



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2016-17 Monmouthshire County Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Non Jenkins and Dave Wilson under the direction of Huw Rees.

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

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

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Summary report

2016-17 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Monmouthshire County Council's (the Council's) own mechanisms for review and evaluation. For 2016-17, we undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2016-17.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the 'relevant regulators', is set out in [Exhibit 2](#).

The Council is likely to meet its statutory requirements in relation to continuous improvement providing it responds constructively and in a timely way to our statutory recommendations

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18 providing it responds constructively and in a timely way to our statutory recommendations.
- 4 In our February 2017 report 'Safeguarding arrangements – Kerbcraft scheme' we made three statutory recommendations to the Council as detailed in [Exhibit 1](#) below.

Recommendations and proposals for improvement

- 5 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;

- make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection and publish a report and make recommendations; and
 - recommend to Ministers of the Welsh Government that they intervene in some way.
- 6 Formal recommendations made by the Auditor General during the course of the year are set out below. Authorities must prepare a response within 30 working days of receiving them.
- 7 A number of proposals for improvement have also been made and these are repeated in this report. We will monitor progress against the Auditor General’s recommendations, proposals for improvement, and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

Exhibit 1: formal recommendations made in the year

Formal recommendations made in the year	
Recommendations made under Section 25 of the Public Audit (Wales) Act 2004.	
R1	The Council should keep complete records in relation to volunteers, including evidence of DBS checks, occupational health questionnaires, safeguarding training and reference details.
R2	The Council should develop specific internal guidance and procedures for the operation of its Kerbcraft scheme so that staff are clear about how the scheme should operate.
R3	The Council should establish effective performance management and scrutiny arrangements for the Kerbcraft scheme and clarify the roles of the Safeguarding and Quality Assurance Unit and Internal Audit in those arrangements.
This recommendation was made in February 2017 and was contained in our report on ‘Safeguarding arrangements – Kerbcraft scheme’. The Council considered this report and its action plan to address the recommendations at its Council meeting on 20 March 2017. We will continue to monitor progress during our improvement assessment work in 2017-18.	

Audit, regulatory and inspection work reported during 2016-17

Exhibit 2: audit, regulatory and inspection work reported during 2016-17

Description of the work carried out since the last AIR, including that of the 'relevant regulators', where relevant.

Issue date	Brief description	Conclusions	Proposals for improvement
Governance			
March 2017	<p>Good Governance when Determining Service Changes</p> <p>Review of the Council's governance arrangements for determining service changes.</p>	<p>The Council has a clear strategic approach for significant service changes, although, better information would help members when deciding the future shape of the Council:</p> <ul style="list-style-type: none"> the Council has a clear strategic approach to determining significant service change; officers and members demonstrate a clear understanding of their roles and responsibilities in delivering service changes, although, the Council's Constitution is not up to date; the Council considers a range of options when deciding on service change proposals, although, options appraisals are not well developed; the Council consults well with stakeholders, but it is unclear how it considers their views when deciding on service changes; the Council does not systematically monitor the impact of its decisions; and the Council updates its decision-making arrangements in light of changing business needs, but does not review its arrangements systematically to support and learn from service changes. 	<p>The Council's governance arrangements could be strengthened by:</p> <p>P1 Reviewing and updating the Constitution to reflect, for example, recent changes to the Council's senior leadership team and select committees.</p> <p>P2 Improving the quality of its options appraisals by providing information showing how options have been consistently evaluated.</p> <p>P3 Ensuring that budget savings mandates and service change reports systematically reflect stakeholder views and that these are taken into account during the decision-making process.</p> <p>P4 Setting out at the point of decision on service change proposals how the impact of proposed changes is going to be measured and monitored.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
			P5 Formally reviewing its decision-making process in relation to service changes as part of post project learning to evaluate and learn from its effectiveness and ensure continuous improvement.
Use of resources			
November 2016	<p>Annual Audit Letter 2015-16 Letter</p> <p>summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice.</p>	<ul style="list-style-type: none"> • The Council complied with its responsibilities relating to financial reporting and use of resources; • the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and • our work to date on certification of grant claims and returns had not identified any significant issues that would impact on the 2015-16 accounts or key financial systems. 	None
March 2017	<p>Savings Planning</p> <p>Review of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience.</p>	<ul style="list-style-type: none"> • The Council's longer-term financial planning arrangements are hampered by a Medium Term Financial Plan (MTFP) that is underdeveloped and may not support future financial resilience; • the Council has reported achievement of 89% of its 2015-16 planned savings in year and can demonstrate that individual savings have been delivered; and • the Council forecasts that 83% of its 2016-17 planned savings will be achieved as delivery timescales for some savings plans are not realistic. 	Strengthen financial planning arrangements by developing a robust MTFP that incorporates its Reserves Policy, Income Generation Strategy and Future Monmouthshire project.

