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Annual Letter

Flintshire County Council

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Status of this document

This document has been prepared for the internal use of Flintshire County Council as part of work performed in accordance with statutory functions, the Code of Audit and Inspection Practice and the 'Statement of Responsibilities' issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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Summary

1. This Annual Letter sets out the key messages arising from work undertaken over the last twelve months up to the point when it was written by:
 - the Auditor General's Appointed Auditor, PricewaterhouseCoopers LLP under the Code of Audit and Inspection Practice (the Code); and
 - the Relationship Manager (RM) on behalf of the Auditor General under the studies and inspection powers of the Auditor General.
2. The Annual Letter includes a summary of audit and inspection work and reports progress against improvement actions. It draws on published reports of other inspectorates to provide an annual summary to Flintshire County Council (the Council). The work planned for the year was set out in the Regulatory Plan 2007-08 and more detail on the specific aspects of the work undertaken can be found in the separate reports that have been issued during the year.
3. The Annual Letter will be presented to all members at the meeting of Council on 2 December 2008.
4. The Appointed Auditor has not yet completed the audit of accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice. It is not possible to conclude the audit at present as issues remain over A D Waste Limited that have prevented that company's auditors from reaching an opinion on its accounts. Our views at this stage are:
 - although we have not yet expressed an opinion on the Council's Financial Statements we have not identified any material weaknesses in internal control;
 - the Council's improvement planning arrangements complied with statutory requirements but we identified areas where further work is required;
 - the Council had satisfactory arrangements in 2007-08 to help it achieve economy, efficiency and effectiveness in its use of resources; and
 - there are opportunities for the Council to secure the best use of resources and further improvement in its delivery of services.
5. The Appointed Auditor also notes that the Council faces potential difficulty and delay in recovering its investments of £3.7 million in Landsbanki, the Icelandic bank, but comments that the investments were consistent with the Treasury management policy in operation at the time and form only a modest proportion of the total value of the Council's investments as at 31 March 2008.

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6. The Relationship Manager has concluded that:
- The annual joint risk assessment validated the Council's strategic improvement priorities and effective action has been taken in response to many of the recommendations in previous audit and inspection reports.
 - The first phase of the Council's organisational transformation has been completed in line with the original plan, timeframe and within budget;
 - The Council has made a sound start in developing its medium term financial strategy;
 - Performance of the Council's contractor functions is mixed. However, there is no clear case at present for consolidating the service providers into a single unit but a programme of detailed review is required;
 - Priorities and actions have been identified to improve the effectiveness of the Community Safety Partnership but better management will enable these to be realised;
 - Service reviews identified notable strengths and progress, however there are areas where further improvement is required;
 - The Council continues to make good progress on planning for the future waste management requirements;
 - Members must agree the Housing Strategy by January 2009 to avoid the possibility of financial penalties and damage to the Council's reputation;
 - Progress continues to be made with changes to the structure, management and working practices within the Planning and Development Control Section although some of the intended enhancements have yet to be fully realised;
 - The new HR/Payroll System should, when fully operational, provide enhanced management information on a range of HR issues;
 - The Council now has a good strategic planning framework for tackling school organisation and education capital issues, but further work is still required to bring together all of the information and to develop and implement the required strategies; and
 - An Estyn inspection of the quality of adult community-based learning concluded that learners attain well and, overall, the quality of teaching, training and assessment in the Council is good.
 - The Council has engaged positively with the Wales Audit Office's initiatives to promote improvement.
7. In recent years the Council has faced a number of significant risks and challenges which we have highlighted in previous Annual Letters. These have included building maintenance, housing strategy, planning, corporate management, performance management and risk management. We have been encouraged by the energy with which many of these issues have been addressed in 2007-08. Nevertheless, given the number of new senior officers and the extent of the issues that remain to be faced, the challenge of the further changes required should not be underestimated.

We recommend no statutory inspections this year

8. The Appointed Auditor is required each year to recommend whether, on the basis of audit work undertaken, the Auditor General should carry out a Best Value Inspection of the Council or whether Welsh Ministers should recommend a course of action, referred to as 'a direction' under Section 15 of the Local Government Act 1999 (the 1999 Act). On the basis of audit work undertaken.
9. The Appointed Auditor:
 - does not recommend that the Auditor General should carry out a Best Value Inspection of the Council under Section 10A of the 1999 Act; and
 - does not recommend that Welsh Ministers should give a direction under Section 15 of the 1999 Act.

The Appointed Auditor's report

10. The Financial Statements are an essential means by which the Council accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. The Code identifies that it is the Council's responsibility to:
 - put systems of internal control in place to ensure the regularity and lawfulness of transactions;
 - maintain proper accounting records; and
 - prepare Financial Statements in accordance with relevant requirements.
11. As auditors we are required to audit the Financial Statements and to issue an auditor's report which includes an opinion on whether the Financial Statements present fairly the financial position and transactions of the Council. The auditor's report also refers to compliance with relevant legislation, directions, regulations, and applicable accounting standards.

Although we have not yet expressed an opinion on the Council's Financial Statements we have not identified any material weaknesses in internal control

We have not yet been able to express an opinion on the Council's 2007-08 Financial Statements as we are awaiting the completion of the audit of A D Waste Limited by its auditors

12. International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of our accounts audit. The Appointed Auditor's report Audit of the Financial Statements – reporting to those charged with governance was presented to the Audit Committee on 24 September 2008. A summary of the findings is set out in Exhibit 2.

Exhibit 2: ISA 260 reporting to the Council

Reporting requirement	Auditor's response
Modifications to the auditor's report.	At the time of writing the auditor's report has not been issued. This is due to the delay in receiving an opinion from Deloitte on the accounts of A D Waste Limited, a material subsidiary of the Council and a review of the implications of the collapse of Icelandic Banks.
Unadjusted misstatements.	There were no unadjusted material misstatements. A number of adjustments were not processed on the grounds of materiality (both individually and in aggregate). These totalled 18 unadjusted misstatements, netting to a credit of £272,000 to the Income and Expenditure account.
Material weaknesses in the accounting and internal control systems identified during the audit.	No material weaknesses were noted in the accounting and internal control systems identified during the audit. We have made a number of control recommendations which have been agreed and considered by the Council.
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	A number of significant reclassification adjustments were made again this year after reporting similar issues in previous years.
Matters specifically required by other auditing standards to be communicated to those charged with governance.	No matters arose.
Any other relevant matters relating to the audit.	No matters arose.

