whilst the school reserves are earmarked for their use only, the balances available for use by the Council amounts to £31.5 million, 9.5% of the gross cost of services (8.9% in 2001/2002).

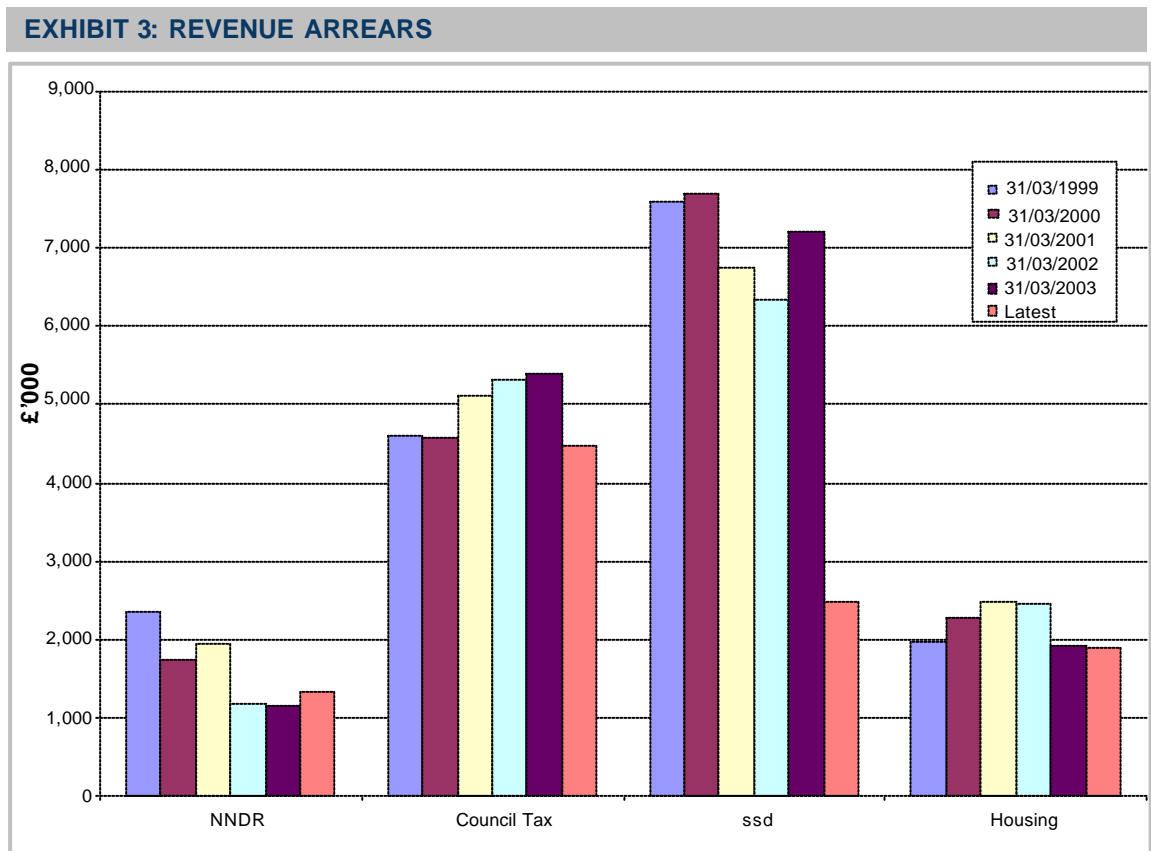
We reported last year that existing reserves should be reviewed to ensure that they were still needed for earmarked activities. This exercise was undertaken and findings reported to the Executive Board on 14 July 2003. Commitments were set against some of the balances and in many cases it was reported that the reserves would be fully utilised in 2003/2004. Whilst recognising that the level of reserves provides significant investment income and assurances that the financial position is sound, consideration should be given to reviewing the situation again in the current year to assess whether actions identified in the 2002/2003 report have been implemented. The overall level of balances should then be considered during the budget setting process.

**Current year budget and actual**

The net revenue budget for 2003/2004 is some £225.8 million. The most recent budget monitoring report to the Board disclosed expenditure to date of some £94 million which was in line with the profiled budget. At that time, an underspend for the year of some £167,000 was forecast. There are, however, reported budget pressures within Social Care and Housing and Technical Services which will need to be monitored closely over the remainder of the year.

**Revenue arrears**

Exhibit 3 sets out the position in respect of revenue arrears over the last five years, including the latest position at end October 2003.



