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Author: Ceri Stradling

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Annual Letter

Carmarthenshire County Council

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Summary

1. This Annual Letter sets out the key messages arising from work undertaken over the last 12 months by:
 - the Appointed Auditor under the Code of Audit and Inspection Practice (the Code); and
 - the Relationship Manager (RM) on behalf of the Auditor General for Wales (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 Carmarthenshire County Council (the Council). The work planned for the year was set out in the Regulatory Plan 2007/2008 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 provided to all members in December 2008 and presented to the Council in February 2009.
4. The Appointed Auditor has 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. We have concluded that:
 - The Council's financial statements presented fairly and were properly prepared. We did not identify any material weaknesses in internal control.
 - The Council's improvement planning arrangements complied with statutory requirements.
 - Whole of Government returns were completed appropriately.
 - The Council had satisfactory arrangements in place to achieve economy, efficiency and effectiveness in its use of resources but needs to ensure that registers of interest and gifts and hospitality are maintained by all departments.
 - The Council's overall financial position continues to be sound but the continuing budget pressures within a number of services will need to be closely monitored.
5. The RM has concluded that:
 - the annual risk assessment confirmed the Council's priorities for improvement;
 - following the Social Services Joint Review the Council has implemented a number of changes which have resulted in significant improvements being made, but a number of challenges remain which need to be addressed;

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- collaborative working has the potential to open new opportunities for the Council to deliver better Waste Management Services in the future, but there is still much to be done pending clarification of Assembly Government waste and recycling targets;
 - action has been taken to address concerns raised over the resilience of the Wide Area Network Provision in schools;
 - the Council has engaged positively with our initiatives to promote improvement; and
 - the Council's Improvement Agreements comply with the requirements of the Assembly Government's guidance, with the Council being one of the first to get its Improvement Agreements finalised.

We recommend no statutory inspections this year

6. 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.
7. 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

8. 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.
9. 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.

The Financial Statements present fairly and we did not identify any material weaknesses in internal control

The Council's 2007/2008 Financial Statements present fairly the Council's financial position and were properly prepared

10. 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 30 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.	No modifications to the auditor's report.
Unadjusted misstatements.	Some adjustments were made to the accounts following our audit although these were not material. I reported one uncorrected non material misstatement. The Audit Committee subsequently explained why this item was not corrected as required by the ISA.
Material weaknesses in the accounting and internal control systems identified during the audit.	No matters arose.
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	There were no major concerns about the qualitative aspects of the Council's accounting practices and financial reporting, although the quality of supporting working papers needs to be improved together with the application of the requirements of the statement of recommended practice.
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.

11. On 30 September 2008 we issued an unqualified audit opinion on the Financial Statements.

An examination of the Council's significant financial systems did not identify any material weaknesses in internal control

12. Our review of the Council's financial systems has involved documenting the significant underlying systems 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 have reported these to management.

We have certified 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, there were no formal questions or objections to the financial statements

13. 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.
14. These rights have been exercised. Although we continue to receive a range of questions from members of the public and other interested parties, in particular in relation to the Stadium development in Pemberton, none of these were in the form of formal questions or objections to the financial statements.

The Council's improvement planning arrangements complied with statutory requirements

The Council's Improvement Plan has been delivered appropriately and represents a balanced picture of performance in the last year

15. 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.
16. The Plan and the Public Summary were produced and published on time and complied with the guidance in Circular 28/2005:
- the detailed Plan and the Summary are well written documents which report a balance of good performance and areas for improvement;
 - this year the public summary was incorporated into the 'Community News' to ensure much wider reporting and signposting of performance information;
 - the Council's corporate objectives and key actions for achieving them are clearly set out together with linkages to the corporate plan; and
 - the 'Stage 1' information complied with the guidance in Circular 28/2005.
17. 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 robust arrangements in place for the collection and validation of performance information although it needs to continue to work towards developing balanced suites of indicators for all services