13. We have yet to issue our auditor's report on the Financial Statements.

An examination of the Council's significant financial systems did not identify any material weaknesses in internal control but there are areas where continued improvement is required

14. Our review of the Council's financial systems has involved documenting them and where necessary testing the operation of the internal controls. We have concluded that the Council's significant financial systems can be relied upon to produce materially correct outputs. We have however identified scope to improve controls in some areas and reported these to management.

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15. In summary, the improvements required are:
- The basis for calculating the bad debts provision needs to be reviewed.
 - The overall bank reconciliation should be completed on a monthly basis although the individual income and expenditure reconciliations are completed regularly.
 - The carrying figure for Probation of £320,000 should be investigated further by the Council, and should be cleared from the ledger, if necessary.
 - All Account Payable control account reconciliations should be signed and dated as reviewed. The proforma reconciliation should be amended to include a 'Completed by' and 'Reviewed by' section to act as a prompt to the systems and performance team.
 - All virements with a budget line impact should be completed and retained.
 - Arrangements should be made in the event of significant staff absence to preserve the segregation of duties required for virements with a budget line impact, to ensure the proper level of review is maintained.
 - Proforma budget virement notification forms should be amended to include a budget line impact section.
 - A manager in each directorate should periodically run a manual journal report. These should be reconciled to the authorised journal request forms held on file.
 - The Council should liaise with Assembly Government and come to a resolution on the amounts set aside in order to meet the anticipated obligations from a change in the use of capital assets funded by the former Welsh Development Agency grant.
 - The Council should undertake a detailed review of its asset records to ensure all assets that belong to the Council are included on the asset register.
 - The quarterly capital monitoring working papers should be supported by a ledger screen print as information on the ledger is live and moves.
 - The Council should review its coding of payroll on implementation of the new payroll/HR system.

We have yet to certify that the audit has been completed in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice and there were no formal questions or objections to the financial statements

16. In accordance with the Accounts and Audit (Wales) Regulations 2005 the Council has advertised the rights of local electors to:
- inspect and make copies of the Annual Return;
 - question the auditor about the accounts; and
 - attend before the auditor and make objections to the accounts or any item in them.
17. These rights have not been exercised. Although we continue to receive letters on a range of issues from members of the public and other interested parties, none of these have been regarded as formal questions or objections to the financial statements.

The Council's improvement planning arrangements complied with statutory requirements but we identified areas where further work is required

The Council's Annual Performance Report has been delivered appropriately and represents a balanced picture of performance in the last year

18. Under the Local Government Act 1999 and subsequent guidance issued by the Assembly Government in Circular 28/2005, an Improvement Plan must be published by 31 October each year. We are required to audit the Improvement Plan in accordance with statutory requirements and guidance, and to report our findings, including on the completion of the joint risk assessment, our audit of the Council's Performance Indicators (PIs) and on its performance measurement arrangements.
19. The Council's statutory obligation is discharged by the preparation of an annual performance report, of which a summary this year will appear in 'Your Community, Your Council.' The report was approved by the Council on 28 October 2008, and from a review of the draft complied fully with the guidance in Circular 28/2005.

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20. Other matters include:
- the detailed Plan and the Summary are concise, well written documents which report a balance of good performance and areas for improvement; and
 - the 'Stage 1' Improvement Plan compiled in October 2008 complies with the guidance in Circular 28/2005.
21. Detailed responsibilities, the scope of our work and the audit certificate are set out in Appendix 3.

Our audit of the National Strategic Indicators highlights that the Council has satisfactory arrangements in place for the collection and validation of performance information in most areas

22. The Annual Performance Report 2007-08 reports performance during 2007-08 against the relevant PIs. It shows 45 per cent of the PIs as having met or exceeded their target. In terms of comparative performance against the PIs for 2006-07, 47 per cent demonstrate some measure of improvement. Overall, the report comments that the Council ranks as the fourth highest performing authority in Wales.
23. The Welsh Local Government Association (WLGA) October performance briefing notes that nationally more than 70 per cent of indicators showed improvement in 2007-08, continuing the overall trend. It drew attention to a number of excellent social services joint reviews, and Estyn inspections, and commented amongst other areas on lower levels of bed-blocking, increased waste recycling and higher levels of secondary school attendance. However it notes continuing difficulties around homelessness, staff sickness levels and the speed of processing disabled facilities grants.
24. The Council continues to out-perform other Welsh authorities in a majority of areas. The Council scores highly in many areas of social care, education and public protection. The areas of concern are well understood; they continue to include the speed of housing repair, and the processing of disabled facilities grants. It is pleasing to see that even in these areas there are positive plans in place to address the shortfall.
25. In August 2008 the Council introduced three categories of target. As set out in a report to Executive they are:
- improvement targets, where current performance is judged unsatisfactory;
 - incremental targets, where marginal improvement is sought; and
 - maintenance targets, where performance is currently good and needs to continue.

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26. We welcome this development which will help drive organisational performance through the concentration of effort.
 27. Turning to the mechanics of collection of data, there remain some gaps in the arrangements for the collection and validation of performance information in some service areas – notably for homelessness and carbon dioxide emissions, which we have drawn to the attention of officers.
 28. We did note reservations in five areas of data collection, largely the result of an inadequate audit trail. We also made changes to the Council's initial performance indicator figures in another five cases, although the changes were relatively minor.

The Council's performance management reporting arrangements have very recently been overhauled and appear much improved but need to be tested against the emerging Council Plan and Community Strategy

29. The Council's Executive noted in October that there is a variety of reporting arrangements in place and much detailed information, but that there remains a need to distil the key messages from this raw data. Executive then set out a detailed report that set and categorised targets, with the aim of informing the work programmes of Overview and Scrutiny committees.
30. We see this development as sound and helpful, especially as it clarifies those service areas which require particular attention. We note the next stage is to develop further a set of political priorities to help direct resources; the two should form complementary strands of the Council's strategy. In due course these assumptions will underpin a Council Plan that articulates members' aspirations and indeed those set out in the Community Strategy. Ultimately it would also be helpful for there to be a clearer relationship with the strategic risk assessment, so that the organisational and strategic priorities can be seen together.
31. We have been concerned about the extent of the information that is available. We note however that the Council is aiming to reduce information through concentrated reporting using the new categorisation of targets and through exception reporting.

