

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: 25 March 2019

Meeting time: 13.15

For further information contact:

Fay Bowen

Committee Clerk

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(The Committee agreed on 18 March 2019, a motion under Standing Order 17.42 to resolve to exclude the public from this meeting)

1 Introductions, apologies, substitutions and declarations of interest

(13.15)

2 Paper(s) to note

(13.15)

2.1 The 21st Century Schools and Education Programme: Letter from the Welsh Government (28 February 2019)

(Pages 1 – 14)

2.2 Housing Adaptations: Letter from the Welsh Government (1 March 2019)

(Pages 15 – 16)

2.3 Care experienced children and young people: Letter from the Welsh Government (5 March 2019)

(Pages 17 – 20)

2.4 The Welsh Government's relationship with Pinewood: Letter from the Welsh Government (14 March 2019)

(Pages 21 – 22)

2.5 Management of follow up outpatients across Wales: Additional information from Aneurin Bevan University Health Board (13 March 2019)

(Page 23)



2.6 Scrutiny of Accounts 2016–17: Additional information from the National Library of Wales (18 March 2019)

(Pages 24 – 43)

3 Scrutiny of Accounts: Briefing from Welsh Government

(13.30 – 14.00)

Gawain Evans – Director of Finance, Welsh Government

Chris Munday – Deputy Director, Business Solutions, Welsh Government

4 Financial Management and Governance in Community Councils: Briefing from the Wales Audit Office

(14.00 – 14.30)

(Pages 44 – 170)

Research Briefings

PAC(5)–09–19 Paper 1 – Auditor General for Wales Report – Internal Audit Arrangements at Town and Community Councils in Wales (January 2019)

PAC(5)–09–19 Paper 2 – Auditor General for Wales Report – Financial Management and Governance in Community Councils 2017–18 (January 2019)

PAC(5)–09–19 Paper 3 – Auditor General for Wales Discussion Paper: Six themes to help make scrutiny ‘Fit for the Future’ (February 2019)

PAC(5)–09–19 Paper 4 – Letter from Anthony Barrett, Assistant Auditor General for Wales, outlining changes to audit procedures for the public sector (21 February 2019)

5 Public Procurement: Consideration of draft letter

(14.30 – 14.45)

(Pages 171 – 176)

PAC(5)–09–19 Paper 5 – Letter from the Welsh Government (13 March 2019)

PAC(5)–09–19 Paper 6 – Draft letter

6 Governance Review of Betsi Cadwaladr University Health Board: Lessons Learnt: Discussion of key issues

(14.45 – 15.15)

(Pages 177 – 188)

PAC(5)–09–19 Paper 7 – Additional information from Betsi Cadwaladr University Health Board

PAC(5)–09–19 Paper 8 – Letter from the Chief Executive, North Wales
Community Health Council (14 March 2019)

**7 Management of follow up outpatients across Wales: Discussion of
key issues**

(15.15 – 15.35)

8 Primary care out-of-hours service: Discussion of key issues

(15.35 – 15.55)

**9 Forward Work Programme: Consideration of the Summer 2019
work programme**

(15.55 – 16.15)

(Pages 189 – 205)

PAC(5)–09–19 Paper 9 – Draft work programme

PAC(5)–09–19 Paper 10 – Letter from the Auditor General for Wales:

Consultation on three-year forward programme of work (7 March 2019)

Tracey Burke

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Addysg a Gwasanaethau Cyhoeddus
Education and Public Services Group

28 February 2019

Dear Mr Ramsay,

21st Century Schools and Education Programme

In your letter dated 24 July 2018, you asked for a further update in January 2019 on Band B of the 21st Century Schools and Education Programme, including the issues raised in your letter and the Auditor General's recommendations. You also asked for an update on the Band A position.

I have prepared the attached update paper, which I hope is helpful to the Committee.

Please let me know if you would like further information or clarification.

Yours sincerely



Tracey Burke

Director General, Education and Public Services



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

WRITTEN RESPONSE TO THE PUBLIC ACCOUNTS COMMITTEE

21st CENTURY SCHOOLS AND EDUCATION PROGRAMME

Introduction

As requested in the letter from the Chair of the Public Accounts Committee of 24 July 2018, this paper provides a further update to my letter of 21 August. It covers Band B of the 21st Century Schools and Education Programme, including the issues raised in your letter. It also provides an update on the Auditor General's recommendations.

1. Programme Update

Band A

Band A of the Programme will officially end in March 2019, having seen over £1.4 billion invested in the education estate across Wales since 2014. As of December 2018, Band A will have supported 170 school or college rebuild or refurbishment projects. To date 134 of these have been completed and a further 27 are under construction. We are working with our delivery partners on a further five projects which we still hope to support under the Band A umbrella.

Annex A provides a break down of Band A progress by delivery partner. Business Justification Cases (BJCs) are typically used for smaller projects under £5 million in total value. The information is in a different format to that provided previously. The Tables provided in my June 2018 paper were put together in a bespoke way, specifically for my Committee appearance. The Table in Annex A is what we provide on a monthly basis to the Investment Panel and is regularly updated and verified. It highlights that Band A is now substantially complete. There are lots of reasons why projects do not get delivered or are delayed. Similarly, opportunities for additional or urgently needed projects often appear and require support at short notice. It's this flexibility that enables the programme to deliver as it has.

Band B

Band B of the Programme officially begins in April and will see a further £2.3 billion invested. However, we are already working with our delivery partners to get Band B projects off the ground. Under Band B we have received 21 business cases to date, four of these are for Further Education (FE).

Six business cases, with a combined capital value of £45.8 million, are fully approved and under construction. They are: –

- Carmarthenshire – Ysgol Pum Heol
- Carmarthenshire – Ysgol Pembrey
- Conwy – Ysgol Gogarth
- Flintshire – Connah's Quay High School Phase 3
- Swansea – EOTAS unit

- Coleg Cambria – Yale Technology Hub

Two other business cases, with a combined capital value of £32.4 million, have very recently been approved by the Investment Panel but, at time of writing, have yet to receive Ministerial approval.

Band B will build upon the strengths of the previous Band:

- Ownership and governance will continue in partnership between the Welsh Government, Welsh Local Government Association, Colleges Wales and Diocesan Directors;
- The prioritisation and pace of delivery will continue to be set by our delivery partners based on local priorities and need; and
- Business cases for investment will be developed and tested utilising the 5-Case Treasury Model.

However, we have also looked to strengthen programme delivery based upon what we have learned during the delivery of Band A. Band B delivery will therefore benefit from:

- Simplified business case templates to reduce unnecessary duplication of effort;
- Broader membership of the Welsh Government's Business Case Scrutiny Group, to ensure cross-policy benefits and outcomes; and
- Standardised size and cost benchmarking, to ensure that as many learners as possible benefit from a 21st Century learning environment.

In order to ease the pressures on our delivery partners' budgets, whilst also maintaining our high ambition for the Programme, the capital element of Band B will also benefit from higher Welsh Government intervention rates. This increase is implemented to provide additional financial support to local authorities and colleges to assure the Programme's continued financial viability:

- An increase from 50% to 65% for all capital funded mainstream school and college projects; and
- An increase from 50% to 75% for special schools and pupil referral units (PRUs).

With our delivery partners we also plan to restate the strategic nature of the Programme prior to the commencement of Band B along with a renewed ambition that will seek to provide:

- A new generation of schools and colleges that are learning centres for their wider communities; and
- More hubs for community services, offering not just education but a wider array of community activities through improved planning and join-up of infrastructure budgets.

Mutual Investment Model

In August, I wrote to the Committee in response to its request for assurances that the MIM represented the best value in the round. Since then, by way of a more general update, considerable progress has been made developing the MIM Education Programme. An intensive schedule of briefings has taken place with local authority Chief Executives, Section 151 officers and Directors of Education. Presentations have also been made to the Society of Welsh Treasurers, Association of Directors of Education in Wales and the Consortium of Local Authorities in Wales; as well as detailed discussions with potential MIM project sponsors in the local authorities and colleges.

The engagement culminated in an information day held on 6 November at the Coal Exchange in Cardiff. This event saw 130 representatives attend to hear about the MIM Education Programme and the Welsh Education Partnership (WEP) Strategic Partnering Procurement. Attendees on the day consisted of a large cohort of private sector contractors, funders and advisers, as well as local authority and college representatives. A number of the latter came forward to present their MIM projects. The day demonstrated the significant interest in the MIM Education procurement and the confidence that potential private partners have in the deliverability of the Programme.

As well as intensive engagement with stakeholders, the MIM Education Team has compiled a comprehensive set of documentation, including the template MIM Education Project Agreement, Payment Mechanism, the Strategic Partnering Agreement and the associated Shareholders Agreements. [These documents](#) were uploaded to the Welsh Government website on 30 November to solicit feedback from all interested parties. A second suite of documents was uploaded to the website on 20 December, including the Authority's Technical Requirements and strategy papers on Energy, Community Benefits and Business Information Modelling (BIM).

Further engagement has also taken place with the Assembly itself. Welsh Treasury officials provided technical briefings on the MIM to the Economy, Innovation and Skills (EIS) Committee on 3 October and the Finance Committee on 29 November. These briefings were well received and, where there is demand for further technical briefing, Welsh Treasury and Education officials will work together to ensure that material is provided.

After careful consideration it was recommended that, taking into account the increase to the capital intervention rate, the Welsh Government contribution towards MIM schemes should also be increased. Consequently, on 7 February Local Authorities and FEIs were informed that the intervention rate on MIM schemes was increased from 75% to 81% representing a broadly comparable uplift to that applied to the capital side of the Programme. Local Authorities and FEIs were also asked to reconsider whether they would like to swap any of their capital schemes for delivery via the MIM route.

2. Other areas where the Committee sought further assurance

Your letter of 24th July sought further assurance in six areas - collaborative ethos, demand for places, energy performance, technical support, community benefits and active travel.

Collaborative ethos - where there was a discrepancy between the WLGA evidence and that of Welsh Government. Would want to see that the joint working and collective ownership continues into Band B.

In August, I highlighted that the collaborative arrangement between Welsh Government and the WLGA and local authorities was a successful example of genuine co-construction and central-local relations.

The programme continues to be founded upon collaboration between the Welsh Government, Welsh Local Government Association, Colleges Wales and Diocesan Directors, whom are all represented on the Programme Board. A good recent example of this is the Minister's decision in November to increase the Welsh Government's intervention rates for the capital element of the Programme, which was taken following extensive discussions with our business partners and on advice from the Programme Board.

Demand for places - we were not convinced on the responses we received around the flexibility of the programme to adapt to changes in the birth rate. In particular, we wanted to know whether the programme was factoring in technical solutions to the fabric of schools that mean they can build in flexibility – for example to open and close or re-purpose classrooms - as the demographics change.

In August, I advised that local authorities adjust school configuration and employ various design techniques as demographics change. Local authorities continue to employ a variety of technical solutions to build flexibility to manage changes in the demand for school places. A good recent example of this is two Band B Welsh-medium schools shortly to be built in Swansea. These are being 'future-proofed' in terms of their communal areas so that the schools can be easily expanded to a higher intake capacity by adding additional classrooms should there be an increase in demand for places over time.

Energy performance - we were not convinced that the Welsh Government understood the concerns on energy efficiency savings. Your evidence said you were good at specifying the savings up front but those specifications are not leading to the cost savings expected. We think there is a wider issue of the realism of the potential savings from energy efficiency that needs to be factored into plans up front. We would like to see the Welsh Government take a lead role in challenging the industry if industry specifications are not actually delivering the sorts of financial and environmental benefits you would like to see. The WLGA has suggested that MIM contracts would look to transfer risks associated with the energy efficiency of the design of buildings to the private sector and we would also welcome clarification of how the Welsh Government expects that risk transfer to work.

In August, I advised that we had commissioned a report giving details of how to avoid the performance gap, with resulting Best Practice Guidance being shared with delivery partners and stakeholders. The issue of energy efficiency remains a serious consideration within the Programme. However, whilst we recognise there are concerns that savings for new schools have been below what was expected, we do not yet have sufficient evidence to be able to assess whether this is the case.

Now that the post-occupancy evaluation survey has been rolled out to our delivery partners, we will expect it to be completed in respect of all school projects funded by the Programme. Baseline data will be collected before the start of the project, with data on the completed project collected in years 1, 2 and 5 following project completion.

The Building operation section of the post-occupancy evaluation survey collects information on utility bills, energy consumption, performance and utilisation of renewable technologies and water. The section collects information on the school's:

- Display Energy Certificate;
- Electricity use (both mains and renewable technologies); and
- Heat use (both mains gas and renewable technologies).

Whilst a funding requirement of an EPC 'A' rating is to be achieved by projects, the survey should enable local authorities and the Welsh Government to identify any gap in performance once the school is open. By monitoring Display Energy Certificates it will be possible to see design intent and actual energy consumption and how this may improve or deteriorate over time.

Technical support - we had evidence from the Design Commission Wales whose services are clearly not being used as they could be to support the delivery of the Programme. We would like the Welsh Government to rethink how it can make best use of the Design Commission to support the successful delivery of Band B alongside its consideration of the wider technical support that is needed. While you explained that the support that has been provided to date by Constructing Excellence Wales was for three discrete projects, members remain concerned about whether sufficient technical support will be available to support delivery of the Programme in the next wave. It is for the Welsh Government to decide who provides that support. However, we would welcome an update on your plans in the context of recommendation 10 in the Auditor General's report and taking account of the lessons learned from the impact of the technical support provided during Band A and any capacity/capability constraints in the organisations responsible for project delivery.

When I last wrote to you, I advised that we used the Design Commission to provide input at the beginning of Band A and we intended to do the same for Band B. Since August, officials have met with the Design Commission for Wales twice to discuss its role in supporting the Programme. This conversation will continue with a focus initially on encouraging our delivery partners to engage with the Commission at an earlier stage in the design process than is currently the case.

A key benefit emerging from Band A of the Programme has been the considerable body of delivery expertise and knowledge built up within our delivery partners. A recent workshop, held with our delivery partners to review lessons learned from Band A with a view to gearing up for Band B, has confirmed that most are confident that they have the skills and knowledge to deliver Band B effectively. However, we will continue to commission, draw upon and provide external expertise and support when it is required.

In terms of MIM, some of our delivery partners do have experience of delivering Public Private Partnership schemes. However, we recognise that this is not universally the case and that a multi-disciplinary team will be required at the centre in order to provide advice and support. Resource for this has been agreed with the Minister and recruitment into key roles is under way. The make-up and capacity of this function will be reviewed regularly to ensure that it remains effective.

Community Benefits - we welcome the commitment to community benefits. It is clear that there are complexities involved in making school facilities more available to the communities. We recognise that ultimately it is the governing body's responsibility. However, the Welsh Government and councils have significant leverage through the funding provided through the programme. We would like to be assured that the Welsh Government is using that leverage to full effect to ensure that wherever possible and feasible, schools funded from the programme make their facilities open to community use.