18. The 2008 Improvement Plan reports performance during 2007/2008 against the national strategic indicators (NSI). It shows 52 per cent of the NSIs as having met or exceeded their target. In terms of comparative performance against the PIs for 2006/2007:
- 56 per cent demonstrate some measure of improvement;
 - 17 per cent show that performance has remained static; and
 - 27 per cent indicate that performance has deteriorated.
19. Our analysis, based on the audit of the National Strategic Indicators, core and local indicators reported in the improvement plan highlights that the Council has robust arrangements in place for the collection and validation of performance information. They ensure that accurate information is reflected in the improvement plan and used in performance management processes. The need for the development of balanced sets of PIs for each service continues to be an area for improvement; the Council has acknowledged this and is working to address this via its business planning process.

A well established performance management framework is in place but this needs to be extended to link business plans with staff targets

20. The Council's Improvement Plan is aligned with the Community Strategy themes and the latest partnership strategies as are its key priorities for improvement. These are also cascaded down to business plans to be reflected in the delivery of services. It has been the Council's intention to link business plans to staff targets, which can then be reviewed and updated at annual staff appraisals. This process is in place in some services but the full roll out of staff appraisal is still to be completed.

Whole of Government Returns were completed appropriately

21. 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).
22. On behalf of the National Audit Office as auditor of the WGA, the Wales Audit Office is required to audit the C-Pack in accordance with statutory requirements and National Audit Office audit instructions.
23. From our audit 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.
24. Some issues were identified in the format of the C-Pack where definitions did not fully reflect all of the accounting entries in the statutory accounts. This meant that figures had to be included where it was felt most appropriate and could lead to inconsistencies in treatment. The Council has raised these matters with the Assembly Government for consideration in next year's return.

The Council had satisfactory arrangements in 2007/2008 to help it achieve economy, efficiency and effectiveness in its use of resources but needs to ensure that registers of interest and gifts and hospitality are maintained by all departments

25. 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.
26. 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.
27. Separate value-for-money work does consider where arrangements or their operation could be improved. The results of such work carried out during 2007/2008 are set out later in this Annual Letter. This work informs our conclusion on the existence of arrangements but is not essential to it.
28. The auditor's report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2007/2008 is set out in Appendix 1. The criteria used to assess this are set out in Appendix 2.
29. We have concluded that in 2007/2008 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 although the process could be more streamlined
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?	Not fully (see paragraph 30 below)
Overall Conclusion	Has the Council put in place proper arrangements to secure 'economy, efficiency and effectiveness' in its use of resources?	Yes

30. Our work identified that some departments did not have registers of interest or registers of gifts and hospitality in place. There were also areas where controls needed to be strengthened. These areas need to be addressed to ensure that the Council has processes in place to ensure that its affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption.

The Council's overall financial position continues to be sound but the continuing budget pressures within a number of services will need to be closely monitored

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 service areas

31. 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.

32. 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; and
 - 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.
33. The Council has a good track-record of operating within its revenue budget and this continued in 2007/2008 with a small under-spend of £395,000 reported on the Council fund and the Housing Revenue Account under-spent by some £1.3 million due to slippage in the repairs and maintenance budget. The most recent budget monitoring reports for the current financial year indicate a predicted net overspend of £1.2 million which it is anticipated can be managed so that no call will be made on general balances. However, some areas are experiencing significant budget pressures which 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
Increased client demand within social care	An overspend of some £1.4 million is predicted due in the main to increased demand across all client groups e.g. home care packages £480,000; learning disability respite care £83,000, community day care packages £175,000
Increasing energy costs (gas and electricity)	The Council's contract is due to be renewed in October 2008 with an estimated impact of some £1.2 million increase.
Increased demand for SEN transport	School transport budgets are facing significant pressures in addition to increased fuel costs especially in terms of the increasing demand for SEN transport.
Job evaluation and Single Status	The job evaluation process is nearing completion and the Council should soon be in a position to assess the future revenue costs, building these into budget forecasts. A number of single status claims have been received and the Council has engaged specialists to consider its response.
Investments in Icelandic banks	The Council currently has £4 million invested in a British registered bank which is a fully owned subsidiary of an Icelandic bank. It is unclear at the time of writing this letter how much of this, if any, will be recovered. The Council needs to develop a contingency plan to deal with the possible alternative outcomes.
Downturn in the property market	This has impacted on the number of land searches and building control applications received which in turn has resulted in reduced income flows (£163,000 and £89,000 respectively).