Whole of Government Returns were completed appropriately

32. In accordance with the Government and Resources and Accounts Act 2000 and relevant guidance issued by the Assembly Government, a Consolidated Pack (C-Pack) is prepared annually by the Council to assist HM Treasury with its production of the Whole of Government Accounts (WGA).
33. On behalf of the National Audit Office (NAO) as auditor of the WGA, the Wales Audit Office is required to audit the C-Pack in accordance with statutory requirements and NAO audit instructions.
34. From our audit, which has yet to be completed, of the Council's return this year we found:

- arrangements are in place to ensure satisfactory production of the WGA C-Pack;
 - the C-Pack was consistent with the audited statutory accounts;
 - material transaction streams and balances with other WGA bodies were identified completely and correctly; and
 - transaction streams and balances with the Assembly Government in excess of £5 million were formally agreed as required.
35. We recommend that the Council ensure its final return is updated as soon as possible to reflect the final audited statutory accounts.

The Council had satisfactory arrangements in 2007-08 to help it achieve economy, efficiency and effectiveness in its use of resources

36. The Public Audit (Wales) Act 2004 requires auditors to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This requirement is reflected in the Code.
37. Our conclusion has been reached as part of our annual audit of the accounts. We examined evidence of the existence of the Council's corporate performance management and financial management arrangements. In this work we do not comment on or provide assurance on the effectiveness of those arrangements during the year.
38. Separate Value-for-money work does consider where arrangements or their operation could be improved. The results of such work carried out during 2007-08 are set out later in this Annual Letter. This work informs our conclusion on the existence of arrangements but is not essential to it.
39. The auditor's report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2007-08 is set out in Appendix 1. The criteria used to assess this are set out in Appendix 2.
40. We have concluded that in 2007-08 the Council had satisfactory arrangements in place to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. The detailed results of our assessment are summarised in Exhibit 3.

Exhibit 3: Assessment of proper arrangements

Aspect	Arrangement	Yes or no
Strategic and operational objectives	Has the Council put in place arrangements for establishing, reviewing and implementing its strategic and operational objectives?	Yes
Meeting the needs of users and taxpayers	Has the Council put in place arrangements to ensure that services meet the needs of users and taxpayers, and for engaging with the wider community?	Yes

Aspect	Arrangement	Yes or no
Internal controls	Has the Council put in place arrangements to ensure compliance with established policies, procedures, laws and regulations?	Yes
Risk management	Has the Council put in place arrangements for identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and other forms of joint working or contracting?	Yes
Resource Management	Has the Council put in place arrangements for managing its financial and other resources, including arrangements to safeguard its financial standing?	Yes
Reviewing Performance	Does the Council have arrangements in place to monitor and review performance, including arrangements to ensure data quality?	Yes
Standards of Conduct	Has the Council ensured that its affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption?	Yes
Overall Conclusion	Has the Council put in place proper arrangements to secure 'economy, efficiency and effectiveness' in its use of resources?	Yes

41. Whilst we found no issues leading us to qualify the Value for Money opinion, areas were identified where improvements could be made:
- The Council has conducted an extensive review of its own organisational needs with good involvement from members and chief officers. Organisational priorities for change and improvement have been set however priorities from the new administration have not yet been clarified.
 - The intention is for individual services to have primary responsibility for enhancing their own effectiveness. A key element will be the critical review that is provided through the broadly based assessment of Scrutiny Committees.
 - The Council wide restructuring has been undertaken to ensure that there is appropriate focus on strategic risks and developments. There will be greater capacity for individuals to operate strategically and we would expect to see improvements as a result of this.
 - The plan for the introduction of the medium term financial strategy is sound in principle.
 - The performance system needs further integration into the service plans and the day to day activity of service directorates.

There are opportunities for the Council to secure the best use of resources and further improvement in its delivery of services

The Council has a good record of achieving its revenue budget and has appropriate arrangements in place to manage and use its financial reserves. However, it faces increasing financial pressures in several areas

42. We are responsible for assessing whether the Council has put in place adequate arrangements to monitor, control and report on its financial standing. Our audit was based on a review of:
- setting the revenue budget and capital programme;
 - financial monitoring and reporting;
 - meeting financial targets; and
 - financial reserves.
43. We have examined budget reports and procedures and we are satisfied that:
- suitable arrangements are in place;
 - the Council's revenue and capital budgets cover all relevant areas of income and expenditure and are based on realistic assumptions;
 - the Council has in place sound arrangements for financial monitoring and reporting which should ensure that any potential material misstatements and variances will be identified; and
 - the Council has achieved its efficiency targets for the year
44. The Council has a good track record of operating within its revenue budget and this continued in 2007-08 with a small underspend. The most recent budget monitoring reports indicate that the Council is again on target to achieve its budget in 2008-09. There are, however, a number of financial pressures that will need to be considered and managed over the next few years. These are described at Exhibit 4.

Exhibit 4: Financial pressures

Financial pressures	Implications
Job evaluation and Single Status	The job evaluation process is nearing completion and the Council is well advanced in estimating the future impact on budgets. We have been pleased to provide a limited level of support. A number of equal pay claims have been received. The Council has formed a specialist team to consider its response and is currently considering its options.
Wales Housing Quality Standard	The Council is re-examining its options for meeting the Quality Standard and is discussing those options with the Assembly Government. The Council's current estimate is that it will need some £455 million over 30 years to achieve the Standard and to maintain the stock at that level.

Financial pressures	Implications
Local Government Settlement	The local government settlement for 2009-10 has resulted in a 2.7 per cent increase in Assembly Government funding compared with a Wales average of 2.9 per cent. The settlement represents a significant challenge to the Council in respect of setting a balanced budget. In addition to the pressure from the local government settlement, the economic downturn will also represent a challenge to the Council, particularly in areas such as capital receipts and general price inflation.

45. Members and officers continue to review reserves annually to ensure that the reasons they were established remain valid and that the amount reserved is based on realistic assumptions of need. Exhibit 5 identifies that, as at 31 March 2008, the Council had some £34.895 million in cash-backed capital and revenue reserves (including school reserves) which is a £10.2 million increase compared to last year. It is very pleasing to see that in a single year the Council has achieved the level of increase in such reserves that it had aspired to over a three year period.

Exhibit 5: the Council's cash-backed reserves, 2006-07 and 2007-08

	2006-07 £ million	2007-08 £ million
Capital earmarked	1.305	2.695
Revenue earmarked	1.329	4.397
General:		
General balances	6.977	6.723
Earmarked balances	10.970	17.076
Other service areas	0.433	0
Total	18.380	23.799
Housing Revenue Account (HRA)	1.347	1.428
Schools	2.334	2.576
Total	24.695	34.895

Source: Flintshire County Council Draft Accounts 2007-08

46. Earmarked reserves have been set aside for known commitments such as waste disposal and winter maintenance. At £23.799 million general reserves are at a prudent level. As part of the budget setting approval process the Council must continue to ensure that these reserves are appropriate and taken into account. The Council must also continue to work with primary and secondary schools to ensure that their reserves are appropriate.