In August, I advised that we had established a task and finish group to look at ways to overcome or remove barriers; to encourage the wider community use of educational assets and disseminate best practice and funding. As noted earlier in this paper, we are to restate the strategic aims of the programme so that this second wave of investment seeks to provide a new generation of schools and colleges that are learning centres for their wider communities. We also want the Programme to look to provide more hubs for community services, offering not just education, but a wider array of community activities through improved planning and join-up of infrastructure budgets.

In October, the Welsh Government Budget Statement included an additional £15 million of capital support to fund innovative projects that will help to demonstrate what is possible in terms schools becoming hubs for community services. An invitation to bid for this money was made to local authorities on 30 November.

We intend that the successful projects will be taken forward in the coming financial year. This will be followed up with guidance and case studies to encourage the spread of good practice and overcoming barriers to community use of education facilities.

Active travel – we are not convinced that the Active Travel (Wales) Act 2013 is being given sufficient consideration. Your recent letter appears to acknowledge a need for greater scrutiny and challenge in this respect and we would ask for clarification of what this will mean in practice. If the Welsh Government can highlight specific examples where Active Travel opportunities

have been maximised then we would be interested to learn of them. Similarly, examples of where poor consideration of active travel access in business cases has been addressed.

In August, I advised that we had updated our business case guidance to incorporate key messages with respect to active travel. The enhanced scrutiny of business cases in terms of compliance with the Active Travel Act is working well. Over the last few months, there have been a number of good examples where active travel requirements were not sufficiently detailed in business cases for investment and local authorities were pressed for further information on how they will enable pupils to travel actively to school; what walking, cycling and scooter routes are available; and on the provision of cycle facilities, such as storage. We are aware of the Committee's concerns in this area and will continue to keep this under review during the lifetime of the Programme.

3. Progress against the Auditor General's recommendations

The evidence I provided to Committee on 8 June 2018 included an update on the actions undertaken in response to the specific recommendations in the Auditor General's Report. At that time three of the ten recommendations had been completed. The information below provides an update on the remaining recommendations in the Auditor General's Report.

Recommendation Two

Going forwards, the Welsh Government is likely to make some substantial changes to the way the programme is funded and managed. The Welsh Government will need to finalise updated governance arrangements for Band B of the programme that take appropriate account of:

- the complexities of making use of revenue funding, learning from the experience of other parts of the UK; and***
- any shift in the balance of funding between partners.***

Complete

Governance arrangements for Band B have been revised and refreshed alongside our delivery partners. The membership and Terms of Reference for the Programme Board and a revised Programme Investment Panel have been agreed. Both bodies have met. Membership of the Business Case Scrutiny Group has also been refreshed to include CADW and others.

The balance of funding for capital and revenue funded schemes has recently changed and will be kept under review to ensure that it remains balanced in terms of affordability across all partners.

Recommendation Four

A national condition survey in 2010 helped to provide a clear baseline on the condition and suitability of the school estate, although there has been little public reporting of the data or the progress of the programme nationally. Since then, councils have updated their data annually. A sample survey was also carried out in 2016 to assess consistency of data. Given the proportion of schools that were judged to be incorrectly categorised, we recommend that the Welsh Government:

- a. urgently issue updated guidance on classifying schools, setting out any common issues and errors identified in the sample review;***
- b. require councils to update their assessment of every school, based on the updated guidance.***
- c. carry out another review of a sample of the data to check that councils are applying the categories correctly and consistently; and***
- d. report publicly on progress to improve the condition and suitability of the school estate alongside achievement of wider benefits.***

A, B and D complete. C under review

Revised guidance on the methodology used during our sample survey was issued to local authorities and colleges in 2017. The guidance and methodology became

mandatory in 2018/19, which will be the first year that all of our partners use the revised approach for their condition survey. Once all data has been received and analysed further action will be considered, including whether a further sample survey is necessary to test the data.

To ensure greater transparency in reporting, we continually update the 21st Century Schools website to report programme progress in respect of school estate improvement and wider programme benefits. At the end of Band A, we will publish on our website details of completed projects to show investment throughout Wales. We also plan to expand our project portfolio online to include photographs of recently completed projects.

Recommendation Six

Some of the completed new school buildings are not achieving the Welsh Government's energy efficiency and sustainability targets for the programme. We recommend that the Welsh Government strengthens its work with councils to:

- a. liaise with industry experts to understand the gap between expected and achieved energy efficiency performance and how it can be remedied and reduced in future projects.***
- b. challenge business cases that rely on significant savings from energy efficiency technology in the whole life cost assessment robustly; and***
- c. encourage schools to assess their energy use when the building is first occupied and then annually to ensure that they are benefitting from the anticipated recurring savings in energy costs.***

Complete

A Best Practice Guide has been prepared and was presented to business partners at three seminar events held in May 2017. The Guide was prepared by Constructing Excellence in Wales in consultation with the construction industry. Our Business Case Guidance has been amended to take into account these recent developments and was published in May 2018.

All business cases received are scrutinised by an economist during the assessment process to ensure robust challenge of the value for money of projects and includes consideration of whole life costing and identification of potential cost reductions as a result of the build. Our economists have run three Economic Case Training events for our delivery partners, which improved their understanding of the requirements for business cases to clearly demonstrate value for money.

A post-occupancy review has been developed that captures a range of information, including the anticipated energy use in a new or refurbished building, and the actual use upon occupation to ensure that savings are being made in line with expectations. Its use will ensure that baseline data is collected before the start of a project, with follow up data on the completed project collected in years 1, 2 and 5 following completion.

Recommendation Seven

Analysis of the costs of completed Band A projects shows significant variation in the total costs as well as in ICT and fixtures, fitting and equipment costs. New schools have exceeded the maximum industry area standards by 7-10%. Some projects are using an approach known as Building Information Modelling in the design and construction phases that has been shown to achieve time and cost savings as well as improving quality. The Welsh Government should build on work already carried out to:

- a. reach agreement with councils, other partners and industry representatives on the options for bringing greater standardisation to the projects including floor area and elements of the build;***
- b. require the use of Building Information Modelling in projects within the programme; and***
- c. provide more detailed guidance about the level of IT and fixtures, fittings and equipment that can be funded from the programme to ensure consistency between projects.***

Complete

Benchmark cost and size standards for building works and for IT and fixtures, fittings and equipment (FFE) have been signed off by the Programme Board and Investment Panel. These are being applied and tested during the business case scrutiny process for Band B.

Building Information Modelling will be applied to the Programme once a Welsh Government-wide approach has been agreed and signed off. We do not currently have a date for when that might be. Progress on this will be monitored by the Programme Team and reported to the Programme Board.

Recommendation Eight

There is evidence that the regional procurement frameworks are not operating as intended, with some duplication and councils not adopting good practice in procurement methods. The Welsh Government should:

- a. ensure that councils adopt accepted good practice in the approach to construction with a presumption in favour of design and build (excepting projects funded through the Mutual Investment Model);***
- b. improve communication with industry on the likely timing and scale of work under the frameworks;***
- c. understand and address the reasons why some councils are conducting pre-tender exercises despite contractors already having gone through the same process to get on the frameworks; and***
- d. engage stakeholders, including councils and the construction industry, in developing and finalising the procurement framework in light of changes for Band B.***

Complete

In addition to the update provided in June on 8a and 8c, procurement frameworks are revised and retendered on a regular basis to ensure they are in line with good practice. Each Framework has a 'lead' local authority responsible for managing this

process along with communication with the industry. Framework members meet regularly to discuss issues and share good practice.

Procurement processes and value for money are tested by Value Wales colleagues at each stage of the business case scrutiny process. From recent engagement it appears that there are a number of reasons why some authorities may wish to undertake pre-tender exercises. The most common of which occurs when batching of schemes has been desired. This exercise ensures that there are no procurement challenges should this route be sought.

Market day events and conferences have been held with the construction industry and others to prepare them for Band B and MIM. Most recently, an information day held on 6th November saw 130 representatives attend to hear about the MIM Education Programme. Attendees included private sector contractors, funders and advisers, as well as local authority and college representatives.

Engagement with stakeholders, including local authorities, FEIs and the construction industry, will be ongoing throughout the delivery of Band B.

Recommendation Nine

The Welsh Government has now established more clearly than in the past what benefits it wants to achieve through the programme. It has established a discrete set of targets for local supply chain, apprenticeships and training and STEM engagement with schools.

It is also clear that a future priority will be to make more community use of the school buildings. To increase the wider benefits flowing from investment in the programme, the Welsh Government should:

- a. ensure that its targets for projects remain stretching over time;***
- b. promote good practice in achieving community benefits, for example through regularly updated the 21st Century Schools website, regional networks and industry events; and***
- c. review how the identified barriers to increasing community use of school buildings can be addressed in Band B of the programme.***

Complete

Programme benefits and targets will be regularly reviewed by the Programme Board and Programme Investment Panel alongside policy colleagues, such as Value Wales. Three Community Benefits seminars were held with partners in summer 2018. Good practice case-studies have been commissioned in order to share these on the website.

The Programme will be shortly re-launched with partners with a particular emphasis on wider community use. The Programme will be likely renamed as the 21st Century Schools and Colleges Programme with the strapline 'Community Spaces for Learning'.

Community benefits targets and community use of assets are tested by policy colleagues during the business case scrutiny process. Community benefit targets

are included in our grant award letters. Funding retentions are not released if targets are not met. In addition we are working with other portfolio areas to build wider community use of schools assets into the terms of funding for projects.

Recommendation Ten

The Welsh Government has put in place arrangements for technical support to the programme. It has strengthened the capacity of its own team through recruitment of experts in public-private finance. It is also setting up framework contracts to provide technical support to councils. Given the technical changes to the programme under Band B, the Welsh Government should, at the end of 2018, fully review whether the arrangements are working to:

- a. provide the Welsh Government with the technical expertise it needs to manage and oversee the programme; and***
- b. provide councils with the technical support they need to plan and deliver the programme locally.***

Complete

Resource for internal technical expertise has been agreed by the Minister and recruitment of an expanded MIM Programme Team is under way. The team will provide direct support to delivery partners. The team will also work with other potential partners, such as the Design Commission for Wales, to ensure that expert advice and support are available when required.

The capacity and make up of the team will be reviewed regularly by the Programme Board and Programme Investment Panel to ensure that it is meeting the needs of all those involved in the Programme.

Annex A

Band A progress by Local Authority – February 2019	Number of Projects	Full Business Case (FBC) Received	Business Justification Case (BJC) Received	FBC/BJC Approved	Under Construction	Complete
Anglesey	4	3		3	1	2
Blaenau Gwent	4	2	2	4	1	3
Bridgend	6	4	2	6		6
Caerphilly	6	3	2	6	1	3
Cardiff	24	10	14	24	1	23
Carmarthenshire	15	7	7	13	2	9
Ceredigion	4	2	2	4	2	2
Conwy	4	1	3	4	1	3
Denbighshire	8	5	3	8	1	5
Flintshire	4	4		4	1	3
Gwynedd	7	5	2	7	1	6
Merthyr Tydfil	2	2		2		1
Monmouthshire	3	2	1	3		3
Neath Port Talbot	6	6		6		6
Newport	6	2	4	6	2	4
Pembrokeshire	10	7	2	9	2	8
Powys	7	4	2	6	3	2
RCT	11	11		11	1	10
Swansea	9	5	4	9	1	7
Torfaen	9	6	3	9	2	7
Vale of Glamorgan	8	1	7	8		8
Wrexham	9	3	6	9	2	6
Further Education	9	5	4	9	3	6
	175	100	70	170	27	134

Tracey Burke

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Addysg a Gwasanaethau Cyhoeddus
Education and Public Services Group

Agenda Item 2.2



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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01 March 2019

Dear Mr Ramsay,

THE PUBLIC ACCOUNTS COMMITTEE – HOUSING ADAPTATIONS UPDATE FEBRUARY 2019

I am pleased to provide an update on the implementation of your recommendations which have a deadline of December 2018. I apologise for the slight delay in sending you this update which was due by the end of January.

The Committee made six recommendations. One recommendation was for completion by December 2018. An update on this recommendation is attached.

Three recommendations were for completion by July 2019 and two for December 2019. I will provide updates on both the July and December recommendations at the appropriate times.

Yours sincerely

Tracey Burke



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Recommendation 1 - *We recommend that the Welsh Government publishes the performance data it has collated under the ENABLE review by November 2018. In publishing this information the Welsh Government should clearly set out any deficiencies in the first round of performance information it collected – for example, organisations not providing returns – and how it intends to address these gaps.*

Update – This is completed. The ENABLE Review of data was published on 29 November, which highlighted a number of areas where the data collection can be improved and sets out a number of lessons learned which are reflected in the new electronic template and guidance which has been issued to service providers.

A link to the publication is included below:

<https://gov.wales/docs/desh/publications/181129-enable-analysis-report-en.pdf>

Albert Heaney
Cyfarwyddwr Gwasanaethau Cymdeithasol
Director of Social Services and Integration
Y Grŵp Iechyd a Gwasanaethau Cymdeithasol
Health and Social Services Group



To: Nick Ramsay AM,
Chair, Public Accounts Committee

5 March 2019

Dear Mr Ramsay,

Thank you for your letter of 5 February seeking clarifications to our response to the Public Accounts Committee's report on the costs and value for money of public services for care experienced children.

I am replying on behalf of our Accounting Officer, Andrew Goodall, Director of Health and Social Services, and will address each of your points in turn.

Recommendation 1

Following the commencement of the Social Services and Well-being (Wales) Act in April 2016, data relating to care experienced children and young people changed. To ensure the data we collect for children and young people remains comprehensive, fit for purpose and robust, the Performance and Improvement Framework for Children has been developed together with local authorities and partners for introduction from April 2020.

The scope of the Performance and Improvement Framework for Children is focussed on the data and activity of local authority children's services. The scope of the Improving Outcomes for Children programme is much broader; covering the full range of policy portfolios, in addition to social services, that impact on the lives of care experienced children. The performance indicators developed by the Ministerial Advisory Group seek to identify activity and improvements in outcomes across these additional areas, such as education, health and housing, to help provide an enhanced dataset of outcomes for care experienced children.

Both these approaches have been informed by the views of young people. The Children's Commissioner's office has been involved in the development of the Framework. A number of third sector organisations representing the voice of the child such as Voices from Care, Children in Wales, The Fostering Network and NSPCC have been closely involved in the development of the performance indicators as members of the Ministerial Advisory Group.