34. In terms of capital expenditure the approved budget for 2007/2008 was £131 million compared to total expenditure of £114 million a variance of some £17 million or 13 per cent of the budget. This slippage in the capital programme has been carried forward and built into future programmes. However given the significant capital programme that the Council has in place, together with the very tight deadlines that the Council is working towards (eg, meeting the Welsh Housing Quality Standard, completing the modernising education agenda and so on), these slippages will need to be managed very effectively to ensure that work is completed as planned.
35. 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 £60 million in cash-backed capital and revenue reserves (excluding school reserves) which is a £11 million increase compared to last year.

Exhibit 5: the Council's cash-backed reserves, 2006/2007 and 2007/2008

	2006/2007 £ million	2007/2008 £ million
Earmarked reserves	35,290	42,665
General	9,889	9,847
Housing Revenue Account (HRA)	3,672	7,650
Schools	4,576	5,297
Total	53,427	65,459

Source: Carmarthenshire County Council Audited Accounts 2007/2008

36. Earmarked reserves have been set aside for known commitments such as the capital financing for Modernising Education Provision (MEP), development of St David's Park and other major developments. 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 schools to ensure that their reserves are appropriate.
37. As described in Exhibit 6, the Actuary identified a deficit of £191 million on the Council's Pension Fund (using the methodology within Financial Reporting Standard (FRS) 17) compared with £112 million in 2006/2007. As a result of the latest actuarial valuation as at 31 March 2007, the employer's contribution rate has been increased which will need to be factored into future budgets. The long-term aim is to achieve a fully funded position over a 20-year period. As this will impact on future revenue expenditure it will require careful planning and continued monitoring.

Exhibit 6: The Council's Pension Fund valuation

	2006/2007 £ million	2007/2008 £ million
Estimated market value of assets in the scheme	487	469
Estimated liabilities	(599)	(660)
Net liability	(112)	(191)

Source: Carmarthenshire County Council Audited Accounts 2007/2008

The Council has appropriate financial management arrangements in place. However, both the contractor partnership and the new design partnership arrangements will need to be closely monitored to ensure predicted benefits are achieved

38. The contractor partnership is still in the early stages of implementation so it is important that arrangements are monitored closely until fully bedded in. The Council is also in the process of agreeing future design partnership arrangements which will again require close monitoring to ensure that the issues identified with the previous arrangements have been addressed.
39. 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.
40. Our review of these areas found that:
- The arrangements to maintain the systems of internal control were effective, some areas for improvement were identified and action has been agreed with officers to address these.
 - As in previous years, Internal Audit has met the required professional standards and we have been able to place reliance on its work:
 - effective arrangements were in place to ensure that the Council enters into transactions only where there is specific provision for it to do so.
 - As in previous years, the ethical framework of the Council is operating effectively in the main together with the arrangements for preventing and detecting fraud and corruption. However, there were some weaknesses identified in the maintenance of registers of interest and gifts and hospitality which has been commented on early in this letter.
41. We have therefore concluded that effective financial management arrangements are in place, although there are some areas for improvement which have been reported to management.