47. As described in Exhibit 6, the Actuary identified a deficit of £186.484 million on the Council's Pension Fund (using the methodology within Financial Reporting Standard (FRS) 17) compared with £148.320 million in 2006-07. The main reason for the increase in the net pension liability is primarily due to changes in the assumptions used by the actuary. As reported last year, the Council intends to increase the contributions over the remaining working life of employees as assessed by the scheme's actuary. This will impact on future revenue expenditure and will require careful planning and continued monitoring and incorporation into the Council's medium term financial plan.

Exhibit 6: The Council's Pension Fund valuation

	2006-07 £ million	2007-08 £ million
Estimated value of assets in the scheme	317.325	314.870
Estimated liabilities	465.645	501.354
Net liability	148.320	186.484

Source: Flintshire County Council Draft Accounts 2007-08

The Council has appropriate financial management arrangements in place but has deposits in a bankrupt Icelandic Bank

48. The Council's significant financial systems are effective.
49. To demonstrate financial stewardship, the Council needs to ensure effective financial management including:
- effective internal financial controls, such as robust standing orders and financial regulations, strong budgetary control and effective Internal Audit;
 - recognised standards of financial conduct;
 - appropriate arrangements to ensure that the Council only enters into transactions where there is specific legal provision for it to do so; and
 - effective arrangements to prevent and detect fraud and corruption.
50. Our review of these areas found:
- that the arrangements to maintain the systems of internal control were effective;
 - that, as in previous years, Internal Audit has met the required professional standards and we have been able to place reliance on its work;
 - that effective arrangements were in place to ensure that the Council enters into transactions only where there is specific provision for it to do so; and
 - as in previous years, the ethical framework of the Council was operating effectively as were the arrangements for preventing and detecting fraud and corruption.

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51. In October 2008 the Council was informed of difficulties over its three investments totalling £3.7 million in the Icelandic bank, Landsbanki. Those investments were consistent with the Council's treasury management policy, and total investments at 31 March 2008 amounted to £52 million. In common with a number of other public sector bodies, the Council should monitor the position in light of advice from the WLGA and HM Treasury.
52. We have therefore concluded that effective financial management arrangements are in place.

The Council made effective use of the National Fraud Initiative

53. The National Fraud Initiative (NFI) is a biennial computerised data matching exercise conducted across England and Wales. The Audit Commission is responsible for the exercise in England and the Auditor General is responsible for the exercise in Wales through his appointed auditors at local government bodies.
54. The exercise is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the 2006-07 exercise were released in January 2007 to participating bodies including local councils. The matches have been investigated and resulted in the identification of £4.7 million of fraud and overpayment across Wales. In May 2008, the Auditor General published a national report on the overall findings of the 2006-07 exercise.
55. The Council reported savings of £68,050 in respect of NFI in 2006-07. However, we believe that after taking into account a projection of the savings that result from stopping further payment of erroneous claims the figure should be £218,628. The Council took appropriate action to investigate the matches and to address instances of suspected fraud and error.
56. Data extractions for the 2008-09 exercise commenced in October 2008 and authorities should receive data matches in early 2009. The Auditor General is undertaking the 2008-09 exercise in accordance with the powers set out in the Serious Crime Act 2007 to conduct data matching exercises to assist in the prevention and detection of fraud in Wales. The Auditor General has recently published a Code of Data Matching Practice to help ensure that people's information is protected and processed appropriately during data matching exercises such as NFI.

Our certification of the Council's 2007-08 grant claims and returns is nearing completion

57. The main issues we have identified in conducting the work set out by the Auditor General relate to:
- A continuing high percentage of grant claims missing Authority submission deadlines. It is an appropriate time for the Council to review how the grant claim submission arrangements should be revised to secure improved compliance with deadlines. There appears a need to clarify and strengthen the role of the grant claim coordinators based within services and make

them more accountable to those with grant coordination responsibilities within central finance.

- The variable quality of grant claims presented for certification. The number of grant claims which were either amended by us or subject to audit reservation or qualification remains too high. Officers are currently reviewing the arrangements with a view to securing minimum standards in the quality of grants produced.
 - The completeness and accuracy of the grant claims register. A number of grants, predominantly project based ones, have been presented for audit certification with minimal or no notice, such claims not featuring in the grants register. We have suggested that officers should regularly liaise with Assembly Government or The Welsh European Funding Office to determine that certification is statutorily required and what the relevant submission dates are.
58. We anticipate producing a further detailed report on our grant work for officers early in 2009.

The Relationship Manager's report on behalf of the Auditor General

The annual joint risk assessment validated the Council's strategic improvement priorities and effective action has been taken in response to many of the recommendations in previous audit and inspection reports

The Council's risk assessment and risk management arrangements have improved significantly over the last year with staff and elected members now more fully engaged in the process and its outcomes. It is, however, vital that the priorities identified by this process are fully supported by members if real and sustained improvements are to be achieved

59. The Council has completed, and agreed with its regulators, a risk assessment of its services and corporate functions. The outcomes of the risk assessment are summarised in the Strategic Assessment of Risks and Challenges (SAoRaC), which now contains a full summary of the Council's organisational priorities.
60. The improvement to the risk assessment process has resulted in much greater clarity in the identification of the Council's strategic priorities. These will need to be agreed by members, and augmented with their political priorities, as they will provide the foundation for the Council Plan due for publication in early 2009.
61. We have noted further improvements in the Council's arrangements for monitoring its strategic risks with the SAoRaC subject to regular review by the Corporate Management Team, Executive, Audit Committee and the Overview and Scrutiny Committees. The recently completed mid-year review provides a commentary on progress against planned actions and makes an assessment of

the revised level of risk. This has indicated a reduced level of risk in a number of areas. The Council will meet with its regulators to discuss and agree an updated joint risk assessment early in the New Year.