Issue date	Brief description	Conclusions	Proposals for improvement
Local risk-based performance audit			
Our local risk-based performance audit work is ongoing. These include reviews to determine whether the Council has appropriate arrangements in place to manage information and assets. The findings from this work will be issued to the Council separately and will be summarised in the 2017-18 AIR.			
October 2016	<p>Information Technology – Corporate Assessment Follow-on Review</p> <p>The review focused on the Council's progress in addressing issues raised in the 2015 Corporate Assessment in relation to IT.</p>	<p>The Council has made progress in some areas, but the overall arrangements for managing IT services are disjointed and do not adequately allow the Council to demonstrate good governance, value for money or impact.</p> <ul style="list-style-type: none"> • The Council has not yet developed a clear enough plan to implement its iCounty Strategy, and oversight arrangements need updating; • the Council has made significant efforts to ensure that planned changes to IT service providers do not disrupt provision of its IT services, but the arrangement with the Shared Resource Service (SRS) is not underpinned by formal agreements; • due to the lack of a Social Care and Health Directorate risk register, the Council cannot be assured that risks to the social care system are appropriately escalated; and • the Council has a number of initiatives to improve the effectiveness of its IT services, but it is unclear how these will help it measure and demonstrate impact. 	<p>P1 Review and revise the iCounty Business Plan for 2016-2019 by setting out clear and measurable actions to enable senior managers and members to effectively monitor and manage progress of its implementation.</p> <p>P2 Review membership of the Digital Board following changes in software provider to ensure no conflicts of interest.</p> <p>P3 Negotiate and agree commercial grade Service Level Agreements with SRS in advance of new organisations joining the partnership to support sound governance, and to enable the Council to measure service delivery, and assure itself that its IT needs continue to be met.</p> <p>P4 Complete the database of systems used by the Council, identifying information such as contract details, costs, and the comments of the system owners, to support the Council in its strategic management of IT resources.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
			<p>P5 Review the Council's risk management arrangements to assure itself it manages risks consistently across directorates and identifies, escalates, and addresses risks in a timely and appropriate way.</p>
<p>December 2016</p>	<p>Human Resources Corporate Assessment Follow-on Review This review focused on the Council's progress in addressing the proposal for improvement relating to human resource management from the 2015 Corporate Assessment.</p>	<p>The Council has made good progress in planning, managing and engaging its workforce although further work remains to ensure that managers have better baseline workforce data and HR ICT provision and that all staff have their annual appraisal.