The Council made effective use of the National Fraud Initiative

42. 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.
43. The exercise is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the 2006/2007 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 2006/2007 exercise.
44. The Council reported savings of £376,000 in respect of NFI in 2006/2007. It took appropriate action to investigate the matches and to address instances of suspected fraud and error.
45. Data extractions for the 2008/2009 exercise commenced in October 2008 and authorities should receive data matches in early 2009. The Auditor General is undertaking the 2008/2009 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 grant claims and returns is nearing completion and while arrangements have improved overall some specific areas of weakness have been identified which have been reported to management for action

46. In recent years, we have identified grants management as a risk area for the Council which, if not addressed, left the Council open to potential claw-back of grant monies which could have a significant impact on the funding of capital programmes.
47. The Council recognised that these weaknesses needed to be addressed and has in recent years introduced a number of new roles, processes and procedures to strengthen the systems in place.
48. Our work has identified that there has been a continued general improvement in the standard of working papers being submitted to audit and also that officers are more aware of audit requirements. The number of claims being amended or qualified has fallen. However, there are still areas where further improvement, particularly in respect of the management of a number of objective one schemes, is required.

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

The annual Joint Risk Assessment confirmed the Council's priorities for improvement

The Council continues to improve its risk assessment process to ensure that all staff and elected Members are fully engaged in the process

49. The Council has completed, and agreed with its regulators, a risk assessment of its services and corporate functions. The outcomes of the risk assessment were reported in the Council's Improvement Plan, supporting the identification of its priorities for the next year.
50. The Council continues to improve its risk identification and assessment process. Further corporate support has been given to services, especially those who have found the process most problematic, through the attendance of performance staff at team meetings. Risk documentation is more comprehensive, demonstrating improved continuity by showing actions and status on previous year's risks. The Council is now focusing on improving the monitoring of risks and mitigating actions via its PIMS/SIMS performance management system.

Following the Social Services Joint Review the Council has implemented a number of changes which have resulted in significant improvements being made, but a number of challenges remain which need to be addressed

51. The Joint Review follow-up team concluded that the Action Plan developed by the Council following the joint review has been successful in shaping service development and driving improvement within social services. There has been informed support from elected members and corporate managers. There has also been a significant improvement in performance management systems which now support effective knowledge management to inform and drive decision making across adult and children's services.
52. Leadership and management within adult social services were found to be much improved. The quality of communication between senior managers and frontline staff has improved and morale appears to be high. The Council has also taken positive steps in addressing the number of people waiting for services in hospital and in the community. It is tackling these issues with partners in a sustained way, although funding pressures and deficits across the NHS Trust, LHB and Social Care still remain a significant challenge to achieving longer term reductions in waiting for services and associated delayed transfers of care.

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53. In children's services, there is strong leadership and management within the education and children's services department that is taking forward the integration of the two services. This is already beginning to show added value in improving outcomes for children, assisted by well developed partnership arrangements with other agencies and local communities. Embedding such integration across front line services is a key management objective for the coming year. Continued attention needs to be given to sustaining improvements in assessment, care management and reviews for vulnerable children.
54. The follow-up work concluded that the Council is moving in the right direction, coming as it has from a poor level of performance for some adult services. There are high expectations among staff and partners in terms of modernising adult services and continuing improvements in children's services. It will be important to maintain the momentum in order to continue implementing changes to sustain the positive impact on service improvement.

Collaborative working has the potential to open up new opportunities for the Council to deliver better waste management services in the future, but there is still much to be done pending clarification of Assembly Government waste and recycling targets

55. Meeting the escalating waste management targets of the EU Landfill Directive and the recycling targets set by the Assembly Government remains one of the highest corporate priorities for councils across Wales. There is widespread recognition that a collaborative approach could bring many advantages, but also many challenges, for councils and at a time when progress must be made if targets are to be met and severe financial penalties are to be avoided.
56. Collaborative working is supported by the six councils in South West Wales and its progress is being monitored by the Wales Audit Office. The collaborative group has so far made only very limited progress with the priorities needed to meet future waste management targets. However, the group is maturing and has recently been formalised into a member and officer committee, with increased powers to develop and carry forward collaborative ideas. The new committee provides an opportunity for the region to pursue collaborative working more robustly and quickly, but the commitment of councils needs to be more clearly shown. The committee recognises the need to build stronger links with the Assembly Government, to communicate progress and ensure that progress within the region is aligned with the emerging national waste strategy.