Recommendation 2

As the Committee notes, the new arrangements for the Pupil Development Grant for Looked After Children (PDG-LAC) will come into effect from April this year. The recently published independent evaluation focussed on our current arrangements and its findings have been used to inform the development of the new approach. As with all elements of the Pupil Development Grant, systems are in place to monitor the operation of PDG-LAC. This includes half-termly





meetings between officials in the Education Directorate, the Welsh Government's Raising Attainment Advocate and the relevant leads in the four regional education consortia. These meetings will form part of the ongoing monitoring of the implementation and operation of the new PDG-LAC arrangements.

Recommendation 3

Since our response to the Committee, my team has been considering how we can best publicise the work of the Improving Outcomes for Children programme and its Ministerial Advisory Group in line with the Committee's recommendation. As previously referenced, we will be updating the information contained on our Welsh Government web pages to better highlight the membership, operation and implementation of the programme. To ensure sufficient transparency and accountability of the Ministerial Advisory Group meetings themselves, we will commit to publishing future meeting summaries on the Welsh Government website.

Since our response, we feel there is much more information that could be included about the programme to inform and shape good social work practice across children's services. Social Care Wales has agreed to develop a specific learning and development portal on its website to highlight the activity of the programme and the good practice that has been emerging to help shape the continuing professional development of those working with care experienced children.

Recommendation 4

The development of a national approach to commissioning will be overseen by a project working group consisting of key stakeholders including those involved in implementation of the National Fostering Framework and the Children's Residential Care Task and Finish Group. The cost of placements and the link to outcomes will be included in this commissioning. The proposed timescale for this work is set out below in response to Recommendation 6.

Recommendation 5

It is important to re-emphasise, where there is a placement move or breakdown, a review of a child's care and support plan should be instigated as routine practice. In recognition of the evidence heard, Care Inspectorate Wales (CIW) has confirmed they will specifically consider the effectiveness and frequency of end placement reviews at future inspections. CIW has in place a rolling programme of inspections with local authorities where the evidence heard at Committee can be tested. Any changes to the Part 6 Code of Practice will be undertaken as part of any wider refresh of the Code that is undertaken, particularly in light of the legislative changes made under the Regulation and Inspection of Social Care (Wales) Act.





Recommendation 6

We believe our timetable for developing a national approach to placement commissioning is ambitious and realistic. We will establish a project working group in March to help us draw up a specification and commission a scoping study. Part 1 (September to December 2019) will collate evidence on placement patterns within local authorities, pressures on placement availability and costs, drivers behind high costs of placements and value for money, and the impact of commissioning decisions on outcomes for children. Part 2 (January to March 2020) will use the outcomes from the research to inform recommendations for a national approach to commissioning. It will consider the various arrangements currently in place, and the real and potential contribution of various partners including the National Commissioning Board, the Children's Commissioning Consortium Cymru, and the Regional Partnership Boards.

The timescales for implementing the national approach will depend on the recommendations of the scoping study, the extent to which the new approach uses the existing mechanisms or develops new ones, and whether it is appropriate to adopt a phased approach or aim for a definite implementation date. In any event we expect implementation to begin in 2020-21.

Recommendation 7

Although the transparency of spending across the range of services involved in the care of looked after children can not be achieved through tracking funding allocated via the Revenue Support Grant, we have committed to look at placement costs. We will take forward a piece of work to scope a research commission across the public sector, to look at health, housing and education costs. To enable findings to be relevant on a looked after child population basis any research would require a large sample size due to the individualised nature of care and support. It will also need to factor in that health boards deliver services according to need rather than population groups so does not disaggregate spend specifically for looked after children.

Recommendation 8

Arrangements for monitoring and evaluating the national approach to placement commissioning will form part of the development and implementation of the new approach.

Recommendation 9

I can assure the Committee that we are committed to ensuring local authorities spend the £5m allocation as originally intended. This is a significant investment by Welsh Government. We have made it clear that the recurrent £5m allocation is designed for the delivery of local authority edge of care services to support vulnerable families and help reduce the need for children to enter care. The Improving Outcomes for Children Ministerial Advisory Group continues to provide oversight in this area. To provide additional assurance, I will write to local authorities to ask them to account for the funding in the 2018/19 financial year.

Albert Heaney
Cyfarwyddwr Gwasanaethau Cymdeithasol
Director of Social Services and Integration
Adran Iechyd a Gwasanaethau Cymdeithasol
Department for Health and Social Services



Llywodraeth Cymru
Welsh Government

Recommendation 10

I am pleased you welcome the additional £15m allocated Regional Partnership Boards to help safely reduce the need for children to enter care. We will of course keep the Committee updated on the outcomes this investment will have on the children and young people it is designed to support.

Yours sincerely

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

ALBERT HEANEY
DIRECTOR OF SOCIAL SERVICES AND INTEGRATION



BUDDSODDWYR | INVESTORS
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Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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14 March 2019

Dear Chair

PINEWOOD STUDIOS

Following my attendance at Public Accounts Committee on 5 November, I wrote to you on 22 November to provide costs incurred to date for maintaining the Grade II listed property on the site – Penpil farmhouse. I also confirmed that a full assessment of the property would be carried out to gauge costs and timescales of works for the proposed renovation of the building, and that I would share the outcome of the assessment with the PAC.

Consultants were appointed and undertook a survey of the property in December to advise on the current condition and on the costs of renovating the property. The cost of fully refurbishing the property was estimated to be in the region of £550,000-£600,000 excluding VAT.

The surveyor's report included the following details on the current condition of the property. The property was first listed in 1975 as a good example of a small Glamorganshire farmhouse mainly retaining historic fabric. Documented historic features included a timber partition, angled principle rafters and broach stop beams all consistent with construction dating back to the 1700s. The survey provided evidence that the property was subject to renovation works during the 1980s or 90s which included replacement of the roof, doors, windows and cross beams, together with removal of the timber partition. There was a subsequent fire during the 2000s which damaged a significant part of the property, including to the floors and a significant part of the roof.

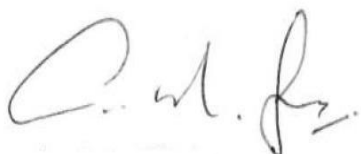
A combination of the earlier renovation works and the subsequent fire has been responsible for the extensive loss of much of the historic fabric which formed the original basis of listing. In light of the findings of the surveyor's report, Cadw were asked to consider the current status of the property. Cadw considered the surveyor's report and additional photographic evidence.

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Their assessment is that the building retains limited historic fabric which formed the basis of the original decision to list. They have also considered the fact that, although Penpil was previously a good example of a small Glamorganshire farmhouse, the property's historic features were by no means unique and there are other surviving examples which better demonstrate the historic regional building traditions. This has led to a conclusion that the building no longer meets the criteria for listing and Cadw commenced the consultation process on the matter of delisting the property on 8 March. The consultation period runs for a period of 28 days.

Once the consultation has concluded, Welsh Government will make a final decision on the future of the property. I have asked Jason Thomas, Director Culture, Sport and Tourism, to write to you once the outcome is known.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'A. Slade', with a stylized flourish at the end.

ANDREW SLADE

Director General

Economy, Skills and Natural Resources

Public Accounts Committee

PAC(5)–09–19 PTN5 25 March 2019

Management of follow up outpatients across Wales

Additional Information from Aneurin Bevan University Health Board (ABUHB)

During the evidence session held on 11 March, ABUHB agreed to confirm the length of time the teledermatological system had been operational and have stated that telederm scheme was introduced in April 2013.

ABUHB 15.03.19



People Strategy

The National Library of Wales



1.1 Introduction

The People Strategy and the Workforce Development Plan have been developed to support the Library's mission and strategic themes as noted in the current Strategic Plan for 2017-2021. The Strategic Plan makes a clear statement about how the Library values and treats its workforce and the culture it wishes to foster to enable everyone to achieve and maintain excellence in all areas of its activity. This Strategy supports the Library's key values of ensuring that Wales' history and heritage is safeguarded for the education and enjoyment of present and future generations and continues to provide a wealth of information about the wider world. It aims to ensure that the Library is an employer of choice, with a culture, policies and procedures that set high expectations, providing also a stimulating and rewarding environment for its employees and where people can conduct their business in either of the two national languages of Wales.

The Strategy recognises that the Library is experiencing a challenging period characterised by decreasing staffing levels, which have fallen 30% over the last 5 years due to reduced funding levels from government. This has resulted in a critical loss of expertise and experience as individual members of staff retire or seek employment elsewhere. However, this Strategy will provide a people-centred framework to guide choices the Library and its staff will face as they seek a successful course through a fluctuating landscape.

Our Vision

Attract, empower and
engage our people,
cultivating
inspirational
leadership to realise
our ambitions



Our Mission

Provide an excellent
customer-focused
service, aligned with our
strategic themes that
place value on our
people and enables them
to fulfil their potential

Strategic Context

The Library aims to attract, recruit and retain the most able staff across all areas of our work. We aim to ensure continued access to collections and to focus on developing a trusted digital repository.

Our services and activities will reflect what the people of Wales want from us, and we will ensure that the Library makes a positive contribution to the wellbeing of future generations. Our work will thus add value to common goals and outcomes.

1.2 Our 10 People Strategy Aims

1. A commitment to ensuring the success of the National Library of Wales through the delivery of high quality public services for the people of Wales.
2. Establish the Library as a model employer, setting an example for others to follow.
3. Attract and retain the best people by providing a working environment in which staff are valued as the Library's most important asset.
4. Recruit people using rigorous, fair and professional methods.
5. Provide induction and career support to give people the best possible start.
6. Develop people's personal and professional skills and knowledge throughout their careers, providing ongoing support to help them achieve their full potential in the Library environment.
7. Provide our staff with a fair wage and remaining competitive wherever funding levels allow.
8. Embed a supportive culture which is inclusive, positive and fair, where opportunities are open to all, change is well managed and people can lead and are led effectively.
9. Provide an environment in which diversity is valued and equality of opportunity is a reality.
10. Provide an environment which actively promotes health and wellbeing, where people feel engaged.

1.3 Supporting strategies, policies and procedures

Under the umbrella of the overarching People Strategy, the Workforce Development Plan produced following the skills audit articulates the aims for staff development. Our approach also encompasses the Historic Wales Partnership's Skills Strategy.



The annual appraisal scheme provides a formal process for identifying personal development needs and linked closely to this is our JEGS (Job Evaluation and Grading Support) System, which provides an agreed framework for evaluating posts. The Equality and Diversity Strategy together with a suite of other policies, including Capability and Performance, Health and Safety, Code of Conduct, Dignity of the Individual, Stress Management and Internal Communications Strategy, ensure inclusivity and provide suitable workplaces and fair and accessible practices, which are reviewed on a regular basis by the Executive Team, Human Resources Unit and Unions.

The People Strategy is also supported by the Estates Strategy which commits the Library to provide staff with an environment which is comfortable and safe, in which they can flourish.

1.4 Work undertaken to date

In 2018, The Library's Board of Trustees commissioned the development of the Library's first Workforce Development Plan as part of a holistic People Strategy. It was recognised that delivery would occur over a period of time, with a number of work streams initially instigated including the development of a Succession Planning Strategy and a comprehensive skills audit. In addition, the Library plays a proactive role within the skills work stream of the Historic Wales partnership, which has developed *A Skills Strategy for the National Heritage Institutions in Wales, 2019-24*. This work will not only benefit the Library but also the sector as a whole in Wales. The Historic Wales Partnership will also commission the development of a sector wide Succession Planning Strategy during 2019-2020.



1.5 Aims

Four specific Aims have been identified which will provide a framework for the Workforce development plan and enable us to focus activities to meet our strategic goals.

Aim 1	Attract, Recruit and Retain Staff
Aim 2	Development Opportunities
Aim 3	Pay Structure
Aim 4	Values Embedded in Organisational Behaviours

1.6 Next steps

To deliver the four aims in the first instance we will review existing policies and work practices. We will also investigate new ways of working, increase our use of benchmarking against others and research best practice within the sector and beyond, using an evidence-based approach. We are already sharing best practice and plans with our Historic Wales strategic partners and amongst members of the WGSB Heads of HR group, of which our Head of Human Resources is a member and also amongst the WGSB Head of Resources Group, which is chaired by our Director and Deputy Chief Executive and Librarian.

We will safeguard and further develop the specialist skills many of our staff have acquired through training, experience and successful succession planning, and establish an effective skills development programme, which will include specialist professional skills, customer facing services, conservation and preservation services and digital developments. We will also offer practical assistance to our staff to encourage them to take ownership of their own professional development.

Review and development of the underpinning HR management information systems will be key to improving service delivery, the efficiency of our administration processes and reporting capability.

The success of the Strategy will depend on the delivery of effective communications with staff on HR matters. Sharing accurate and timely management information through the Library's Delivery Group meetings, monthly core briefing procedure, the Chief Executive's regular news bulletin and quarterly staff meetings will inform staff of any relevant developments which impact on the workforce. An ongoing dialogue with the Trade Unions is an essential element in shaping the action and implementation plans to achieve credible outcomes. In delivering a professional service to support the Strategy, the Executive Team, with the support of the Human Resources Unit, will adopt a model of continuous improvement to ensure a high quality service is established and maintained.





Workforce Development Plan National Library of Wales



November 2018

1.1 Introduction

This Workforce Development Plan forms a part of a holistic People Strategy and sets the strategic direction of workforce development for the period 2018 to 2021. This Workforce Development Plan is aligned to support the delivery of the Library's Strategic Plan, which states how it values and treats its people in order to foster excellence in all areas of responsibilities and service delivery within the Library.

The National Library of Wales is facing rising demands on for its services within a capacity constrained environment, and the implementation of this plan depends to a high degree on the resources available. Our Trustees – together with the Welsh Government - need to be assured that there is effective triangulation between the key components of our business planning – workforce, activity and finance – and that we are adequately resourced to meet the Library's performance targets and the Objects of our Royal Charter to the best of our ability.

The People Strategy is informed by the Library's current Strategic Objectives: being excellent custodians of our collections, contributing to the well-being of future generations, ensuring long-term access to national collections, being central to national cultural life and ensuring resilience for the long-term. It aims to ensure the Library is an employer of choice with a culture, policies and procedures that set high expectations, that offers a competitive wage, whilst providing a stimulating and inclusive environment for its people and sustaining its reputation as an important national cultural organisation.

The People Strategy recognises that the Library is experiencing a challenging period characterised by decreasing staffing levels, which have fallen 30% over the last 5 years due to reduced funding levels from government resulting in a critical loss of expertise and experience as individual retiring members of staff are not replaced and as others leave our employment. The Strategy, together with this Plan, provides a people-centred framework to guide choices the Library and its staff will face as they seek a successful course in an unsettled landscape through the development of a robust workforce.