The Council has responded positively to the recommendations of previous inspection work but needs to ensure that all final reports and agreed actions are presented to Executive and scrutiny committees in accordance with the required timescales

- 62. We have followed up the implementation of recommendations arising from our work on Highway Infrastructure, Homelessness and Affordable Housing, to ensure that the Council has appropriate mechanisms in place to respond to external challenge. In addition we looked at a sample of reports from other inspection bodies to see if there is a consistent approach across the Council to considering and addressing issues that are raised in regulators' reports.
- 63. We found that the Council has a formal means to report, manage and respond to recommendations contained in regulators reports. This has resulted in clear ownership of the reports in regards to the governance and scrutiny function and means that some, but not all, the important issues that are raised in the regulators reports have been addressed by the Council.
- 64. There are, however, a number of areas for improvement to ensure that all final reports and agreed actions are presented on time. We found that although there is clear ownership of reports in regards to the governance and scrutiny function at a corporate level, more streamlining of the progress could ensure that the Council's targets for receiving reports are consistently met.
- 65. Recommendations in regulators reports effectively address the issues identified from the work. In the reports that we followed up the staff that we interviewed had evidence that the recommendations had helped to improve Council services. The recommendations are clear, concise and are focused on improving outcomes for citizens.

The first phase of the Council's organisational transformation has been completed in line with the original plan, timeframe and within budget

- 66. The Council has now completed the first phase of its organisational transformation with the establishment of three directorates and a review of its first tier officer structure. A business case for organisational change was developed and agreed by Council between December 2007 and February 2008. Director roles and responsibilities have been redefined and two new chief officers in the Lifelong Learning and Environment Directorates have been appointed. The main objective of the changes is to enable the Council to focus more clearly on the formulation and delivery of its strategic priorities.
- 67. Structures and processes are now beginning to be implemented to support this objective. These include the establishment of the newly constituted Corporate and Senior Management Teams and the introduction of a new scheme of delegation

that will enable Heads of Service to take decisions which would previously have been the preserve of Directors.

- 68. The second tier pay and grading review has also been completed which should facilitate the appointment of permanent staff to all key posts. This phase has also reviewed the roles and responsibilities of Heads of Service to enable more consistent alignment with the Director level changes. The next phase of the organisational transformation has recently been agreed with the Trade Unions.
- 69. We wholly support the Council's efforts to enhance its strategic capacity and focus and identify efficiencies from the review of its organisational and officer structure. The Council has tackled a very difficult area with energy and enthusiasm.

The Council has made a sound start in developing its medium term financial strategy

- 70. The Council has launched a wide ranging initiative to guide the development of its future financial strategy. The immediate value of this initiative is already being seen in the greater rigour with which the 2009-10 budget is being compiled. The principal elements are set out in the Table below:

Principle	Description
Corporate Approach	A corporate rather than departmental approach to the revenue budget and capital programme planning processes.
Financial and Business Planning	Financial planning linked to corporate business planning processes which take account of performance and strategic risks issues.
Efficiencies	The need to develop an environment where maximising efficiencies is an automatic on-going process to increase resources and for the effectiveness of service provision.
Procurement	The need to adopt a corporate approach to procurement linked to the drive for efficiencies.
Fees & Charges	Current levels to be reviewed and compared with market rates whilst taking account of client affordability.
Use of Reserves	The use of unallocated reserves to be limited to one-off, and not on-going, revenue expenditure.
Specific Grants	The need to consider the funding implications of specific grants transferring into the Revenue Settlement.
Prudential Borrowing	The need to explore the possibility of increasing the capital programme by the use of prudential borrowing.
Capital Receipts	The need to align capital receipt assumptions with the Asset Management Plan and Capital Strategy.

- 71. We welcome this initiative, and are in the process of assisting with the elements relating to fees and charges and prudential borrowing, as well as commenting on the overall design. We will report in due course.

Performance of the Council's contractor functions is mixed. However, there is no clear case at present for consolidating the service providers into a single unit but a programme of detailed review is required

There is no clear case for structural change

72. One of the main issues we addressed was the case for drawing together all of the service providers into a single unit. In principle such a move might support senior management, encourage economies of scale and introduce skills that no one service can justify, such as marketing.
73. Overall we do not advocate such a move at present. In many areas there is no clear split between client and contractor, nor do we believe there should be one. Centralizing the services would thus force a number of employees to make unwelcome choices. Communication between the client and contractor is often enhanced by co-location, and there are difficult location issues. The disadvantages outweigh the benefits.

The performance of the Housing Repairs service needs significant further improvement

74. Much work has been completed over the last eighteen months to improve the performance of this service, not least in response to the issues raised in the report in the public interest. We believe many of these initiatives are sound; in particular the phased introduction of a market tested schedule of rates should, in due course, demonstrate whether the costs of the private sector are being matched. There is much to be done before productivity levels meet the standard required, and the performance of the housing repairs service needs further significant improvement.
75. Given the uncertainty over the Council's Housing Strategy, we do not believe that it would be opportune to consider alternatives at this point. However, regardless of the outcome of members' deliberations it will still be necessary to show that the service is functioning effectively. We recommend that the schedule of rates be fully implemented as soon as possible, linked to appropriate quality and performance measures, and that the year to 31 March 2010 should be seen as critical. If the service can not make a satisfactory return, alternative methods of delivery should be explored.

The performance of the Highways/Street Scene service is generally sound

76. Some limited market testing has already taken place which reinforces the message from other available measures that performance in this service is generally sound. The re-design of this function in any case means a more fundamental review would not be timely. We recommend the development of an explicit service specification and a programme of soft market testing.

The role of the Lifelong Learning Directorate as a client agent for school services, including catering, should be clarified

77. A very small number of schools have begun to exercise their rights as the end user of certain Council provided services. We see this leading to a more general debate on the role that the Lifelong Learning Directorate should play as a client agent, and it emphasises the need for greater clarity over the respective responsibilities of school, contractor and local authority.
78. The potential advantages of change would be a greater clarity in the role of the customer, a more explicit specification of what is to be provided and, through appropriate terms in the contract, greater security for the provider.

The variety of charging bases is too wide and should be reduced and the recharging of central service costs is unduly complex and lacks transparency

79. The financial results of any trading activity say little about underlying efficiency unless they are supported by a basis of charging that fairly reflects the value of the work performed. At present, a wide variety of bases is employed. Also, the recharging of central costs is highly complex and lacks any real transparency.

The current location of depots is unsatisfactory although there are disadvantages with the alternatives

80. The limitations of the current depots have been widely explored in recent years and plans are in place for the disposal of Canton. The location of the various depots needs to reflect operational factors, as well as organisational structures, but services such as winter maintenance and education catering obviously have very different needs.
81. Ideally the number of depots should be minimised to afford economies of scale but, those remaining should meet the operational needs of the services that operate from them. Our review has pointed to the need to consider carefully the potential expansion of Alltami and the closure of Queensferry.