Source: Carmarthenshire County Council financial statements. Figures for 2002/2003 and latest are subject to audit.

Housing arrears fell significantly in 2002/2003 to £1.9 million (a reduction of 25% year on year) and have continued to reduce in 2003/2004. NDR collection rates continue to be in the top 25% of Welsh authorities, with arrears falling by 4% year on year. The level of council tax arrears increased slightly in 2002/2003, but this is now being addressed, with arrears having reduced by some £900,000 (17%) by October 2003. Sundry debtor arrears increased by some £876,000 (14%) in 2002/2003, however, this has reduced by some £4.7 million (65%) at the end of October 2003.

Although overall levels of arrears are falling, audit work identified that the procedures in respect of the recovery of all types of arrears needed to be reviewed and strengthened as in a number of cases there was a lack of robust timely actions to pursue outstanding debts. The introduction of more robust systems would further improve arrears recovery rates.

### Housing revenue account

We reported last year that the housing revenue account working balance had fallen to £0.66 million (£63 per property) and that steps needed to be taken to return the balance to a more prudent level. At the end of 2002/2003, this had been achieved with the housing revenue account balance increasing to some £1.4 million (£143 per property). The prime reason for this performance was the impact of increased subsidy received in respect of repair and management costs. The Council has budgeted to increase the balance further to some £2.3 million at the end of 2003/2004.

### Legality of financial transactions

*Generally, the arrangements to ensure the legality of transactions are in place. However, the procedures for calculating and granting discounts in respect of right to buy council house sales need to be strengthened to ensure discounts applied are not overstated. Where incorrect discounts have been applied, steps must be taken to recover the amounts due.*

### Council house sales

Every year we undertake an overview of the Council's arrangements for ensuring the legality of transactions with financial consequences. Our testing of council house sales for 2002/2003 identified that 6 of the 20 cases tested had been allowed a discount over and above the maximum allowable of £24,000, resulting in £16,575 discount being granted in error. The Council must ensure that this money is recovered and that procedures for calculating and granting discounts are strengthened.

### Public sector modernisation

The Government's public sector modernisation drive includes three interlocking agendas:

- open government;
- joined up government;
- the move to e-Government.

The key component is information, to be shared between authorities to improve services, and to be made available to the citizen, preferably by easily accessible methods.

There are concerns about the management and quality of information and records within public services, following widely publicised failures in social services departments, the Criminal Records Bureau and the NHS.

The Government's Performance and Innovation paper - 'Privacy and Data Sharing', addresses the issues of management arrangements in relation to corporate data, data quality, security and data sharing between public bodies.

The effect of this is to draw together records and information management, freedom of information, data protection and elements of e-Government planning within a corporate framework.

As part of our audit, this year, we have:

- reviewed the Council's progress with the information management agenda and the Freedom of Information Act 2000;
- undertaken a baseline review designed to assess the quality of measures in place to ensure compliance with Caldicott Standards into Social Care;
- undertaken phase 2 of e-Government progress monitoring.

### **Freedom of Information Act**

Of the 14 authorities reviewed to date, Carmarthenshire is in the top three in terms of progress against the requirements of the Act and has met its first target of producing a comprehensive publication scheme.

This is to the credit of the officers involved in the working group. It is now important that this progress continues and appropriate resources made available or maintained to ensure compliance with the Freedom of Information requirements by 1 January 2005.

### **Review of Caldicott standards in Social Services**

The Caldicott Committee published its report in December 1997, which identified 6 principles and made 16 recommendations aimed at improving the way the NHS handles and protects patient information. Although the arrangements will be different in Wales, it has been recognised that these principles and recommendations are essential to effective information sharing with NHS organisations and the Welsh Assembly Government has produced an 18 point Caldicott audit matrix.

During the year, we undertook a baseline review to assess the measures that are in place to ensure compliance with the Welsh Assembly Government's Matrix. Our audit indicated that some good work had been undertaken to reinforce awareness of confidentiality and information security within Social Services. However, the current position is:

- full compliance in 1 of the 18 points (staff code of conduct);
- partial compliance in 8 out of 18;
- 9 items still to be addressed.

Of these 9 outstanding items, the Council should focus on mapping information flows of the service user data and reviewing protocols and contracts with other organisations. We have reported our findings to officers and actions have been agreed.

## e-Government phase 2

The purpose of this review was to assess the Council's progress towards achieving a satisfactory level of electronic service delivery within a specific service area. The area chosen for review was Finance - revenues and benefits via e-enabled services.