The Workforce Development Plan sets out the specific activities to be undertaken to focus HR activity on achieving each aim. Alongside this work the HR Unit, with the support of the Executive Team and in consultation with the Trade Unions, will aim to deliver a modern HR service and continue to offer timely support, guidance and training to leaders, managers and staff across the Library. An annual HR Work plan at the start of each financial year will be presented to the Board of Trustees and to our Quarterly Monitoring Meeting with MALD, and regular progress updates will be shared during the year.

1.2 The Library's Workforce – context and overview

At the start of the 2014/15 financial year the Board of Trustees, after considering the Library's financial strategy for the impending 3 years, came to the unavoidable conclusion that the organisation would be required to reduce the number of employees in an attempt to address the significant reduction in its Grant-in-Aid. Board members were cognizant that failure to cut expenditure could lead to the organisation's insolvency. A number of cost-reducing measures had previously been undertaken by the Executive Team, in consultation with the Trade Unions, for example, a number of posts had not been filled as they became vacant which included senior management positions.

A corporate restructuring programme was launched in September 2014, partly in response to reductions in the Grant in Aid, but also in response to the evolving needs of users, potential users and stakeholders. The case for change and its direction had been discussed at numerous Board meetings. The first phase of transformation was a programme of restructuring, initiated in October 2014, and the second phase focused on people, processes, projects and space. It was anticipated that the shifts in working practices and organisational culture that followed from these changes would enable the Library to move towards a distinctly outward looking, dynamic, customer-focused organisation with implementation, with delivery and impact at its core. Whilst revised structures and the use of communications technologies would enhance the Library's services, it was realised that ultimately, improved levels of service could only be achieved through a combination of the skills, motivation, and professional dedication of the Library's staff. Investment in staff would form a key element in enabling the transformation.

It was also agreed that the restructuring programme would result in a reduction in staff numbers primarily by means of voluntary redundancy, retirement and redeployment. Regrettably, albeit inevitably, a number of roles would have to cease. While these reductions in staff numbers would enable the Library to meet its current financial challenges, the Board remained mindful of the need to ensure that the knowledge and skills of individuals leaving the service of the Library would need to be transferred to their successors. In order to ensure the transfer of these skills it was agreed that the Library should develop a People Strategy and Workforce Development Plan.

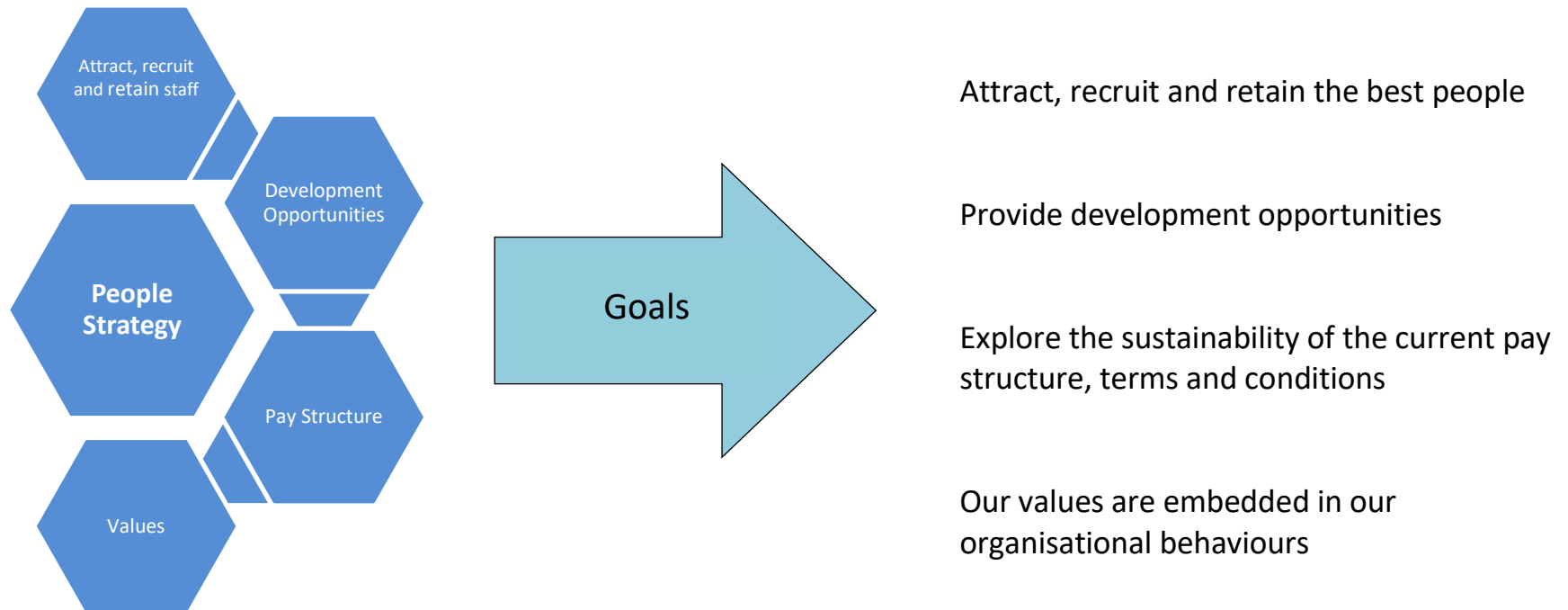
Although we have seen a significant reduction in our workforce during the last few years, the organisation still has a dedicated and talented workforce with a large percentage of staff possessing rare and unique skills and competencies. The Library needs to do its utmost to avoid further loss of skills and experience, by safeguarding these skills and competencies for the future by investing in its current workforce. Further by doing so, the Library can attempt to recover skills which have already been lost and to develop new skills when the need arises. The development of a People Strategy and Workforce Development Plan will enable this issue to be addressed. However, the level of success in implementing this plan will depend on the level of Grant in Aid the Library receives from Welsh Government.



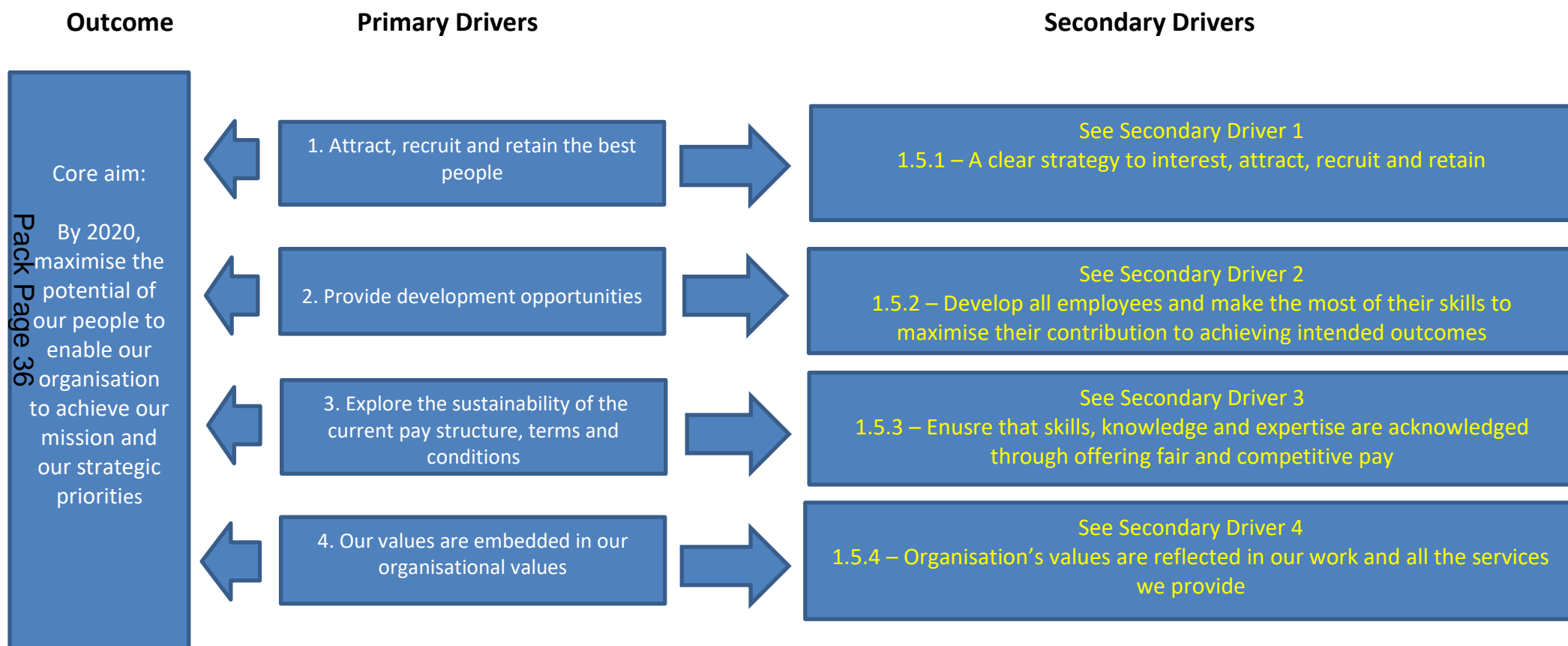
Management and Trade Unions

This Workforce Development Plan has been developed by the Executive Team, in consultation with Trade Unions, on behalf of the Library's Board of Trustees. Both Management and Unions agree that the aims and objectives of the Library can best be achieved by both parties, working in a spirit of co-operation and collaboration, with the aim of delivering a shared vision for the Library's future.

1.3 Our Top Four Aims and Strategic Goals:



1.4 Workforce and Development Plan 2018–2021: Action Plan



1.5 Secondary Drivers 1 – 4

(Key: ET (Executive Team/DG (Delivery Group)/HR Mgr (HR Manager)

Secondary Drivers	What we will do	Timescale Year 1/2/3	Intended outcomes	Measures	Responsibilities
Driver 1: Attract, recruit and retain the best people ✓					
1.5.1 A clear strategy to interest, attract, recruit and retain	<ul style="list-style-type: none"> • Review the Recruitment & Selection Policy and process to: <ul style="list-style-type: none"> - Reflect on the current policy of recruiting internally in the first instance - Include clear methodology for measuring values and behaviours of candidates - Ensure an emphasis on inclusion - Reflect the need to attract and consider the widest possible pool of candidates. 	Year 1	<ul style="list-style-type: none"> • A recruitment strategy which will attract the widest possible pool of appropriately qualified candidates. • Attract a wider selection of candidates who are more likely to come across job advertisements on social media rather than in more traditional forms of communication. • A recruitment and selection process that includes embedded methods for the measurement of candidates' values and behaviours. 	<ul style="list-style-type: none"> • Reviewed recruitment process. • Jobs are filled successfully, within an appropriate time frame, with appropriately qualified and experienced candidates. • An increase in the number of managers who have received refresher training. 	ET, DG & HR Mgr
	<ul style="list-style-type: none"> • Develop and implement an approach to recruitment that incorporates a focus on values. 	Year 1			

Secondary Drivers	What we will do	Timescale Year 1/2/3	Intended outcomes	Measures	Responsibilities
	<ul style="list-style-type: none"> • Train managers in the revised recruitment process. • Make wider use of social media and other platforms to advertise posts to attract more diverse candidates 	Year 1 Year 1			
Driver 2: Provide development opportunities ✓					
1.5.2 Develop all employees and make the most of their skills to maximize their contribution to achieving intended outcomes	<ul style="list-style-type: none"> • Engage and include all staff in developing systems and processes to support them to develop and maximize their potential. • Improve approaches to assess existing knowledge, skills and behaviour and to identify learning and development needs to maximize potential. • Identify areas where new skills may be needed in the future and provide that training in the new areas when needed • Ensure that staff have opportunities for personal and professional growth through active learning and development. • Draft and agree a Learning and 	Years 1 – 3 Years 1 – 3 Years 1 - 3 Years 1 – 3	<ul style="list-style-type: none"> • Staff have self awareness of their existing knowledge, skills and behaviours and gaps are identified and addressed to maximize their potential in their current role. • Staff are aware of how their existing knowledge, skills and behaviours relate to other roles in the Library. • Staff have identified areas for development in their knowledge, skills and behaviours to support their next steps. • Managers are aware of their staffs' development needs to support them in their current role and in their potential next steps. 	<ul style="list-style-type: none"> • Levels of staff engagement in events/consultation. • Mechanisms to assess levels of knowledge, skills and behaviours agreed in partnership with Trade Unions. • A clear understanding of knowledge, skills, behaviours across the Library. • Fully informed personal development plans. • Increased levels of career conversations taking place as part of the Personal Development process or other mechanisms. • Robust staff development 	ET, DG & HR Mgr

Secondary Drivers	What we will do	Timescale Year 1/2/3	Intended outcomes	Measures	Responsibilities
	<p>Development Plan with Historic Wales strategic partners.</p> <ul style="list-style-type: none"> • Explore the potential to develop a shared framework for strategic skills analysis with Historic Wales strategic partners. • Develop a cohesive professional development strategy, including clear guidance around the nature, amount and impact of recommended annual CPD per annum for different roles in the Library. • Together with Historic Wales strategic partners, commission Sector Review of current professional qualifications and the Qualification System for heritage in Wales. • Pilot buddying, mentoring, coaching and shadowing in selected roles/areas of work with support from Academi Wales, external providers and existing managers. • Work with the National Centre for Learning Welsh to develop bespoke Welsh in the Workplace modules for staff. 	<p>Year 1</p> <p>Year 1</p> <p>Year 1</p> <p>Year 1</p> <p>Year 1 – 2</p> <p>Year 1 – 3</p>	<ul style="list-style-type: none"> • Improved conversations between managers and staff with regards to performance and development needs. • Managers gaining ILM qualifications. 	and training programmes in place for staff at all levels	

Secondary Drivers	What we will do	Timescale Year 1/2/3	Intended outcomes	Measures	Responsibilities
Driver 3: Explore the sustainability of the current pay structure, terms and conditions ✓					
1.5.3 Ensure that skills, knowledge and expertise are acknowledged through offering fair and competitive pay	<ul style="list-style-type: none"> • Maintain a stable baseline in our grant from the Welsh Government in order to provide our staff with a competitive salary benchmarked against other similar institutions and the National Assembly for Wales and the Welsh Government itself. • Continue to work with Historic Wales strategic partners to advocate for improving sector pay to align with other sectors and encourage Ministers to develop national guidance and salary benchmarking across WGSBs and Welsh Government. • Maintain up to date benchmarking data drawn from within the sector and from similar institutions across the UK to inform remuneration decisions. • Review pension and wider benefit provision to provide benefits that are truly valued by people. 	<p>Year 1 – 3</p> <p>Year 1 – 3</p> <p>Year 1 – 3</p> <p>Year 1 - 3</p>	<ul style="list-style-type: none"> • Provide our staff with a competitive salary • Improved attraction, recruitment and retention rates • Improved staff morale and productivity rates 	<ul style="list-style-type: none"> • Staff survey reports • Attraction, recruitment and retention statistics • Leaders, managers and Unions report increased levels of satisfaction and morale 	ET & Board of Trustees