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57. Performance in the region has so far kept pace with progressively more challenging targets, although Carmarthenshire along with two other authorities within the group are only just meeting milestones. These milestones plot the performance necessary to achieve the Directive targets for 2009/2010. Failure to meet waste management targets could result in significant financial penalties. In 2010 the Council has to meet the currently non-statutory Assembly Government target of 40 per cent for combined recycling and composting. At the end of last year performance against target was 26.04 per cent, however by half way through the current year this had increased to 33.63 per cent. This should increase further as the new kerbside scheme is rolled out. If national policy remains unchanged and a means of improving performance either collaboratively or individually is not found, then financial penalties can be expected for some of the councils within the group before 2010.
58. It is widely recognised that the waste management targets for 2012/2013 will be even more difficult to achieve. These targets, and the targets for 2019/2020, present a considerable challenge for all councils. In addition, the national waste strategy for Wales is under review and a new strategy is anticipated during 2009. This strategy is expected to prescribe targets that take recycling to an unprecedented level. It is expected to require waste management to work more effectively with the energy agenda, through energy from waste schemes and as a part of the carbon reduction initiatives aimed at reducing future climate changes. The collaborative working groups that have formed across Wales are seeking to influence this strategy but are reluctant to commit to firm actions until the strategy becomes clearer.
59. The South West Wales committee has taken a long time to recognise the need to establish its strategic direction, although this is now developing and a more focused work programme can be set in place. The committee recognises that the most significant challenge currently faced is to explore options to work in collaboration to secure the capital funding needed and to develop the new waste treatment facilities for residual and kitchen waste. Funding for the first stages of collaborative working and to explore options in these two priority areas has been agreed with the Assembly Government, although procurement has been held back by the lack of national direction. Data and information systems are being developed by the committee and it is anticipated that these tools will assist the region to assess options, underpin decisions and to forward plan with more confidence.
60. Only limited progress has been made so far, and this has been far slower than originally anticipated. The dynamics of the group are beginning to settle and improved partnership working should result from this. However, with an ever shorter time to meet important targets, more significant and rapid progress must now be made to explore and develop as appropriate, the collaborative objectives for the region.

Action has been taken to address concerns raised over the resilience of the ICT Wide Area Network Provision in schools

61. The Council has made significant progress in addressing the recommendations included in our last review, which greatly improves its position in this high-profile area. The Council has improved the resilience of the network, re-developed and introduced Service Level Agreements with schools and most significantly developed an e-safety policy and e-safety guidance, which replace entirely the previous Acceptable Use Policy.

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

62. 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.
63. This year we have focused on Smarter Ways of Working, aiming to provide a convenient stimulus for innovation and creative thinking in gearing the organisation of work – and the people who deliver it – to more flexible patterns. It aims to support an overall organisational strategy of improvement, generating benefits in relation to cost control, sustainability, and employee engagement. At the heart of smarter ways of working is citizen-centred service design.

The Council is committed to delivering the Making the Connections agenda and its approach to fleet management is making good use of resources to support improvements in service delivery, although there is some scope for improvement in the use of performance information

64. The Wales Audit Office is committed to an ongoing programme of work focussing 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.