</p> <ul style="list-style-type: none"> • The Council is developing its future operating business model, but does not yet have robust baseline data to underpin workforce planning activity and to shape its workforce for the longer-term; • the Council has implemented most of its planned improvement actions within its People and Organisation Development business plan, with remaining actions underway, but accountability is not clear and it is not yet able to fully demonstrate improved outcomes; • the Council has improved its approach to staff appraisals but not all staff are having their annual appraisal completed; • the Council's Human Resources support is good, although there are some areas for further development such as HR ICT support; and • the Council is acting on feedback from its staff, and during 2016-17 plans to further develop its approach to staff engagement. 	<p>P1 Develop further workforce data to include staff establishment, contract status, vacancies, agency use, age, gender and grade/ pay distribution, to better inform future workforce planning activity.</p> <p>P2 Improve oversight and ongoing implementation of the staff appraisal process. In particular:</p> <ul style="list-style-type: none"> • ensure staff appraisal completion is uploaded onto the Council's Hub to accurately reflect the numbers of staff in receipt of an annual appraisal; and • increase the appraisal completion rate. <p>P3 Further develop HR ICT systems to better support operational managers and improve recording of sickness and disciplinary matters.</p> <p>P4 Improve the evaluation of HR improvement actions to better measure the impact and outcomes.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
February 2017	<p>Safeguarding arrangements – Kerbcraft scheme</p> <p>This review sought to establish whether the Council’s safeguarding arrangements regarding its Kerbcraft scheme were adequate.</p>	<p>Children are being put at risk because of continuing weaknesses in safeguarding arrangements of the Kerbcraft scheme that the Council has not adequately addressed:</p> <ul style="list-style-type: none"> • there are continuing weaknesses in the Council’s safeguarding arrangements for the Kerbcraft scheme; and • the Council has failed to act in a timely and responsive manner to improve safeguarding arrangements for the Kerbcraft scheme, and has provided inconsistent, partial and misleading information to auditors. 	<p>Three recommendations made under Section 25 of the Public Audit (Wales) Act 2004.</p> <p>No proposals for improvement.</p>
June 2017	<p>Review of Data Quality 2015-16</p> <p>This follow-up review assessed the progress the Council has made to improve processes and controls for the collection, processing, analysis and reporting of data and specifically reviewed actions taken to address the three previously inaccurately reported PIs from our 2016 review.</p>	<p>Data Quality arrangements continue to improve and arrangements could be strengthened further by correctly applying the national PI definitions.</p>	<p>Ensure performance indicator compilers have a thorough understanding of the definition.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
Improvement planning and reporting			
July 2016	<p>Wales Audit Office Annual 'Improvement Plan' Audit</p> <p>Review of the Council's published plans for delivering on improvement objectives.</p>	The Council has complied with its statutory improvement planning duties.	None
November 2016	<p>Wales Audit Office Annual 'Assessment of Performance' Audit</p> <p>Review of the Council's published performance assessment.</p>	The Council has complied with its statutory improvement reporting duties.	None
Reviews by Inspection and Regulation bodies			
July 2016	<p>Care and Social Services Inspectorate Wales (CSSIW)</p> <p>National review of domiciliary care in Wales – Monmouthshire County Council.</p>	The report can be accessed via this link .	CSSIW did not issue any recommendations in this report but they did include 'areas for consideration'.