Secondary Drivers	What we will do	Timescale Year 1/2/3	Intended outcomes	Measures	Responsibilities
Driver 4: Our values are embedded in our organisational behaviours ✓					
1.5.4 Organisation's values are reflected in our work and all the services we provide.	<ul style="list-style-type: none"> Agree on Organisation's values in consultation with the Trade Unions. 	Year 1	<ul style="list-style-type: none"> People across the Library can connect with and are supportive of our values. Our staff connect with, demonstrate and experience our values. 	<ul style="list-style-type: none"> Stakeholder engagement feedback. Team / directorate engagement in reviewing values and behaviours 	ET, DG & HR Mgr
1.5.5 Organisational behaviours align with our values.	<ul style="list-style-type: none"> Foster behaviours that demonstrate our values and reflect our work across all our services Awareness raising and sharing of stories and examples of our values in practice through regular discussion in Team Briefings/Meetings and sharing best practice. 	Years 1 – 3 Year 1 - 3	<ul style="list-style-type: none"> Teams take time to reflect in order to share experiences, and to continuously learn and improve 	<ul style="list-style-type: none"> Interview staff, survey reports indicating levels of staff engagement (e.g. how they are treated). Develop an active and growing library of stories illustrating how individuals and teams are demonstrating our values. 	ET, DG & HR Mgr
1.5.6 Compassionate, inclusive and effective leaders and managers at all levels.	<ul style="list-style-type: none"> Develop knowledge and practice of compassionate, inclusive high impact leadership behaviours at all levels. Support leaders at all levels to build compassionate leadership behaviours (e.g. Listening with empathy, a focus on building effective relationships and trust, an improvement mindset, an 	Years 1 -3 Years 1 – 2	Leaders and managers at all levels: <ul style="list-style-type: none"> Demonstrate / model consistent values driven behaviour in the way they work. Understand how to build and maintain trust in their working relationships. Challenge behaviours that do 	<ul style="list-style-type: none"> Interview and Staff Survey and PDR satisfaction reports. Stories. Attendance at relevant courses / events 	ET, DG & HR Mgr

Secondary Drivers	What we will do	Timescale Year 1/2/3	Intended outcomes	Measures	Responsibilities
	<p>awareness of stress and ways of reducing stress, ways of building joy in the workplace).</p> <ul style="list-style-type: none"> • Increase understanding amongst all employees about the importance of building relationships and trust. • Support leaders and managers at all levels to build skills in feedback methodology, coaching conversations and improvement. • Support leaders and managers at all levels to be confident to challenge unethical, aggressive or intimidating behaviours. 	<p>Years 1 – 2</p> <p>Years 1 – 2</p> <p>Years 1 - 3</p>	<p>not support compassionate, inclusive, high impact leadership.</p> <ul style="list-style-type: none"> • Employees pay attention to building and maintaining positive relationships. • Unethical, aggressive or intimidating behaviours by any member or level of staff are challenged as a matter of course by others. 		
1.5.7 An open-minded culture where staff are valued, listened to and included in the decision-making process.	<ul style="list-style-type: none"> • Whenever possible staff are consulted and included in decision-making at all levels. • Staff are listened to and their opinions considered, valued and appreciated. • Support staff when putting forward solutions to work problems. • Support staff at all levels to be confident to challenge unethical, aggressive or intimidating behaviours 	Years 1 - 3	<p>Staff at all levels:</p> <ul style="list-style-type: none"> • Are confident in putting forward solutions and opinions as to how work problems can be resolved • Solutions to work matters come from all levels. • Staff feel ownership over work decisions. • Unethical, aggressive or intimidating behaviours by any member or level of staff are challenged as a matter of course by others. 	<ul style="list-style-type: none"> • Levels of consultation with staff in regards to decision making at all levels. • Number of decisions influenced by ordinary staff. 	

Secondary Drivers	What we will do	Timescale Year 1/2/3	Intended outcomes	Measures	Responsibilities
1.5.8 A learning culture focused on continuous improvement.	<ul style="list-style-type: none"> • Promote and encourage reflective practice. • Promote learning opportunities in a range of formats with an emphasis on supporting the transfer of learning into practice. • Support people to build the skills, knowledge and behaviours that will increase resilience and flexibility in a rapidly changing environment. • Support managers in encouraging and empowering people to take time to learn, reflect and share. • Promote a culture where staff take responsibility for the learning and development. • Support an improvement focused mindset across the organisation. • Support development of knowledge sharing / learning / innovative networks across the organization 	<p>Year 1</p> <p>Year 1</p> <p>Year 1 – 2</p> <p>Year 1</p> <p>Years 1 - 3</p> <p>Years 1 – 3</p> <p>Years 1 - 3</p>	<ul style="list-style-type: none"> • Staff take time to learn and reflect. • Staff are sharing their knowledge and learning. • Staff are accessing a wide range of learning and development resources. • Staff are taking proactive responsibility for their learning. • Staff are resilient and able to embrace change. • Managers encourage and empower others to take time to learn, reflect and share. • Staff take responsibility for their learning and development. • Staff are involved in continuously improving the way we do things. 	<ul style="list-style-type: none"> • Team and individual reflection and learning stories are shared • Range of networks, groups and facilities in place to enable sharing of learning across the organisation • Number of people involved in networks / cross-organisational activities to share knowledge and ideas • Numbers of staff engaging in new learning opportunities. • Feedback from staff on learning opportunities. • Learning programmes/opportunities are in place and available for staff at all levels. 	ET, DG & HR Mgr

1.6 Communications and Engagement

The Library has an Internal Communications and Engagement Strategy which will assist us in embedding the People Strategy and Workforce Development Plan. The Library's Executive Team, in consultation with the Trade Unions, adopted a new Internal Communications and Engagement Strategy in 2017. The Strategy is regularly reviewed by our Delivery Group and satisfaction surveys commissioned as necessary. It is also reviewed regularly at meetings of the Partnership Council with Trade Union representatives.

1.7 Review and Reporting Mechanisms

The People Strategy and Workforce Development Plan will be reviewed in November 2019 to provide an update to the Board of Trustees and Welsh Government on progress at the start of 2020.

A mid-year review of progress in delivering the Workforce Development Plan will take place in June 2019 and the results will be presented to the Board of Trustees in September 2019.

The Director of Corporate Resources and the HR Manager will report regularly to the Executive Team. Work will take place to identify the required information and to develop reporting mechanisms to meet those needs.

We will consider whether or not a corporate risk is required to capture any areas that could impact significantly on the Library if we do not deliver this plan.

Agenda Item 4

By virtue of paragraph(s) vi of Standing Order 17.42

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

Internal Audit Arrangements at Town and Community Councils in Wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



I have prepared and published this report in accordance with the
Public Audit (Wales) Act 2004

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Summary Report

What this review is about

- 1 The Accounts and Audit (Wales) Regulations 2014 require town and community councils to have adequate and effective arrangements in place for an internal audit of their accounting records and their systems of internal control.
- 2 Over the past 10 years, there have been several cases of community councils suffering losses to the public purse due to significant failures in financial management and governance. In some instances, this has been due to fraud and theft. While the sums involved are small in relation to total public spending in Wales, they are significant to the individual communities concerned and could have been avoided if there were effective internal audit arrangements in place.
- 3 In most of these cases, the external auditors have identified issues with the scope and adequacy of the work carried out by internal audit. External auditors frequently identify that internal auditors are appointed by the council's clerk with limited input, supervision or contact from the council itself. In a small number of recorded cases, this has resulted in clerks falsifying the existence of internal audit.
- 4 In his report on the 2015-16 Town and Community Councils in Wales accounts, the Auditor General commented on the contradictory conclusions drawn by internal and external auditors in relation to specific issues such as budget setting.
- 5 The Auditor General's statutory audit arrangements are based upon limited assurance which is proportionate to the scale of the sector. The limited assurance audit addresses the duties of the Auditor General through three key elements:
 - a compliance test against the requirements of the annual return;
 - a high level analytical review of the financial and other information provided to the auditor; and
 - a review of the two-part annual governance statement provided by the body and the supporting report from its internal auditor.
- 6 However, in setting these arrangements, there is an assumption that councils have adequate and effective internal audit arrangements in place. There is a reputational risk to the Auditor General's regime where significant issues including fraud are identified, as well as a loss of public confidence in the councils concerned.

7 **Appendix 1** sets out our audit approach and methods.

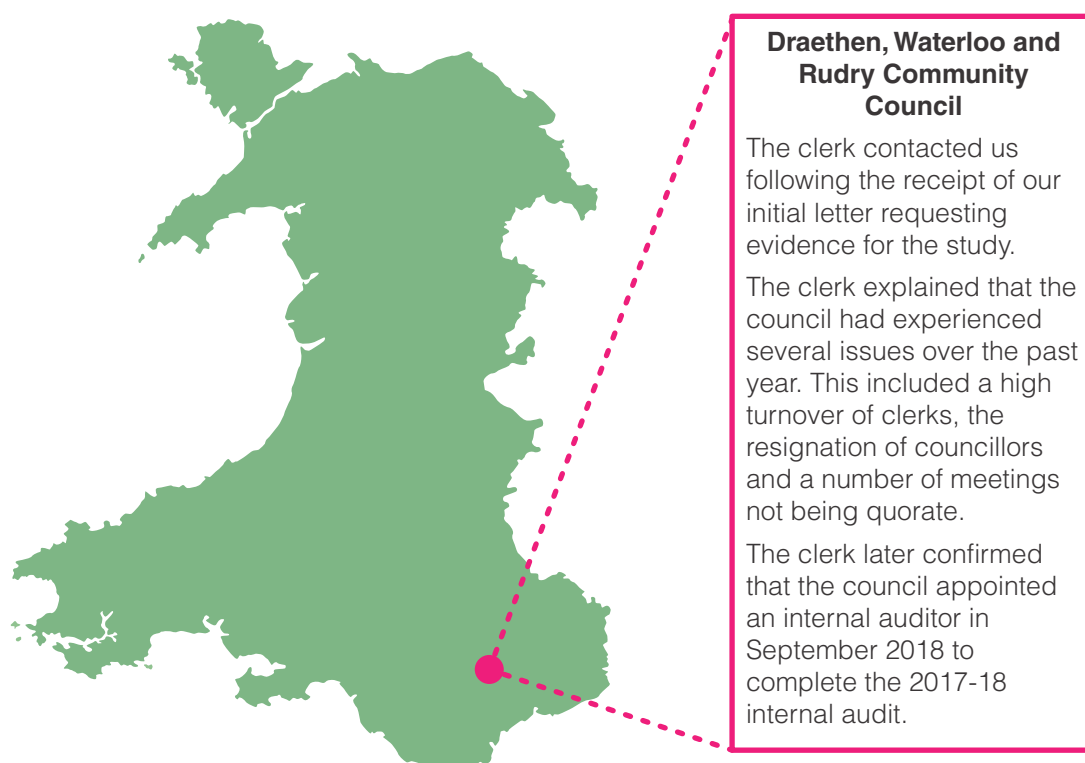
Key Findings

- 8 The messages in this study are consistent with the increasing number of cases of poor governance that we have seen in community councils, which have prompted several public interest reports and statutory recommendations over the last year. **Financial Management and Governance in Town and Community Councils 2017-18** has provided further detail on the public interest reports and statutory recommendations issued during 2018.
- 9 Our main findings, based on a sample of 113 of Wales' 735 town and community councils, are as follows:
- we were unable to establish if internal audit arrangements were in place for around one in ten councils in our sample;
 - one in five councils in our sample do not have a sufficiently independent internal auditor;
 - two-thirds of councils in our sample have inadequate terms of reference for their internal auditor;
 - internal audit conclusions were inaccurate at one in three councils sampled;
 - there are inconsistencies in the internal audit annual reporting process;
 - most councils in our sample did not formally document how they are addressing internal audit recommendations; and
 - a third of internal auditors interviewed felt that additional testing and fee charging guidance would be beneficial.
- 10 As reported in **Financial Management and Governance in Town and Community Councils 2017-18**, the Auditor General will review the audit arrangements for the sector during 2019-20. This report on internal audit will provide evidence for that review.

Part 1 – We were unable to establish if internal audit arrangements were in place for around one in ten councils in our sample

- 1.1 The Auditor General has set statutory audit arrangements proportionate to the size of the sector. However, in setting these arrangements, there is an assumption that all councils have adequate and effective internal audit arrangements in place.
- 1.2 Whilst undertaking the review we contacted 113 of Wales' 735 community councils requesting they provide the contact details of their internal auditor. The clerk of Draethen, Waterloo and Rudry Community Council responded immediately stating the Council did not have an internal auditor. This was the only council in our sample without an internal auditor. **Exhibit 1** explains the situation at the council in more detail.

Exhibit 1: the location of Draethen, Waterloo and Rudry Council and the information provided by the clerk



Source: Response provided to the Wales Audit Office questionnaire by Draethen, Waterloo and Rudry Council Clerk

- 1.3 Of the 112 remaining councils sampled, we were unable to contact ten of the internal auditors. The ten instances of non-contact can be broken down as follows:
- five councils in our sample did not respond to our study
 - three councils provided a response to the study, including contact details for their internal auditors, during the external clearance process in December 2018;
 - one council did not provide sufficient contact details for their internal auditor; and
 - one internal auditor did not respond to our request for evidence.
- 1.4 We were therefore unable to obtain any assurance that these councils have in place any internal audit arrangements.
- 1.5 **Exhibit 2** shows those councils in our sample where the internal auditor could not be contacted.

Exhibit 2: the councils in our sample where we were unable to establish if internal audit arrangements were in place



Source: Responses provided to the Wales Audit Office

- 1.6 **Case Study 1** provides further details which underline the difficulties faced by the audit team.

Case Study 1: Merlin's Bridge Community Council - limited contact details for internal auditor

The council's usual internal auditor was unavailable for 2017-18, so the council used a new internal auditor. The new auditor was found at short notice but held financial qualifications. We were given contact details for the auditor; name and mobile number.

After several attempts at contacting the auditor, including leaving messages, we requested additional contact details (including a postal address and email address) from the clerk. However, the clerk has been unable to provide them, and the internal auditor has not responded to our messages.



Source: Response to Wales Audit Office questionnaire

- 1.7 Non-responses from councils and internal auditors (see **Exhibit 2**) are particularly disappointing and contravene the Auditor General's access rights under Section 52 of the Public Audit (Wales) Act 2004. This Act states that the Auditor General for Wales, or auditors acting on his behalf, have the right of access to every document relating to a body subject to audit. This legislation applies to town and community councils, clerks and internal auditors.
- 1.8 Given the lack of assurance the Auditor General has over the internal audit arrangements at the councils shown in **Exhibit 2** he will regard those councils as being high-risk bodies from 2018-19 onwards.
- 1.9 There were also instances where councils and internal auditors in our sample failed to supply the information we requested. These have been listed within **Exhibit 3** below. The timeline for contacting the councils and internal auditors who were part of the sample can be seen within **Appendix 2**.