The project was found to have successfully enabled payments via card payments; electronic banking and telephone payments. Take up of the service was found to be good. The Council has also introduced an interactive information council tax website (as part of the corporate site) and plans further enhancements in terms of business rates, and benefits online.

## Systems of internal financial control

*Internal Audit has met CIPFA's Internal Audit standards, although some further improvements could be made. Significant progress has been made to identify all the relevant costs for supporting people by the Welsh Assembly Government deadline, but the Council now needs to further develop its links with its NHS partners. A central contracts register needs to be introduced to improve the management and monitoring of contracts. The management and supervision of grant claims needs to be improved to minimise the risk of grant clawback and the corresponding impact on Carmarthenshire's capital programmes.*

## Overall arrangements

Overall arrangements for the systems of internal financial control were tested, with detailed work being undertaken on:

- Internal Audit;
- review of 'supporting people' arrangements;
- contracts;
- grant claims.

## Annual assessment of Internal Audit

Internal Audit represents a key part of the Council's arrangements for ensuring sound financial control, and as part of our responsibility under the Code of Audit Practice, we assess annually whether Internal Audit meets the standards set out in CIPFA's Code of Practice for Internal Audit in Local Government.

Our main conclusion is that we are satisfied that Internal Audit has met the standards specified in the CIPFA Code of Practice. However, our review identified some issues where further improvements could be made and these have been discussed and agreed with officers.

## Review of supporting people arrangements

In last year's Letter, we highlighted the need for the Council to identify all relevant costs in connection with the supporting people initiative to ensure that the take up of transitional housing benefit was maximised by the April 2003 deadline. This was crucial, as this information was being used by the Government to 'size the pot' of money to be allocated to local authorities in the future. Exhibit 4 outlines progress made since our last Letter.

**EXHIBIT 4**

	Total claimed - position in December 2002 £	Total claimed - position by March 2003 £
Supporting people grant (SPG)	350,000	1,600,000
Supporting people revenue grant (SPRG)	1,500,000	2,600,000

This represents more than a fourfold increase in SPG claims and a substantial increase in SPRG claims in four months. The Council has also put in place rigorous assessment procedures to ensure that there is the minimum risk of claims being rejected.

Carmarthenshire was found to have adequate partnership relationships with the local NHS trusts, but needs to develop its relationship with the newly formed Local Health Board. There were no schemes developed, expressly or jointly with NHS partners which is an area that needs to be developed.

**Contracts**

During the year, we reviewed a number of capital and revenue contracts to ensure compliance with financial regulations, standing orders etc. At present, the Council does not have a central contracts register in place to facilitate monitoring of contract payments. Had such a system been in place, a duplicate payment of £50,747 identified during the audit (which has now been reclaimed) would have been highlighted and resolved before the payment was made. Such a system would provide regular independent monitoring of actual expenditure against the contract sum. The need for a central register was also identified during the recent corporate procurement review and is being taken forward as part of that action plan.

**Grant claims**

In 2002/2003, 25% of the Council's revenue expenditure (excluding RSG) and 52% of its capital expenditure was financed by grant. The level of grant funding is likely to increase in future years as the Council undertakes its ambitious regeneration programme. In 2001/2002, we had to amend 52% and report on 31% of the grant claims we certified. We also experienced significant difficulties in the co-ordination of grant claims, with 56% being submitted for certification after the pre-determined deadlines. Such a delay may affect grant eligibility.

We also had difficulties with the standard of working papers supporting claims, making certification more difficult and protracted. These problems have continued in 2002/2003. Grant management has been identified as a risk area for the Council and if not addressed quickly leaves the Council open to potential clawback of grant monies which could have a significant impact on the funding of capital programmes.

Our concerns have been raised with officers and steps are being taken to address these issues with a grants co-ordinator being appointed together with additional staff in relevant departments. A grants compliance manual has been drafted and issued and an awareness raising seminar given to key officers. It is essential that officers responsible for the management and supervision of grant claims ensure that they comply with grant requirements. We will be monitoring improvement during the current year and will report again if required.

## **Standards of financial conduct and prevention and detection of fraud and corruption**

*The Council continues to build on its policies and processes for maintaining standards of financial conduct and its arrangements for preventing and detecting fraud and corruption. However, there is still a relatively low awareness of these policies and procedures by staff which needs to be addressed.*

### **Overall arrangements**

The Council has continued to build on its framework of systems and procedures to identify fraud and corruption risks and to address them or minimise the risk of occurrence. These include:

- an anti-fraud and corruption strategy (currently being revised);
- standards committee meet quarterly;
- hospitality policy;
- members written declaration of pecuniary interests;
- active participation in the National Fraud Initiative.