Appendix 1

Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

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

Appendix 2

Annual Audit Letter

Councillor Peter Fox
Council Leader
Monmouthshire County Council
County Hall
Rhadyr
Usk
Monmouthshire
NP15 1GA

Reference: 680A2016

Date issued: 30 November 2016

Dear Peter

Annual Audit Letter – Monmouthshire County Council 2015-16

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

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

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

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 28 September 2016 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 21 September 2016, and a more detailed report will follow in due course.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

One area which I would wish to highlight is the need for improvements in some key areas of financial planning arising out of our review of Financial Resilience. In particular, it needs to ensure that the Medium Term Financial Plan is balanced (as far as is possible given the uncertainties over future grant support) over the period of the Plan. That said, I do however recognise that the Council has improved its arrangements in recent years and has plans in place to deliver further improvement.

I issued a certificate confirming that the audit of the accounts has been completed on 2 November 2016

There have been no challenge or objection issues that I have had to deal with. However, I have had to consider a number of issues raised in correspondence sent to me and have discussed/reported these with the Council. Some issues are ongoing and my conclusions will be reported in due course.

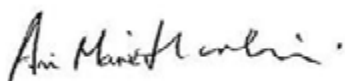
My work to date on certification of grant claims and returns has not identified any significant issues that would impact on the 2015-16 accounts or key financial systems

A large proportion of my work on the audit of the Council's grant claims is complete and on schedule for completion in early December 2016. There have been no significant issues or problems arising from this work to date.

A more detailed report on my grant certification work will follow in late December 2016 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be broadly in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



Ann-Marie Harkin

For and on behalf of the Auditor General for Wales

Appendix 3

National report recommendations 2016-17

Exhibit 3: national report recommendations 2016-17

Summary of proposals for improvement relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR.

Date of report	Title of review	Recommendation
August 2016	<u>Financial Resilience of Local Authorities in Wales 2015-16</u>	<p>In our report of 2014-15 (The Financial Resilience of Councils in Wales, April 2015) we made a number of recommendations for local authorities. Many of these recommendations remained relevant and required further work from authorities to address them during 2016-17. In addition, we also made the following recommendations based on our more recent review:</p> <p>R1 Local authorities should strengthen their financial-planning arrangements by:</p> <ul style="list-style-type: none"> • developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities and service plans; • aligning other key strategies such as workforce and asset management plans with the MTFP; • developing comprehensive multi-year fully-costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget; • categorise savings proposals so that the shift from traditional type savings to transformational savings can be monitored over the period of the MTFP; and • ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned. <p>R2 Local authorities should develop corporate Income Generation and Charging Policies.</p> <p>R3 Local authorities should ensure that they have a comprehensive reserves strategy, which outlines the specific purpose of accumulated useable reserves and the impact and use of these in the MTFP.</p> <p>R4 Local authorities should develop Key Performance Indicators to monitor the MTFP.</p> <p>R5 Local authorities should ensure that savings plans are sufficiently detailed to ensure that members are clear as to what the plans are intended to deliver and that the delivery of those plans can be scrutinised appropriately throughout the year.</p> <p>R6 Local authorities should ensure that corporate capacity and capability are at a level that can effectively support the delivery of savings plans in the MTFP at the pace required.</p>

Date of report	Title of review	Recommendation
October 2016	<u>Community Safety in Wales</u>	<p>The seven recommendations within this report required individual and collective action from a range of stakeholders – the Welsh Government, Home Office Wales Team, Police and Crime Commissioners, Public Service Board members and local authorities.</p> <p>R1 Improve strategic planning to better co-ordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.</p> <p>R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of the Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.</p> <p>R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.</p> <p>R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focusses on delivering the priorities of the national community-safety strategy.</p> <p>R5 Ensure effective management of performance of community safety by:</p> <ul style="list-style-type: none"> • setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services; • ensuring performance information covers the work of all relevant agencies; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny. <p>R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.</p> <p>R7 Improve engagement and communication with citizens through Public Service Boards in:</p> <ul style="list-style-type: none"> • developing plans and priorities for community safety; • agreeing priorities for action; and • reporting performance and evaluating impact.

Date of report	Title of review	Recommendation
November 2016	<u>Charging for Services and Generating Income by Local Authorities</u>	<p>This report made eight recommendations, of which six required action from local authorities. Recommendations R4 and R6 required action from the Welsh Government and the Welsh Local Government Association.</p> <p>R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the MTFP and the Corporate Plan.</p> <p>R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</p> <p>R3 Use the impact assessment checklist whenever changes to charges are considered.</p> <p>R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</p> <p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> • regularly reporting any changes to charges to scrutiny committee(s); • improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives; • benchmarking and comparing performance with others more rigorously; and • providing elected members with more comprehensive information to facilitate robust decision-making. <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p>
January 2017	<u>Local Authority Funding of Third Sector Services</u>	<p>R1 To get the best from funding decisions; local authorities and third sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third sector bodies in developing their working practices, we recommend that the local authority:</p> <ul style="list-style-type: none"> • self-evaluate current third sector engagement, management, performance and practice; • identify where improvements in joint working are required; and • jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation. <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p>

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