Exhibit 3: councils and internal auditors who have presented incomplete information for audit.

Councils which have not provided all the information requested
<ul style="list-style-type: none">• Coedpoeth Community Council• Maentwrog Community Council• Merlin's Bridge Community Council• Ruabon Community Council
Councils where we established contact with the internal auditor, but they did not respond to our request for information
<ul style="list-style-type: none">• Llanwddyn Community Council
Councils where the internal auditor has stated they have working papers, but did not provide them
<ul style="list-style-type: none">• Aberffraw Community Council• Abermule with Llandyssil Community Council• Bodedern Community Council• Pentraeth Community Council
Councils where the council or internal auditor provided the requested information during the clearance process in December 2018
<ul style="list-style-type: none">• Honddu Isaf Community Council• Llanllwni Community Council

Source: information received by the Wales Audit Office

- 1.10 The failure to provide information for this study is consistent with wider difficulties in obtaining information from town and community councils. **Financial Management and Governance in Town and Community Councils 2017-18** also highlights deficiencies in presenting information for audit.

Part 2 – One in five councils in our sample do not have a sufficiently independent internal auditor

- 2.1 **Governance and Accountability for Local Councils in Wales: A Practitioners' Guide** (the Practitioners' Guide) provides guidance on when an internal auditor would not be sufficiently independent. These circumstances include where the internal auditor:
- a is involved in the council's management or administrative roles, for example if they are also a councillor;
 - b assists with bookkeeping or preparing the statement of accounts; or
 - c offers advice on the council's financial controls and procedures.
- 2.2 An additional threat to independence would be if the internal auditor was a friend or relative of the clerk, or other councillors. This would compromise the auditor's independence as they might be less likely to raise issues found, and more likely to trust to explanations given by the clerk or council without appropriate scrutiny. There would also be the possibility that the auditor could collude with the clerk.
- 2.3 **Case Study 2** gives an example of an auditor who we do not consider to be sufficiently independent.

Case Study 2: Bishopston Community Council - lack of internal auditor independence

Detail	Sufficiently independent
The Associated Accounting Technician qualified internal auditor is a friend of the council clerk.	
She assists in the completion the council's monthly bank reconciliations and checks the council's cash books.	
She also assists in the preparation of the council's annual accounts and VAT returns, as well as undertaking any general office duties requested by the clerk.	



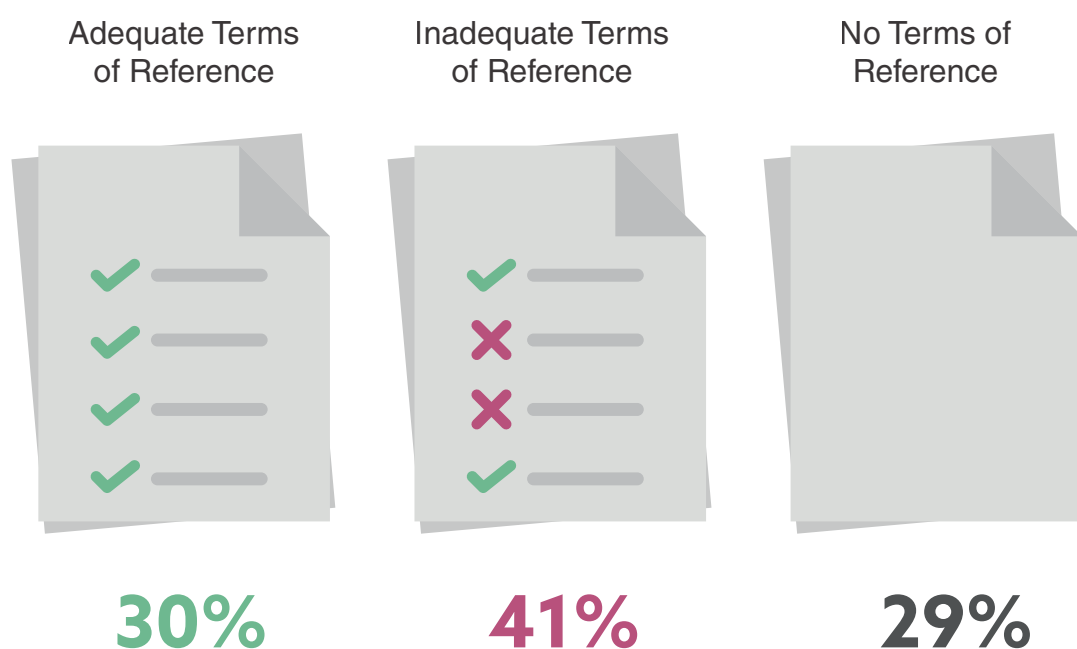
Source: Documentation received

- 2.4 External auditors regularly raise the issue of internal auditors providing other services as part of their normal audit procedures. This has been backed-up by our fieldwork which found that 21% of councils in our sample had internal auditors whose independence was insufficient, mainly due to the provision of additional services. The most common services provided by internal auditors were preparing the annual accounts, providing payroll services and preparing bank reconciliations for the council.
- 2.5 By completing additional services, the internal auditor is not acting independently as when they undertake the internal audit they are assessing their own work. This raises an ethical conflict and a risk that issues with the accounts may not be flagged, thereby undermining the robustness of the completed internal audit.

Part 3 – Two-thirds of councils in our sample have inadequate terms of reference for their internal auditor

- 3.1 Councils should actively oversee their internal control arrangements by discussing the appointment of, and then formally appointing, the internal auditor. This oversight ensures that a suitable individual or firm is appointed to carry out the work.
- 3.2 We were pleased to find that 91% of councils in our sample had formally minuted the appointment of their internal auditor. We understand that the appointments process does not necessarily happen year-on-year with only 74% of those sampled being minuted in 2017-18. However, considering most councils in our sample displayed attributes of good governance by formally minuting the appointment of their internal auditor, it was disappointing to see that this was not continued to the internal auditor's terms of reference.
- 3.3 We compared each terms of reference received to the suggested format as noted within the Practitioners' Guide. The list below shows the areas which are expected to be covered:
 - a Roles and responsibilities
 - b Audit planning
 - c Reporting requirements;
 - d Assurances around independence and competence
 - e Access to information, members and officers
 - f Period of engagement
 - g Remuneration
 - h Any other matters required for the management of the engagement by the council
- 3.4 The comparison undertaken highlighted that two-thirds of councils in our sample did not have terms of reference or where they did, those terms were not adequate. **Exhibit 4** shows our evaluation when completing the comparison.

Exhibit 4: evaluation of terms of reference by percentage of councils in our sample



Source: Wales Audit Office analysis

- 3.5 As shown in [Exhibit 4](#), only 30% of councils in our sample had terms of reference which adequately set out the relationship with the internal auditor, and the arrangements in place for the internal audit. In [Appendix 3](#), we have provided a copy of Goetre Fawr Community Council's terms of reference for its internal auditor. This covers all areas recommended in the guidance, however, we have also added footnotes to suggest how the document could be further improved.
- 3.6 A further 41% of councils in our sample had terms of reference in place, but they did not adequately set out the arrangements and relationship. For example, some terms did not specify the scope of the work to be carried out during the internal audit or did not adequately set out the respective roles and responsibilities of the council and the internal auditor.
- 3.7 Of the councils sampled, 29% did not have terms of reference in place. This increases the risk of misunderstandings between the council and the internal auditor. Furthermore, the councils concerned do not have assurance over the extent and adequacy of their internal audit arrangements.

Part 4 – Internal audit conclusions were inaccurate at one in three councils sampled

- 4.1 We requested internal audit working papers, internal and external audit reports for each of the councils selected to compare audit conclusions. We have been unable to complete the comparison for 21% of our sample, as at present the external audits at those councils have not been completed. This is due to three non-submissions and 20 councils where issues have been identified.¹
- 4.2 Where we have been able to compare the findings of the internal auditor and the external auditor, we found that at 41 councils (46% of the councils where we received the audited annual return) the internal auditor failed to identify issues subsequently identified by the external auditor. This finding indicates weaknesses in the internal audit work completed, as the auditor has failed to identify issues with the council's internal control system.
- 4.3 We have highlighted two examples to provide context to the information presented in [paragraph 4.2](#). The first example, [Case Study 3](#), shows where an internal auditor reached opposing conclusions to the external auditor and [Case Study 4](#) ([paragraph 4.7](#)) shows where the internal auditor identified weaknesses but failed to report them.

¹ Further details of issues relating to the certification of annual returns are discussed in [Financial Management and Governance in Town and Community Councils 2017-18](#).

Case Study 3: Bodedern Community Council - Internal auditor failed to identify issues raised by the external auditor

The council received a qualified audit opinion from the external auditor with several different issues flagged. However, no issues were flagged on the annual return by the internal auditor. The differences between the findings of the internal and external auditors included the following:

- Budgetary Process:
 - the external auditor found that although a precept was set by the due date the council did not prepare an adequate budget to support and evidence the precept request, and no budget monitoring has been undertaken as there is no budget with which to compare actual figures; and
 - the internal auditor wrote in his report that the council had adopted an appropriate budget process, identifying what was required and anticipated expenditure to determine the level of precept required. He also reported that the budget was monitored during the year.
- Asset Register:
 - the external auditor found that the council's asset register was incomplete and did not contain adequate information for all assets; and
 - the internal auditor wrote in his report that there was evidence that the council had an adequate asset register.



Source: Documentation received

- 4.4 In our view **Case Study 3** brings into question the adequacy of the work undertaken by the internal auditor. This is disputed by the clerk of Bodedern Community Council.
- 4.5 Our concerns when internal auditors reach different conclusions from external auditors include:
- a that the internal auditor did not complete adequate work to support the conclusions they drew; and
 - b that the internal auditor did not properly understand the processes they were reporting on.
- 4.6 This is not an isolated example. In all the cases reported in **paragraph 4.2**, we would have expected the internal auditors to have picked up the issues identified by the external auditor if they had completed all the work indicated in their working papers and/or audit report.

- 4.7 The current external audit process relies on internal auditors completing adequate work to support the statements in the Internal Audit section of the Annual Return. If reliance cannot be placed on the conclusions reached by a significant proportion of internal auditors, the internal audit and limited assurance external audit process is undermined.
- 4.8 **Case Study 4** highlights an internal auditor identifying issues and then not reporting them within their report.

Case Study 4: Trefeurig Community Council - Failure to adequately disclose audit findings

We examined the working papers and audit report produced by the internal auditor for the council. He had identified several deficiencies with the council's internal controls, including the following:

- not all invoices/vouchers were made available for the audit;
- not all payments made had been approved for payment by the council;
- a duplicate payment was identified in the accounts;
- £326.07 of expenses reimbursed to the clerk had not been approved by the council;
- vouchers had been provided for expenses payments to the clerk instead of original invoices;
- there was no evidence that the council monitors income and expenditure against the budget during the year;
- for two months of the year, duplicate salary payments had been made to the clerk, which had not been identified until the clerk prepared the end-of-year accounts; and
- the asset register contained no monetary values.

These issues were included in the detailed internal audit report. However, this report was not presented to council.

Despite identifying these issues, the overall conclusion within the Annual Return was that the council's system of internal control was adequate and met required standards.

This disparity between the findings disclosed in the detailed audit report and the annual return was highlighted by the external auditor.



Source: Documentation received

- 4.9 **Case Study 4** demonstrates that the auditor completed sufficient work on the council's accounts and systems of internal control. However, the internal auditor's satisfactory conclusion is inconsistent with the findings of the audit work. An unqualified opinion was given on the adequacy of internal controls although a several issues were identified. We consider issues relating to the reporting of internal audit findings in more detail in section 5 of this report.

Part 5 – There are inconsistencies in the internal audit annual reporting process

- 5.1 The internal audit section on the Annual Return requires the internal auditor to include an outline of the work undertaken, or to provide a separate, detailed internal audit report to the Council. This informs the councillors' conclusions for section six of the Annual Governance Statement which requires councillors to confirm:

'We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.'

Having signed section six, councillors are confirming the existence of internal control.

- 5.2 Our findings indicated that councils in our sample find it difficult to answer section six for two reasons:
- firstly, some internal auditors do not provide sufficient reports on the work they have undertaken, see [Exhibit 5](#) for detail; and
 - secondly, certain clerks do not report the findings of the internal auditor to the council, see [paragraph 5.8](#).
- 5.3 [Exhibit 5](#) summarises the proportion of our sample where sufficient reports of internal audit work were made.

Exhibit 5: analysis of internal audit reports by percentage of councils in our sample



Source: Wales Audit Office review of audit reports and annual returns

- 5.4 **Case Study 5** describes one of the councils where the internal auditor stated he had provided an additional audit report, but it was inadequate.

Case Study 5: Llandysul Community Council - insufficient internal audit report

The internal auditor ticked yes to all the relevant statements on the internal audit section of the annual return but did not include any comments. He stated on the annual return that he had provided a separate audit report to the council.

The separate audit report provided by the auditor was a single sentence. It stated: 'I confirm that I have examined the accounts as at 31 March 2018 and on the information provided found to be correct.'

The report is then signed and dated by the internal auditor.



Source: Documentation received

- 5.5 **Case Study 5** demonstrates the lack of information in some of the internal audit reports provided to councils in our sample. This level of information does not allow the council to understand what work has been undertaken by the internal auditor and does not allow the council to give an informed response to the annual governance statement.
- 5.6 In **Appendix 6**, we have re-produced Holyhead Town Council's internal audit report as an example of good practice. It concisely sets out the work undertaken during the internal audit, the conclusions reached by the internal auditor and recommendations for action to be taken to improve the system of internal control.
- 5.7 Our findings highlighted that in 6% of councils sampled, the clerk did not report the findings of the internal auditor to the council. This means the council is unable to scrutinise the work of the internal auditor. We consequently have concerns over how they can have sufficient assurance to sign off positive assertions in the Annual Governance Statement.
- 5.8 Councillors should ensure that they receive a copy of the internal auditor's report to enable them to determine the adequacy of the internal audit arrangements.