### **Fraud and corruption awareness survey**

Under the Code of Audit Practice, we have a responsibility to review the arrangements established by Carmarthenshire to prevent and detect fraud and corruption. To help determine how safe a Council is from fraud and corruption, it is important to establish how officers at all levels of the organisation perceive the existence and operation of key controls, as well as their own attitudes to fraud. A questionnaire covering a wide range of fraud and corruption matters was sent to a random sample of 200 staff, (excluding teachers). Only 21% were returned, which was disappointing and means that the results must therefore be treated with some caution. However, a number of the responses received indicated some concerns. There was a relatively low awareness of the Public Interest Disclosure Act (PIDA) amongst officers (only 22%) and a high proportion of officers with supervisory responsibilities (77%) who felt they hadn't received sufficient guidance on what was expected of them when they received disclosures under PIDA.

Your officers are currently drafting a revised anti-fraud and corruption strategy which will take forward the issues identified from our survey.

**Gifts and hospitality registers**

Last year, we reported that standardised registers of gifts and hospitality should be introduced to provide more effective control. This has not yet been implemented, but a revised format has been drafted and is currently being discussed for implementation from early 2004.

**National Fraud Initiative**

The National Fraud Initiative (NFI) is the Audit Commission's data matching exercise. Its main aim is to help identify and reduce housing benefit, occupational pension, tenancy and payroll frauds. The NFI is carried out every two years and specific data matches were provided to the Council in January and April 2003. The Council has used the data effectively and has achieved two successful prosecutions to date, issued two official cautions and recovered £30,125 of overpayments. A number of cases have been identified where further information is being sought from Department of Works and Pensions to establish if further action is needed.

## Use of resources

### Improvement

*The WAA and risk assessment undertaken by the Council was found to be honest and robust and identified the Council's key strengths and areas of weakness which have been set out in the Improvement Plan and supported by action plans to address the weaknesses identified. The Council needs to develop underpinning detailed action plans to ensure all risk areas identified are addressed and that officers have the necessary skills, capacity and capabilities to deliver the actions identified.*

*The Council's 2003/2004 Improvement Plan was compliant with statutory guidance and published by the statutory date.*

*The accuracy of performance information had improved this year for both PIs and targets, although work is still needed to improve the quality of local PIs and targets included in the Improvement Plan. Year on year, Carmarthenshire's performance was found to be improving, with 64% of statutory PIs improving or remaining constant, although only 50% of targets set last year had been achieved.*

*Three Audit Commission inspections were undertaken during the year, with two services being evaluated as having promising prospects for improvement and one excellent prospects. Improvement plans have been developed for all three services which now need to be taken forward.*

### Wales Programme for Improvement

Our work linked to the WPI included:

- an assessment of your WAA and undertaking a Joint Risk Assessment (JRA);
- audit of the Improvement Plan, including performance information and identification of improving services;
- review of progress on performance management;
- review progress in implementing recommendations and action planning.

We did not make a recommendation for the ACiW to carry out a Best Value Inspection of the Council or for the Welsh Assembly Government to give a direction. The Council has processes in place to ensure that the Auditor's report and the Council's response was approved and published within 30 working days as required.

### Whole Authority Analysis (WAA)

The Council applied a self assessment diagnostic approach to undertake its corporate analysis and for its service analysis developed performance profiles which were used to give risk ratings that fed into the WAA. The findings of both exercises were used to develop future work programmes to address the underlying causes of risk identified. The process was found to have been undertaken robustly and honestly and provided a good analysis of Carmarthenshire's strengths and areas of weakness.

### Joint Risk Assessment (JRA)

At the same time that the Council was undertaking its WAA, we and the other regulators of the Council undertook a similar process to identify potential risk areas. The risks identified by the Council's WAA closely reflected those identified by the regulators, enabling the JRA to be agreed and work programmes for the Council and for the regulators to be discussed and approved. These are now reflected in the Council's Improvement Plan and our Regulatory Plan.

### Action planning

Overall, the Council has a good track record in responding to external challenge from regulators and there was evidence that where barriers to improvement have been identified, action is taken, eg, the merging of the client and contractor roles within the new Technical Department.