Priorities and actions have been identified to improve the effectiveness of the Community Safety Partnership but better management will enable these to be realised

- 82.** A review of the Community Safety Partnership has recently been undertaken. In order to identify a consensus of issues, priorities and actions for the Partnership, we agreed that the review would use Open Space Technology, a consultation and engagement process, facilitated by the Wales Audit Office. A two day event was held which was attended by a large cross section of representatives from the Partnership. The following key issues for the Partnership were identified:
- The establishment of a Community Safety Unit to ensure a cohesive and coordinated approach, maximising existing resources and expertise in order to make the Council a safer place to live work and visit and the identification of a plan for implementation and addressing potential barriers to success.
 - A review of the role of the Community Safety Partnership in addressing community cohesion as a means to building a safe secure environment that embraces diversity, race, faith and spans generations.
 - Support for vulnerable people to enable them to be safe and feel safe, secure and respected.
 - Identification of a process for developing community safety priorities which compared the different drivers between local and national priorities.
 - Involve children and young people in community safety solutions, a key area for future development of the Partnership.
 - A greater emphasis on youth provision with greater communication between organisations, working together and funding as integral issues.
- 83.** Some of these proposals will be challenging. The Council and its partners should identify what can realistically be further developed and incorporated into a formal action plan. It was clear that some of the issues from our previous audit on Community Safety were still apparent within the Partnership and better management could more effectively direct and co-ordinate its future activities.

Service reviews identified notable strengths and progress, however there are areas where further improvement is required

The Council continues to make good progress on planning for the future waste management requirements

84. Waste management is a significant corporate risk for the Council. The Council's Waste Strategy seeks to meet the performance targets in the European Community Landfill Directive (the Directive), for the diversion of municipal waste away from disposal at landfill sites. The Council will incur considerable penalties if it fails to meet these targets which escalate towards 2020. The National Waste Strategy 'Wise About Waste' contains milestone targets for recycling and composting that aim to guide councils to meet the requirements of the Directive.
85. The Council has developed a strategic approach to waste management with the other councils of North Wales. The Council is the lead authority for the North Wales Waste Partnership which also comprises the Councils of the Isle of Anglesey, Gwynedd, Conwy and Denbighshire. The partnership has been set up to provide a regional approach to the treatment and disposal of residual waste in North Wales and thus assist in meeting waste minimisation, recycling and landfill reduction targets.

Members must agree the Housing Strategy by January 2009 to avoid the possibility of financial penalties and damage to the Council's reputation

86. Members are aware of the need to identify a Housing Strategy and Business Plan to achieve the requirements of the Wales Housing Quality Standard (WHQS). In last year's letter we made the following comments in relation to the Housing Strategy:
- Implementation is likely to consume a significant proportion of senior officers' time in the forthcoming year, particularly given the various changes in structure that are likely to emerge. Capacity for further developments will be limited.
 - There are significant implications for the level of financial support that will be available for other areas of need, particularly capital, which members will wish to take into account.
 - At an operational level the recent decision to bring in house the services currently provided by A D Waste Ltd will require careful management.

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87. The Assembly Government expects all social landlords in Wales to devise realistic programmes for bringing their properties up to the WHQS by the end of 2012. During 2008, the Council established a Local Strategic Housing Review Board to develop a strategy by, at the latest, January 2009, to achieve this goal. During a recent visit to the Council the Minister emphasised the importance of adhering to the timetable. The Council is fully aware of possible sanctions by the Assembly Government if an acceptable Business Plan is not submitted in accordance with the agreed timetable. The principal sanction is the suspension and/or reclamation of the Major Repairs Allowance.
88. This is a highly complex issue which generates strong views but we emphasise:
- the risk to the Council of not reaching a decision by the January 2009 meeting;
 - the extent of the work required to compile business plans especially if a partial transfer is contemplated as that would require the cost implications for both the retained and the transferred stock to be assessed; and
 - the limited level of officer support available.

Progress continues to be made with changes to the structure, management and working practices within the Planning and Development Control Section although some of the intended enhancements have yet to be fully realised

89. Members will recall the substantial report that we presented in the summer of 2006, and the resulting consideration by Overview and Scrutiny Committee. We have recently performed some follow up work to assess the response to the areas of concern that had arisen. The main points are set out below:

Departmental issues

90. We made a number of recommendations regarding the structure, management and ways of working of the current workforce within the Planning and Development Control Section. From discussions with officers, progress has been made against most of these recommendations, to the point that the backlog of applications is falling. A small number of issues remain, such as vacancies and members of staff 'acting up' to fill a position in a role above their own.

Members

91. We expressed some concern over what we perceived as a high level of substitute members. Following review by the Constitution Working Group, a protocol has now been established allowing substitutes only in the case of illness and annual leave and when agreed in advance with the Chair of the Planning Committee. Three members per party are trained as Planning Committee substitutes. While this is a welcome development, we note that at the latest Planning Committee meeting three substitutes were used, and we consider this to be an area that warrants further review in due course.

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92. We had a number of concerns regarding the robustness and compliance with the decision process. A new protocol has been put in place to refer decisions where members wish to depart from policy either to Executive Committee, Council, or the next meeting of the Planning Committee. This process has been activated on two occasions, but it remains unclear whether it is proving effective.
93. Finally, our review identified a number of occasions when the provisions of the scheme of delegation were not followed. We subsequently recommended that a local target should be established to monitor the number of times on which the provisions of the scheme of delegation are not followed, with the medium term aim of limiting its use. Whilst the Committee disagreed on this point we noted there was a complaint following the September planning meeting at which 30 applications were considered. This was both time consuming in terms of paperwork for the members to read as well as the actual time taken in Committee. A number of members left the Committee before the end resulting in a number of decisions being made without full Committee approval.

The new HR/Payroll System should, when fully operational, provide enhanced management information on a range of HR issues

94. During the year we have maintained a watching brief over the development of the new HR/Payroll System. In principle this is an initiative we very much welcome as it should improve management information on a variety of HR issues.
95. The new system went live in November 2008, following a period of parallel running. We understand that a quarterly report on employee numbers and costs will be produced that should remedy the deficiencies that have been identified previously both in determining the number of employees of the Council, and in budgeting for their cost. Furthermore the process of confirming the base budget for employee cost should provide an opportunity to re-visit the numbers and basis of employment of those concerned, which is also welcome.
96. We should like to commend the contract that has been introduced in recent months, MASS, which is designed to improve the value for money obtained when agency staff are recruited. Some 326 individuals are engaged through various agencies, at an annual cost of £6.6 million. It has been found that there is widespread variation in the mark-up charged by the 32 agencies involved. To rationalise this, a further agency has been engaged in conjunction with two other councils, its role being to drive down the costs associated with agency staff. At the same time a series of challenges has been introduced to encourage managers to think more broadly before going down this route. In particular a maximum period of six months has been enforced in the contract. Total savings of between three and eight percent are envisaged. We think this is an excellent example of how savings and efficiencies can be generated, and would like to suggest it be put forward in the Wales Audit Office Good Practice Exchange so other councils can benefit.