Part 6 – Most councils in our sample did not formally document how they are addressing internal audit recommendations

- 6.1 Our study found that 56% of councils in our sample had received recommendations from their internal auditor during the 2017-18 audit. However, only seven councils had put formal arrangements in place to ensure the recommendations were addressed, in the form of an action plan. Five of these councils had the action plan provided by their internal auditor.
- 6.2 We have included an example of good practice in an action plan provided to Llysfaen Community Council by its internal auditor in [Appendix 5](#). In subsequent years, the actions remain on the action plan, and the internal auditor confirms whether they have been actioned, or whether they are outstanding.
- 6.3 We would recommend that councils should consider creating action plans to document internal and external audit recommendations. If an action plan is provided by the internal auditor, such as the example in [Appendix 5](#), additional columns could be added to document who is going to action the recommendation, the timescale and how it will be reported, as well as a column to note when actions have been completed. By doing this, councils would be able to keep a record of the recommendations that had been made and ensure that they comply with them to improve their internal control environment.
- 6.4 Additionally, we found that the main follow-up work completed on the recommendations from the internal audit is by the internal auditor in the following year. Although 87% of internal auditors making recommendations told us that they follow up on them the following year, we feel that it is important for councils to monitor their own progress in addressing recommendations made.
- 6.5 From our review of working papers, we have noted 9% of councils in our sample do not appear to be addressing audit recommendations from previous years. These councils had outstanding internal audit recommendations from 2016-17 detailed on their internal audit report for 2017-18, as described in [Case Study 6](#).

Case Study 6: Carreghofa Community Council - Failure to address recommendations

The 2017-18 internal audit report for the council highlighted several issues, including the following:

- the annual return did not add up correctly;
- unpresented cheques had been incorrectly included as creditors;
- VAT had not been reclaimed since 2014-15;
- year-end reserves were very high, but not earmarked for specific purposes; and
- there were issues with the budget setting process.

All of these issues were previously identified by the internal auditor during the 2016-17 audit.



Source: documentation received

- 6.6 The fact that the issues in **Case Study 6** reoccurred in 2017-18 after being reported in 2016-17 suggests that the council does not have adequate procedures in place to deal with recommendations. This demonstrates why it is important for councils to make sure that they have suitable arrangements in place to make changes following internal audit recommendations, and to monitor their progress.

Part 7 – A third of internal auditors interviewed felt that additional testing and fee charging guidance would be beneficial

- 7.1 All but three of the internal auditors in our sample held financial qualifications or had relevant experience for their internal audit role. However, of the 19 interviewed a third of them indicated they would appreciate additional guidance to confirm what was expected of them in relation to certain areas of the annual return.
- 7.2 The most common areas where they asked for additional guidance were the following statements on the annual internal audit report section of the annual return:
- 3. the body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these; and
 - 4. [...] progress against the budget was regularly monitored, and reserves were appropriate.
- 7.3 On reviewing our sample, it was clear that reserve testing was an area of weakness for internal auditors. In 19 instances internal audit concluded that reserves were appropriate, however external audit concluded that reserves were too high or too low.
- 7.4 During our fieldwork, we identified examples of good practice in relation to these areas, which we have shared here to assist other internal auditors (**Case Studies 7 and 8**).

Case Study 7: Gwernymynydd Community Council - risk management arrangements

The internal auditor attends a council meeting every October to facilitate a discussion about risks.

The output of the meeting is a risk assessment which includes the risks that the council faces, their consequences and actions the council is or could take to mitigate them.



Source: Documentation received

- 7.5 Facilitating the risk meeting in **Case Study 7** enables the internal auditor to gain an appreciation of the council's attitude towards risks, and whether they are seriously considering how to mitigate the risks they face.

- 7.6 We appreciate that not all auditors may be able to attend a full council meeting for each council that they audit. However, the critical scrutiny of risk assessments and risk management arrangements for completeness and adequacy would assist auditors to reach an informed conclusion.

Case Study 8: Penyrheol, Trecenydd and Energlyn Community Council – budget monitoring arrangements

The internal auditor told us that he can easily check whether the council is monitoring its budget through the quarterly reports which the clerk presents to the council.

The clerk prepares a report analysing the quarter's income and expenditure and reconciling it to the bank accounts. The report is then presented to the council, and progress against the budget is discussed. It is also considered whether any changes to the budget are required.

The internal auditor checks the council's minutes and the quarterly financial reports to confirm whether they are monitoring progress against the budget.



Source: Interview with the internal auditor

- 7.7 **Case Study 8** shows how council's can monitor their own financial position and suggests what sort of documentation internal auditors should be looking for to gain assurance over the council's budget monitoring arrangements.
- 7.8 We have also included the internal audit work programme used for Builth Wells Town Council in **Appendix 4**, which is an example of good practice in undertaking internal audit testing.
- 7.9 Some internal auditors told us that they were unsure what fee to charge for their work. We have, therefore, compiled information about the internal audit fees for the councils in our sample, with the results summarised in **Exhibit 6**.

Exhibit 6: Internal audit fees charged as a percentage of council income

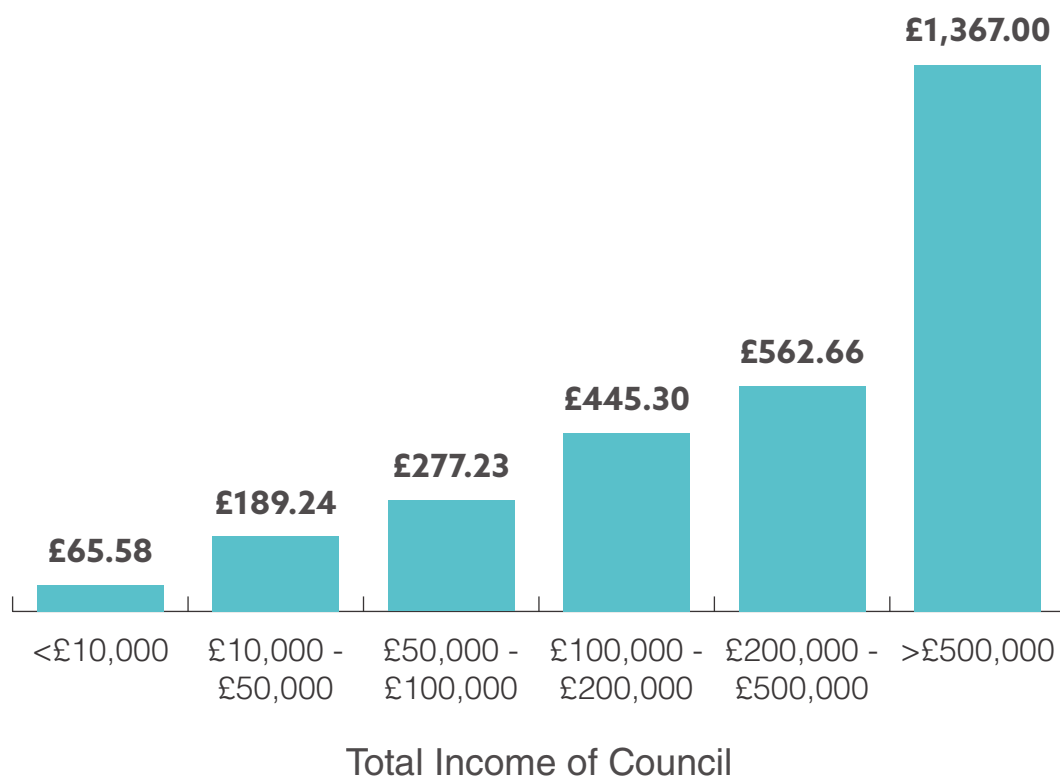


Source: Wales Audit Office analysis

7.10 **Exhibit 6** shows that there is a significant variation in the fees charged by internal auditors. The majority charge less than 0.5% of the council's income, but one quarter charge between 1% and 3.5% of the council's income.

7.11 We have also analysed the average audit fees paid by councils of different sizes in **Exhibit 7**.

Exhibit 7: mean audit fees for councils in our sample in different size brackets



Source: Wales Audit Office analysis

7.12 Some internal auditors do not charge a fee for their services. Within our sample, 11% of councils were not charged for their internal audit. These councils varied in size, from total incomes of £950 to £67,033 in 2017-18.

Appendices

Appendix 1 – Our Audit Approach and Methods

Scope

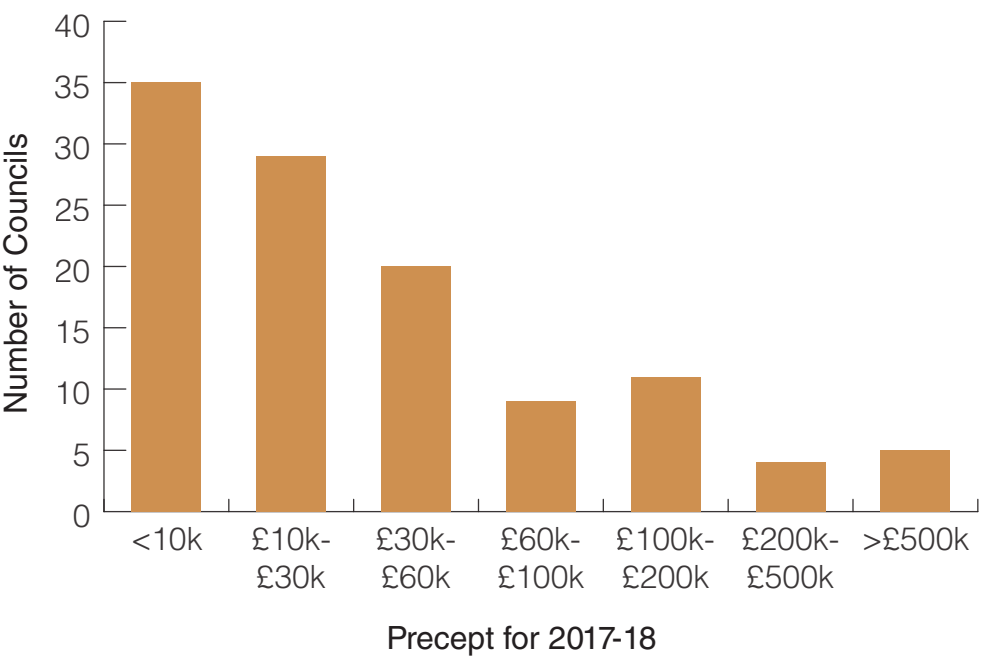
- 1 We conducted an audit review of the adequacy and effectiveness of the internal audit arrangements in place for town and community councils.

Methods

- 2 We gathered and reviewed documentary evidence from 113² of the 735 town and community councils. The top seven councils in terms of the higher level of expenditure were selected automatically with the remainder being selected on a random basis, see **Exhibit 8**, below for the varying levels of precept.
- 3 The documentary evidence included:
 - a 2017-18 Certified annual returns;
 - b responses to our questionnaire, sent out to both clerks and internal auditors; and
 - c internal audit working papers.

2 Sample size was determined using our internal sample selection formula.

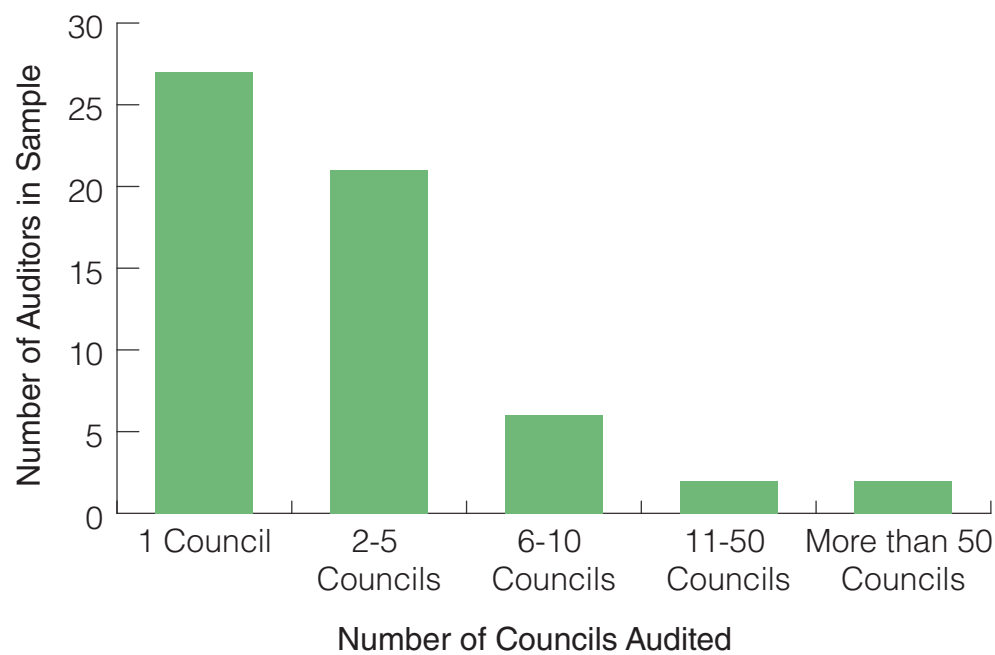
Exhibit 8: size of councils included in the study by precept



Source: WAO Analysis

- 4 Our sample of 113 councils involved contacting 60 internal auditors for information in relation to their internal audit arrangements and the 2017-18 internal audit, the number is less than our sample size as some auditors work with more than one council, see [Exhibit 9](#).

Exhibit 9: total number of councils audited by internal auditors within our sample



Source: Wales Audit Office Analysis

5 Based on the information received we interviewed 19 internal auditors. Exhibit 10 shows the questions that we were seeking to answer.