Action planning and monitoring is a key component of the improvement agenda and although Carmarthenshire has continued to make progress with its action and business planning, there are still a number of areas that need improvement. The move to the new 'balanced scorecard' approach which is integral to the new performance management system will help to drive these improvements forward.

The Improvement Plan included high level improvement work programmes for the key risks identified in the JRA. These programmes included target completion dates, allocated responsibility for actions and in most cases identified the financial resources required to achieve improvement. More detailed action plans will need to be put in place to underpin the improvement programme and the Council must ensure its officers have the necessary skills, capacity and capabilities to deliver the actions identified if the full range of risk issues identified by the WAA are to be addressed.

It is anticipated that as the improvement programme becomes effective, further changes to policies and working practices will be needed. Making such changes will be a key test of the Council's commitment to the improvement agenda.

### Improvement Plan

The contents of the Improvement Plan (the Plan) were found to be compliant in all significant respects with legislation and the Plan was published together with the summary plan by the statutory date.

Over the last year, the Council has been realigning its strategies and plans to enable it to deliver its aims and objectives in a more structured way. The key risks identified during the JRA are reflected in the seven corporate themes in the Plan and are underpinned by the departmental and business unit business/action plans. This linkage of plans to Carmarthenshire's overarching strategy makes this year's Improvement Plan a much more intrinsic part of the strategic management framework and should facilitate monitoring and reporting of performance throughout the organisation.

### Service delivery

Overall, the Council's performance is improving, with 64% of the national PIs reported in the Plan showing an improvement or remaining constant against the previous year. This is particularly noticeable in the area of educational qualifications where all the key PIs show improvement. Performance is, however, deteriorating in 36% of the PIs with continuous improvement less evident in housing repairs in particular, although all services have a mix of performance. It is appreciated that the Housing Repairs Service has been going through significant change over the last year and has improved since our original inspection in 2001. It is, however, important to stress that the focus should not be just on improving or deteriorating PIs, but on outcomes.

### Performance management

Carmarthenshire has continued to develop its corporate monitoring arrangements with business plans being simplified and monitoring reports being produced on an exception basis in a more user friendly format during the past year. There are also much stronger links between action plans and original aims. The reporting of progress against action plans to scrutiny now focuses on key issues, allowing the remaining actions to be monitored within departments. Cross-cutting issues are now clearly cross-referenced within reports.

Scrutiny committees forward work programmes include the involvement of external representatives where relevant, eg, WDA on regeneration issues. Area committees are also using locally developed PIs to monitor trends which will be useful for community planning.

A new performance management system is currently being implemented introducing a 'balanced scorecard' approach. This will require significant upfront investment in terms of both staff time to get information links in place and training requirements.

The Council also recognises the important role that the public and stakeholders have in shaping its work and has further developed this area over the last year by involving town and community councils, statutory bodies, voluntary organisations and trade unions in its WAA.

### Performance measurement

Actions taken by the Council to improve the accuracy and validity of performance information during the year were found to have been generally effective, with only 5% of NAWPIs (19% last year) and 11% (13%) of local PIs tested being materially incorrect or inadequately supported. Target setting had also significantly improved this year with only 10%, (34% last year) of NAWPI targets tested found not to be robust or clearly supported by action plans. The same level of improvement was not evident in the local PI targets with 33% of those audited not supported or not having robust action plans to support achievement. Local PIs and targets continue to be an issue and further improvement in these areas is needed.

## Inspections

During the year, the following inspections were carried out:

- Housing Repairs and Maintenance Service Re-inspection;
- Strategic Procurement;
- Municipal Services.

### Housing Repairs and Maintenance Service Re-inspection

We assessed the Housing Repairs and Maintenance Re-inspection as 'fair', with 'promising' prospects for improvement. The Service was found to have improved since our original inspection in 2001 when the Service was assessed as a poor service which would probably improve. There are still a number of key areas where further improvement is needed and these have been reported to officers and members, action agreed and an Improvement Plan drawn up. We have assessed the Service as having promising prospects for improvement because of the recognition and acceptance by the Council of what needs to be done and the work that is currently ongoing to improve services.

However, we still have concerns over some aspects which could hinder progress:

- some fundamental issues identified in the first inspection, such as the implementation of a cyclical painting programme, have yet to be addressed;
- the Project Plan for introducing the new schedule of rates and bonus scheme was not included in the Improvement Plan and the implementation dates had been moved back from April to September 2003, (at time of writing, this has again been revised and is not likely to be implemented before April 2004.)