65. 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.
66. The Council’s vehicle fleet costs £6.9 million to run each year. We estimate that these vehicles travel 9.9 million miles each year and produce 5250 tonnes of CO₂.
67. Our work found that the Council has a clear strategy for fleet management with the Corporate strategy setting out its high level objectives and the transport and engineering divisional business plan translating these high level objectives into specific objectives for fleet management across the Council.
68. Effective fleet management procurement arrangements were in place to effectively evaluate the suitability and condition of all vehicles acquired including obtaining the views of drivers and users.
69. Vehicle maintenance services are currently provided at three depots across the County. The cost effectiveness of this approach should be reviewed as part of the consideration of sharing fleet management responsibilities with other public sector bodies, to establish if this is the most efficient and effective method of providing this service.
70. Vehicles are maintained in-house in accordance with Service Level Agreements and contracts which set out the expected frequency of maintenance work. The administration of the fleet was found to be sound but could be strengthened further if a range of KPIs and targets were developed to provide additional information for fleet management purposes.

The Council’s Improvement Agreements comply with the requirements of the Assembly Government’s guidance, with the Council being one of the first to get its Improvement Agreements finalised

71. Improvement agreements are a new Assembly Government initiative designed to focus improvement activities on those areas of local priority where change and progress is most needed. Achievement against specified targets and outcomes is subject to payment, by the Assembly Government, of Improvement Agreement Grant. On behalf of the Auditor General, I am required to comment on the reasonableness, rigour and robustness of the Council’s Improvement Agreements to inform the Assembly Government’s decision on the payment of grant.
72. Our work this year is undertaken in two stages the first being to confirm that the areas of priority selected under each theme are consistent with the outcomes of the joint risk assessment and with the Council’s longer term plans as evidenced by, for example the community strategy. This stage has been completed and reported to officers.

73. The second stage will consider in more detail the expected outcomes and the measures selected to evidence achievement and will inform any refinements the Council decides to make to its agreements.

Appendix 1

Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2007/2008

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	
<p>I have a responsibility under section 17(2)(d) of the Public Audit Wales Act 2004, to conclude from my audit of the Council's annual accounts and other relevant information whether I am satisfied that it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of my work in this area, I 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.</p> <p>I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered as part of this aspect of my work, the effectiveness of the arrangements in place in securing value for money during the year under review.</p>	
Conclusion	
<p>The following conclusion has been based on, and limited to, work carried out as part of my audit of the 2007/2008 accounts, together with any other information that I have considered to be relevant to my 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.</p> <p>Based on the Council's Statement of Internal Control and as a result of the work carried out, as described above, as part of my audit of the 2007/2008 accounts, and all other information that I have considered to be relevant, I am [not] 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. I have also [or, as a result] raised various [significant] issues with the Council, and made recommendations to improve its arrangements. These matters are further discussed and explained in the Annual Letter.</p>	
<p>Ceri Stradling Appointed Auditor November 2008</p>	<p>Wales Audit Office 24 Cathedral Road Cardiff CF11 9LJ</p>

Appendix 2

Criteria for assessing the Council's arrangements during 2007/2008 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	1. Has the Council put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
Meeting needs of users and taxpayers	2. 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	3. 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	4. Has the Council put in place arrangements to manage its significant business risks?
Managing financial and other resources	5. Has the Council put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	6. 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?
	7. Has the Council put in place arrangements to ensure that its spending matches its available resources?
	8. 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?
	9. Has the Council put in place arrangements for the management of its asset base?
Monitoring and reviewing performance	10. 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?
	11. 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	12. 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 2008/2009 Improvement Plan

Certificate

We certify that we have audited Carmarthenshire County 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's 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.

Other Recommendations under the Local Government Act 1999

There are no statutory recommendations.

Appointed Auditor's signature:	
Date:	25 November 2008

Appendix 4

Audit and inspection fees

Your 2007/2008 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 2007/2008 (excluding VAT)		
	2007/2008 planned (£)	2007/2008 actual (£)
Accounts	60,218	60,218
Performance audit	177,159	177,159
Performance inspection	30,184	30,184
Total	267,561	267,561

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 currently on-going.



Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ
Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660
E-mail: info@wao.gov.uk
Website: www.wao.gov.uk