The Council now has a good strategic planning framework for tackling school organisation and education capital issues, but further work is still required to bring together all of the information and to develop and implement the required strategies

- 97. Progress in tackling the issues identified in the October 2007 report is now better planned strategically and co-ordinated operationally, and since summer 2008 there has been a greater drive to tackle the issues.
- 98. A good strategic planning framework has been developed and was approved by the Executive in August 2008. It identifies the actions required and contains a clear timetable for bringing together all of the information needed and for developing a capital strategy by spring 2009. Consultation is then planned on specific proposals to take place during summer 2009. The Council has provided increased staff resources to tackle the workload involved in delivering this strategy. Expenditure on repairs and maintenance in schools has also been increased from £800,000 to £4 million per year for the next four years, and a prioritised capital programme has been published for all schools in 2008-09. This will be repeated in 2009-10. Work is on-track to complete two new special schools by April 2009.
- 99. The Council still faces key decisions in terms of its future schools provision which includes those in relation to sixth form provision to meet the 14-19 transformation agenda. The Council has also to fully identify the capital resources required to make all schools 'fit for purpose'. As a result, it is important that momentum is maintained and the necessary decisions are taken based on clear evidence. The Council rightly identifies that school asset management remains a key strategic risk pending completion of the work.

An Estyn Inspection of the quality of adult community-based learning concluded that learners attain well and, overall, the quality of teaching, training and assessment in the Council is good

- 100. Most learners make good progress, are well motivated and attend class regularly. Many learners use their skills to extend their learning or to improve their daily lives.
- 101. Almost all tutors respond effectively to learners' needs. Many tutors plan their sessions well and use a good variety of teaching methods. However, a few tutors do not plan all their sessions effectively and miss opportunities for learners to assess their own learning and to identify their own progress.

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102. All providers in the Flintshire Community Learning Network work well together. The network draws its membership from a range of providers and key strategic organisations. It has a good structure for the strategic and operational management of the provision. It works well to prepare, agree and deliver strategic and operational plans for adult community-based learning. However, the network does not monitor progress well enough or maximise the use of all its facilities and resources. The Council's departmental managers work well within the network to organise courses and learning activities.
103. The network's jointly produced Self-Assessment report (SAR) is honest, self-critical and strongly evidence-based. However, one provider is not fully involved in the process. All providers have a very good quality assurance system in place. The quality development plan is a very good, useful document. However, this is not used well enough by the network across all provision.

The Council has engaged positively with the Wales Audit Office's initiatives to promote improvement

The Council is committed to using the Good Practice Exchange through shared learning

104. In 2007, the Wales Audit Office embarked on a long-term programme of promoting improvement across public services through the capture, evaluation and dissemination of good practice. Web-based facilities to support improvements in sickness absence management, fleet management, occupational health and grants management have been launched and the ability to access Wales Audit Office case studies and facilities to share learning across public services have been developed.

The Council is committed to delivering the Making the Connections agenda and overall its approach to fleet management is making best use of resources to support improvements in service delivery

105. The Wales Audit Office is committed to an ongoing programme of work focusing on the Making the Connections (MtC) agenda across the public sector in Wales. In 2007 we completed a baseline assessment of progress made in implementing that agenda, following which we concluded that a phased review of asset management would provide a framework for future work.
106. The first phase of that work – on fleet management – was designed to identify whether public sector organisations' arrangements made the best use of resources to support improvement in service delivery. The Welsh public sector collectively uses approximately 16,000 vehicles which cost some £200 million per annum to run. We estimate that these vehicles drive some 250 million miles per annum which generates some 110,000 tonnes of carbon dioxide (CO₂). Effective fleet management can improve service delivery, reduce operating costs and minimise the environmental impact of the fleet.

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107. The Council's fleet of 404 vehicles costs £2.7 million to run each year. We estimate that these vehicles travel 3.5 million miles each year and produce 2,800 tonnes of CO₂.
108. The Council does not have a clear corporate strategy for fleet management. We believe that it would be useful to develop such a strategy, which should have clear links to other areas of asset management planning such as buildings and ICT equipment.
109. The Council has effective procurement arrangements for its fleet. Procurement decisions are based on robust cost calculations for vehicle selection and financing. Factors like residual and maintenance costs are explicitly recognised and in future emission factors will be included. Central contracts are used extensively. The Council is a voluntary member of Value Wales, and the Head of Fleet Services regularly meets with his Welsh colleagues to specifically discuss joint purchasing opportunities and share good practice and knowledge.
110. Effective arrangements are in place to ensure the efficient use of the Council's fleet. Vehicle maintenance, which is primarily provided in-house, appears under control and up to date. The Council uses the DfT produced 'Guide to Maintaining Roadworthiness' to determine maintenance schedules. An external auditing agency has been commissioned to randomly externally audit 120 vehicles annually to monitor compliance. The results of these audits feature as one of the performance indicators for fleet management.
111. Administrative systems to support fleet management appear soundly based. Fleet administration is included in the Council's ISO 9001 accreditation which is externally audited twice a year.
112. More needs to be done in relation to driver training. The Council is currently reviewing its driver licensing checking system but does not have sufficient resources to undertake the number of checks best practice would dictate:
- the drivers handbook needs to be updated; and
 - a policy relating to drivers of fleet vehicles needs to be produced, clarifying drivers' responsibilities.
113. Our review also highlighted a number of issues in relation to vehicle disposal. While the policy on disposal, integral within replacement policy, is clear, a focus meeting in which the views of vehicle users were canvassed, revealed a number of concerns. These are linked to what the users believe are inconsistent and unreasonably high penalty costs incurred by them under the lease when the vehicles are returned to the lease companies who handle most disposals having funded the original vehicle purchase.
114. We have made a series of recommendations about these issues that the Council should take into account which can improve service delivery, reduce operating costs and minimise the environmental impact of the fleet.