Members must ensure that all actions are implemented in a timely manner if the Service is to make the improvements necessary to meet its tenants' needs.

### Strategic Procurement

The Strategic Procurement function was subject to a staged review and inspection during 2002/2003. The review focused on the Council's strategic approach to procurement, including the activities of the Corporate Procurement Unit.

The Service was assessed as 'fair', with 'excellent' prospects for improvement. The reason was that we felt a robust review had been undertaken which embraced independent challenge and comprehensively applied the elements of challenge, competition, consultation and comparison. The Improvement Plan produced from the review was found to focus on the right issues, had member and officer support and identified adequate resources to drive the agenda forward.

The Council must be mindful of:

- the need to fill the new corporate procurement posts with appropriately skilled people;
- the inter-relationship between the various working groups and the need to ensure that their work complements rather than duplicates the improvement agenda.

## Municipal Services

The Municipal Services review covered:

- the provision and maintenance of public conveniences;
- the operation of off street car parking;
- the provision and maintenance of bus shelters;
- the operation of the Ammanford cemetery;
- beach safety and coastal protection issues;
- the Upper Amman Valley animal trespass fence.

The overall assessment was of a 'fair' service with 'promising' prospects for improvement with the exception of the public conveniences function which was judged as a poor service.

Since our review, the Council has taken steps to rationalise its public convenience service and improve the standards of cleanliness and maintenance, this includes the proposed closure of 27 toilets that were in very poor condition.

The following issues were highlighted as needing to be resolved:

- there was no strategic financial plan for the County's car parks;
- future car parking supply and demand had not been estimated so that future needs could be catered for;
- the competitiveness of the toilet cleaning/maintenance operation and of car parks enforcement service had not been tested;
- communication with cleansing staff was inadequate;
- there were no PIs for bus shelter provision.

These issues have been discussed with officers and action agreed.

## Performance

*The Council continues to make progress in developing its arrangements to meet the changes in the funding regime for post 16 education. Once guidance is received from ELWa, the LEA will need to ensure that these arrangements are implemented effectively.*

### Transfer of post 16 education funding – follow-up

Last year, we reported that Carmarthenshire had made good progress in adapting to the changes affecting post 16 education. At that time, we made a number of recommendations and this year we followed up the agreed Action Plan to establish what progress had been made.

Carmarthenshire was found to be continuing to make good progress in developing revised arrangements. Partnership working is beginning to proliferate throughout the County as was evidenced by the number of organisations consulted during the preparation of the post 16 basic skills strategy.

The outcomes of the 14 to 19 full-time education working group were found to have been significant. A key outcome being the successful bid for Objective 1 money to fund a Learning Network to support widening participation in adult education.

Reports to scrutiny have been prepared to advise on the potential financial implications for schools as a result of the new funding formula and the changes necessary to ensure its effective implementation.

The LEA recognised that its formula funding arrangements were complicated and resource intensive, maintaining manual records. This has been addressed with the introduction of electronically compiled data. The LEA has also standardised elements of the formula to simplify the process. However, the fundamental formula review planned last year has not happened in its entirety as there are so many external influences still to be finalised. These include the slippage in the ELWa deadlines as it tries to develop a national funding formula which fits all. We have agreed revised target dates with officers.

## Closing remarks

I would like to take this opportunity to express my appreciation for the assistance and co-operation provided during the course of our audit and inspection work. Our aim is to deliver a high standard of regulation which makes a positive and practical contribution to support the Council's own agenda. We recognise the value of your co-operation and support.



**C R Stradling**  
**District Auditor and Relationship Manager**  
**16 December 2003**

## Reports issued during the audit

Audit Plan 2002/2003
Interim Audit Report
Review of Supporting People Arrangements
Progress on the Information Management Agenda and the Freedom of Information Act 2000
Delivering Improvement through e-Government Phase 2
A Review of Caldicott in Social Services
Follow-up Report on Formula Funding and Arrangements for the Transfer of Post 16 Funding
Fraud and Corruption Awareness Survey
Audit of the Improvement Plan
Regulatory Plan 2003/2004
Inspections: <ul style="list-style-type: none"> <li>• Housing Repairs and Maintenance Service Re-inspection</li> <li>• Strategic Procurement</li> <li>• Municipal Services</li> </ul>
To be issued: <ul style="list-style-type: none"> <li>• Final Accounts Memorandum</li> <li>• Internal Audit Review</li> </ul>