Appendix 1

Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2007-08

Conclusion on the Council's arrangements for the year ended 31 March 2008 for securing economy, efficiency and effectiveness in its use of resources

The Council's responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance. The Council is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We have a responsibility under Section 17(2)(d) of the Public Audit Wales Act 2004, to conclude from our audit of the Council's annual accounts and other relevant information whether we are satisfied that it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of our work in this area, we have assessed 'proper arrangements' as principally comprising an organisation's corporate performance management and financial management arrangements, significant elements of which are defined in paragraph 48 of the Auditor General's Code.

We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. In carrying out our work, we have not considered whether the arrangements in place represent all those that could be in place. We are also not required to consider, nor have we considered as part of this aspect of our work, the effectiveness of the arrangements in place in securing Value for Money during the year under review.

Conclusion

The following conclusion has been based on, and limited to, work carried out as part of our audit of the 2007-08 accounts, together with any other information that we have considered to be relevant to our examination, to establish, in all significant respects, what arrangements the Council had in place during the year to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.

Based on the Council's Annual Governance Statement and as a result of the work carried out, as described above, as part of our audit of the 2007-08 accounts, and all other information that we have considered to be relevant, we are satisfied overall as to the existence of the arrangements that the Council had in place during the year to support the achievement of its responsibility for securing economy, efficiency and effectiveness in its use of resources. We have also raised various issues with the Council, and made recommendations to improve its arrangements. These matters are further discussed and explained in the Annual Letter.

PricewaterhouseCoopers LLP
Cardiff
Appointed Auditor
November 2008

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 2

Criteria for assessing the Council's arrangements during 2007-08 for securing economy, efficiency and effectiveness in its use of resources

Corporate performance management and financial management arrangements	Questions on arrangements
Establishing objectives, determining policy and making decisions	Has the Council put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
Meeting needs of users and taxpayers	Has the Council put in place channels of communication with users and taxpayers, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
Compliance with established policies	Has the Council put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
Managing operational and financial risks	Has the Council put in place arrangements to manage its significant business risks?
Managing financial and other resources	Has the Council put in place arrangements to evaluate and improve the Value for Money it achieves in its use of resources?
	Has the Council put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities?
	Has the Council put in place arrangements to ensure that its spending matches its available resources?
	Has the Council put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Council?
	Has the Council put in place arrangements for the management of its asset base?
Monitoring and reviewing performance	Has the Council put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to the Council?
	Has the Council put in place arrangements to monitor the quality of its published performance information, and to report the results to Council members?
Proper standards of conduct etc	Has the Council put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business?

Appendix 3

Audit of the 2008-09 Improvement Plan

Certificate

We certify that we have audited the Council's Improvement Plan in accordance with Section 7 of the 1999 Act and the Auditor General's Code. We also had regard to supplementary guidance issued by the Assembly Government such as Circular 28/2005.

Respective responsibilities of the Council and the auditors

Under the 1999 Act the Council is required to prepare and publish a Best Value Performance Plan summarising:

- its assessments of performance; and
- its position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

This was supplemented by further guidance on how the WPI will be implemented under Sections 3, 5 and 6 of the 1999 Act as set out in the National Assembly' Circular 18/2002. Under this guidance, the statutory Best Value Performance Plan has been replaced by a statutory Improvement Plan.

Assembly Government circular 28/2005 superseded Circular 18/2002 and requires the Plan to be published no later than 31 October of the financial year to which it relates.

The Council is responsible for preparing the Plan and for the information and assessments set out within it. The Council's future work programme set out in the Plan should connect to the outcomes of the updated risk assessment.

The Council is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its Plan are derived, and for ensuring that it provides sufficient capabilities and capacity needed to manage change and improvement. The form and content of the Plan are prescribed in Section 6 of the 1999 Act and the statutory guidance issued by the Assembly Government.

As the Council's appointed auditors, we are required under Section 7 of the 1999 Act to carry out an audit of the Plan, to certify that we have done so, and to report whether we believe that the Plan has been prepared and published in accordance with statutory requirements set out in Section 6 of the 1999 Act and statutory guidance and, where appropriate, recommending how the Plan should be amended so as to accord with statutory requirements; and to recommend:

- Where appropriate, procedures to be followed in relation to the Plan.
- Whether the Auditor General should carry out an inspection of the Council under Section 10A of the 1999 Act.

- Whether the Assembly Government should give a direction under Section 15 of the 1999 Act – eg, directing the Council to amend its Plan, carry out a review of a specific function or hold a local inquiry. Details of all possible directions can be found in the 1999 Act.

Scope of the Improvement Plan audit

We planned and performed our work to obtain all the information and explanations that we considered necessary in order to report and make recommendations in accordance with Section 7 of the 1999 Act.

For the purposes of our report, we have interpreted compliance with the statutory guidance issued by the Assembly Government in the document, *Wales Programme for Improvement: Guidance for Local Authorities*, as being sufficient to meet the statutory requirements under Section 6 of the 1999 Act.

We are not required to form a view on the completeness or accuracy of the information, or realism and achievement, of the Plan published by the Council. Our work therefore comprised a review and assessment of the Plan and, where appropriate, an examination on a test basis of relevant evidence, sufficient to satisfy ourselves that the Plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the Plan complied with the requirements of the legislation and statutory guidance. For the purpose of determining whether or not to make recommendations on procedures to be followed in relation to the Plan, our work included:

- a review and assessment and, where appropriate, examination on a test basis of evidence relevant to the adequacy of the systems set in place by the Council for collecting and recording specified performance information; and
- the testing of specific NSPIs selected on the basis of criteria set out by the Wales Audit Office.

The work we have carried out in order to report and make recommendations in accordance with Section 7 of the 1999 Act cannot be relied upon to identify all weaknesses or opportunities for improvement.

We planned our work so as to collect sufficient evidence to satisfy ourselves that the Plan includes those matters prescribed in legislation and statutory guidance, and the arrangements for publishing the Plan, complied with the requirements of legislation and statutory guidance.

PricewaterhouseCoopers LLP
Cardiff

Appendix 4

Audit and inspection fees

Your 2007-08 audit and inspection fees were based on the risks identified and an assessment of the work needed to address those risks. They are currently expected to be in line with those set out in your Regulatory Plan as summarised below.

Audit and Inspection fees 2007-08 (excluding VAT)

	2007-08 planned (£)	2007-08 expected actual (£)
Accounts	195,900	195,900
Performance audit	139,100	139,100
Performance inspection	92,565	92,565
Total	427,565	427,565

In addition to the fee above, we are required to certify your government grant claims and returns for which we must charge the actual time taken to undertake the work at skill related fee rates. This work is not complete: at this stage we anticipate this work will cost approximately £140,000 plus VAT.



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