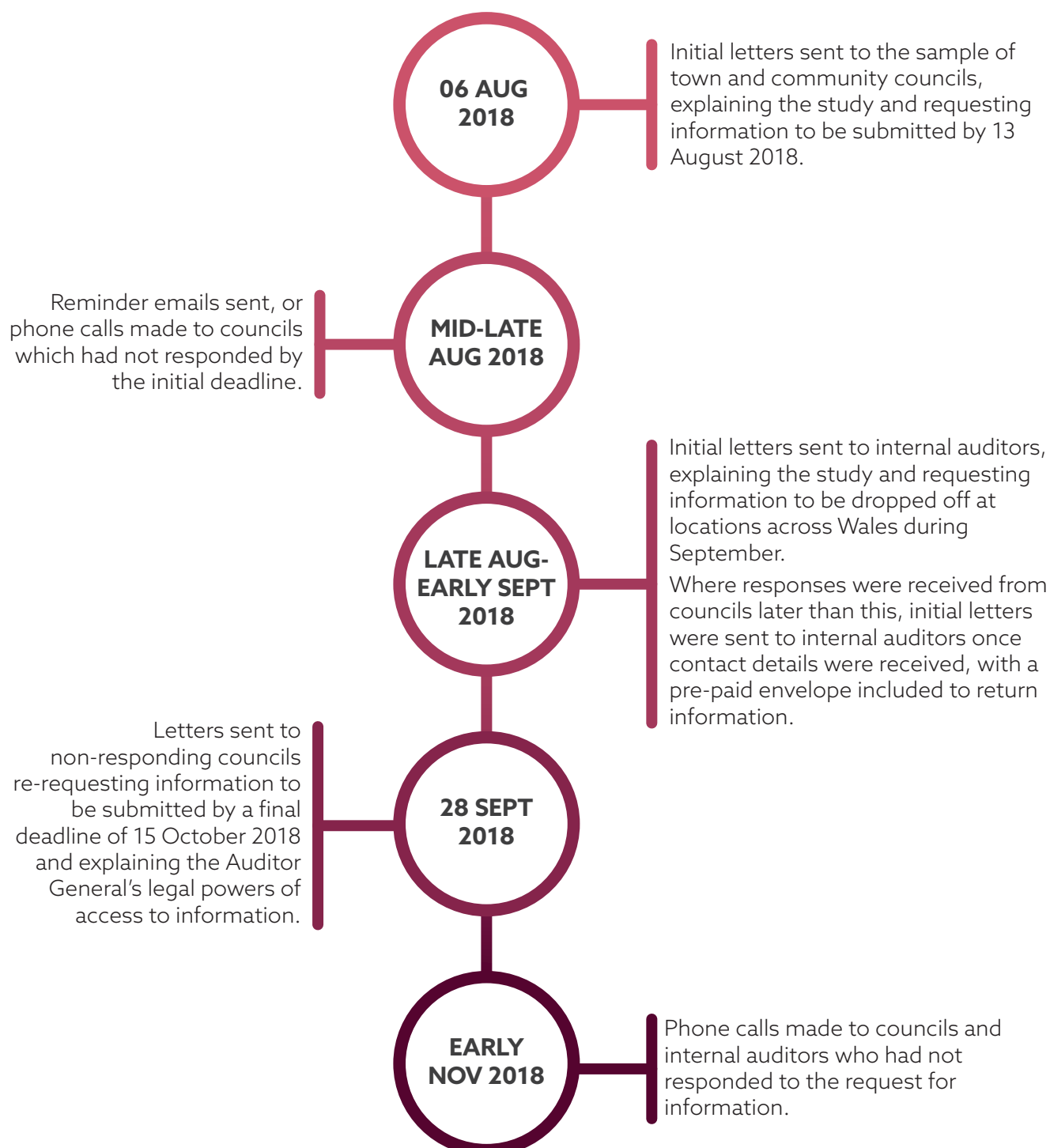
Exhibit 10: indicates the questions that we were seeking to answer via the study.

Overall audit question
Is internal audit in town and community councils in Wales adequate and effective?
Second-level questions
Is internal audit sufficiently independent of individual councils? Are internal auditors provided with adequate terms of reference setting out the scope of their work? Is internal audit work properly carried out and conclusions supported by adequate evidence? Do internal auditors provide sufficient and appropriate reports to councils setting out their conclusions and recommendations? Do councils take appropriate action in response to recommendations made by internal audit?

Source: Wales Audit Office project initiation document

- 6 We have provided the opportunity to the town and community councils mentioned within the report and to named third parties for them to provide comments on our report prior to publication, in relation to factual accuracy, completeness and balance.
- 7 Our published report sets out the underlying facts, the Auditor General's conclusions and his specific recommendations to the town and community councils.

Appendix 2 – Timeline for Information Requests during the Study



Appendix 3 – Good Practice – Terms of Reference

Internal Audit Engagement Letter: Goetre Fawr Community Council

I wish to confirm your appointment as Internal Auditor to the Council and set out below the terms of your engagement. If you agree, I should be grateful if you would sign and return one copy for my records.

1. Roles and responsibilities

Of the Council:

- 1.1 The Council is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions including arrangements for the management of risk.
- 1.2 The Council is required to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control set out in the Joint Practitioners Advisory Group publication: Governance and Accountability for Local Councils: A Practitioners Guide and attached schedule of audit checks produced by One Voice Wales.

Of the Internal Auditor:

- 1.3 The Internal Auditor is responsible for reviewing whether the Council's financial management is adequate and effective, and that it has a sound system of internal control. The Internal Auditor will liaise with the Clerk to the Council and will report to the Council at least once a year.

2. Audit planning

- 2.1 The Council has in place a strategic audit plan covering the main governance and financial systems and this is reviewed annually. Further guidance, including a description of the minimum level of audit, is set out in the Practitioners Guide.
- 2.2 The Internal Auditor will carry out the audit to enable him/her to provide assurance to members and officers, and to enable him/her to complete and sign off Section 4 of the Annual Return in advance of its submission to the Council and the external auditor.
- 2.3 The programme of work for the year will be determined annually between the Clerk³ and the Internal Auditor prior to the commencement of work.

3 We would recommend that this should instead read 'between the Council'.

3. Reporting requirements

- 3.1 The Internal Auditor will report to the Council, setting out the results of work carried out during the previous twelve months.
- 3.2 To enable the Internal Auditor to fully complete Section 4 of the Annual Return, he/she will carry out work relating to the year-end in April/May. The results of such work will be reported alongside the presentation of the Annual Return to the Council.

4. Independence and competence

- 4.1 It is essential that the internal audit function is sufficiently independent of other financial controls and procedures of the Council.
- 4.2 The Internal Auditor will inform the Clerk immediately if he/she becomes aware of any conflict of interest that may adversely affect his/her ability to carry out the audit objectively and independently.
- 4.3 The Internal Auditor will carry out the internal audit competently and in compliance with proper practice in a way that will meet the business needs of the Council. If the Internal Auditor becomes aware of matters that may affect his/her competence, he/she will inform the Clerk or the Chairman immediately.

5. Access to information, members and officers

- 5.1 The Internal Auditor shall have the right of access during the audit to such accounts, vouchers, correspondence, accounting systems, minutes and other records as are necessary for the performance of the audit.
- 5.2 The Internal Auditor shall have the right of access to any member or officer to discuss and to receive information and explanations in connection with any matter arising from the audit.

6. Period of engagement

- 6.1 The Internal Auditor is appointed for an unspecified period, but subject to annual confirmation by the Council.

7. Remuneration

- 7.1 It is agreed between the Internal Auditor and the Council that the fee shall be a fixed rate of £100⁴ including all expenses (although any auditor's travel costs of 45p/mile will also be payable.)
- 7.2 This rate is fixed for the period of the contract. Payment will normally be made on invoice, based on the work completed.
- 7.3 In the event that additional paid work is required, the terms of this will be agreed between the Council and the Internal Auditor in advance of the assignment at the same daily rate as above and invoiced separately.

⁴ This should specify whether the rate is per hour/per day.

Appendix 4 – Good Practice – Work Programme

Exhibit 11: Internal Audit Work Programme: Builth Wells Town Council

1. Internal Control	2. Tests	3. Initial if Yes	4. Working Paper Reference	5. Comments
Previous Internal Audit Report	Do the minutes record that Council has considered the Internal Audit Report for the previous year and the matters arising addressed?			
Proper bookkeeping	Is the cashbook maintained and up to date?			
	Is the cashbook arithmetically correct?			
	Is the cashbook regularly balanced?			
Standing Orders and Financial Regulations	Has the Council formally adopted Standing orders and Financial Regulations?			
	Has a Responsible Financial Officer been appointed?			
	Have items or services above a de minimis amount been competitively purchased?			
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?			
	Has VAT on payments been identified, recorded and reclaimed?			
	Is Section 137 expenditure separately recorded and within statutory limits?			

1. Internal Control	2. Tests	3. Initial if Yes	4. Working Paper Reference	5. Comments
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?			
	Do the minutes record the Council carrying out an annual risk assessment?			
	Is insurance cover appropriate and adequate?			
	Are internal financial controls documented and regularly reviewed?			
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?			
	Is actual expenditure against the budget regularly reported to Council?			
	Are there any significant unexplained variances from budget?			
Income Controls	Is income properly recorded and promptly banked?			
	Does the precept recorded in the cashbook agree to the District Council's notification?			
	Are security controls over cash adequate and effective?			
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?			
	Is petty cash expenditure reported to Council?			

1. Internal Control	2. Tests	3. Initial if Yes	4. Working Paper Reference	5. Comments
	Is petty cash reimbursement carried out regularly?			
Payroll Controls	Do salaries paid agree to those approved by Council?			
	Are other payments to the Clerk reasonable and approved by Council?			
	Has PAYE/NIC been properly operated by the Council as an employer?			
Assets Controls	Does the Council keep an Assets Register of all material assets owned?			
	Is the Register up to date?			
Bank Reconciliation	Is there a bank reconciliation for each bank account?			
	Is the bank reconciliation carried out regularly on the receipt of statements?			
	Are there any unexplained balancing entries in any reconciliation?			
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis?			
	Do accounts agree with the cashbook?			
	Is there an audit trail from underlying financial records to the accounts?			

1. Internal Control	2. Tests	3. Initial if Yes	4. Working Paper Reference	5. Comments
	Where appropriate, have debtors and creditors been properly recorded?			

Appendix 5 – Good Practice – Action Plan

Exhibit 12: Internal Audit Report 2017-18: Llysfaen Community Council

Issue	Recommendation	Follow Up
1	The bank reconciliation provided for audit does not state the bank balance as at 31/3/18 for the current account but instead states the reconciled balance with a nil balance for unrepresented cheques.	The bank reconciliation should state the bank balance for the current account as at 31/3/18 as £5553.39 with unrepresented cheques of £495.13. This does not affect the balance stated on the annual return which is correct.
2	[...]	[...]
Follow up of 2016/17 audit recommendations		
1	<p>The value of fixed assets has increased by £2273. This is partly due to the following:</p> <ul style="list-style-type: none"> • Mower added in at value of £1600, this is the purchase cost including VAT. Assets should be added in at the value net of VAT which would be £1333. <p>We could not identify the remainder of the movement.</p>	<p>The asset register should be amended to include the mower at the cost of £1333.</p> <p>The annual return should be amended to show assets at £38,836.</p> <p>The Council should provide (within the explanation of variances for the external auditor), the reason for the movement in assets and ensure that it is only due to additions and disposals and does not include revaluations.</p>
2	[...]	[...]

Appendix 6 – Good Practice – Audit Report

Internal Audit Report 2017-18: Holyhead Town Council

1. Purpose of the Audit

- 1.1 The purpose of the audit was to review the financial propriety and governance arrangements of the Council in accordance with proper practices as set out in the One Voice Wales/SLCC publication “Governance and accountability for local councils in Wales – A Practitioners’ Guide (as amended December 2014)”.

2. Main Findings

- 2.1 The control objectives tested and proved to be satisfactory can be seen in Appendix A.

3. Audit Opinion

- 3.1 Assurance can be expressed in the governance arrangements and the financial statement of Holyhead Town Council for the financial year 2017-18 based on the tests conducted, but there are aspects that could be tightened to mitigate the risks identified. It is recommended that the Council take appropriate steps to mitigate the following risks:
- Failure to ensure that Standing Orders and Financial Procedures are current.
 - A number of cheques were pre-signed by one of the authorised signatories.
 - Inadequate audit trail due to cheque stubs not being signed.
 - Employees’ current remuneration and hours not documented in a contract.

4. Acknowledgements

- 4.1 I would like to take this opportunity to thank the Deputy Clerk for all the help and co-operation with the completion of the audit.

Audit Manager

June 2018

Appendix A – Control Objectives and Audit Findings

Appropriate books of account have been properly kept throughout the year.

- Cashbook maintained and up to date
- Cashbook arithmetically correct
- Cashbook regularly balanced

Financial Regulations have been met, payments were supported by invoices, expenditure was approved, and VAT was appropriately accounted for.

- Council has formally adopted standing orders, but there is no record that they are reviewed periodically.
- A Responsible Financial Officer has been appointed with specific duties
- Items or services above the “de minimis” amount have been competitively purchased
- Payments in the cashbook are supported by invoices, authorised and minuted
- VAT on payments have been identified, recorded and reclaimed
- The Council has approved and circulated to members its arrangements for making payments.
- S137 expenditure was separately recorded and within the statutory limits

The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

- Review of the minutes does not identify any unusual financial activity
- Minuted record that the council conducted an annual risk assessment
- Insurance cover is appropriate and adequate
- Internal financial controls are documented and regularly reviewed

The annual precept requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.

- The Council has prepared an annual budget in support of its precept
- Actual expenditure against the budget is regularly reported to the Council
- There are no significant unexplained variances from the budget

Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.

- Income is properly recorded and banked promptly
- The precept recorded agrees to the Council Tax authority's notification
- Security controls over cash and near-cash are adequate and effective

Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.

- All employees have contracts of employment with clear terms and conditions. However, the contracts no longer reflect the current terms of employment
- Salaries paid agree with those approved by the Council
- Other payments to employees are reasonable and approved by the Council
- PAYE/NIC have been properly operated by the Council as an employer

The Asset register was complete, accurate, and properly maintained.

- The Council maintains a register of all material assets owned or in its care
- Asset register is up to date
- Asset insurance valuations agree with those in the asset register

Periodic and year-end bank account reconciliations were properly carried out.

- A bank reconciliation is prepared for each account
- Bank reconciliations are carried out regularly and in a timely fashion
- There are no unexplained balancing entries in any reconciliation

Accounting statements prepared during the year were prepared on the correct accounting basis, agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.

- Year-end accounts are prepared on the correct accounting basis
- Accounts agree with the cashbook
- There is an audit trail from underlying financial records to the accounts
- Debtors and creditors have been properly recorded

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Auditor General for Wales

Financial Management and Governance – Town and Community Councils 2017-18



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



I have prepared and published this report in accordance
with the Public Audit (Wales) Act 2004

The team who delivered the work was Deryck Evans,
Hefin Davies and Jayne Elms under the supervision
of Anthony Barrett, Assistant Auditor General.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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This document contains hyperlinks to external websites, these can be identified by red underlined text.

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The amount of money managed by local councils in Wales continues to increase. However, the current standard of financial management and governance remains disappointing at too many councils as evidenced by a doubling of the number of qualified audit opinions. Furthermore, it has been necessary for me to issue reports in the public interest or to make formal recommendations, to eight councils in 2018

4

- 1 [Local councils continue to manage increasing sums of public money and following the Independent Review Panel report, need to consider their future role and how this will impact on their financial management arrangements](#) 9
- 2 [A significant number of councils do not understand their statutory responsibilities for preparing accounts and ensuring that proper arrangements are made for the statutory audit, including making arrangements for inspection of the accounts by their electors](#) 21
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Summary report

The amount of money managed by local councils in Wales continues to increase. However, the current standard of financial management and governance remains disappointing at too many councils as evidenced by a doubling of the number of qualified audit opinions. Furthermore, it has been necessary for me to issue reports in the public interest or to make formal recommendations, to eight councils in 2018

- 1 There are over 730 town and community councils in Wales. In some cases, these councils jointly provide services through joint committees established for specific services, usually burial services. There are six such joint committees in Wales. Collectively, this report refers to these bodies as local councils.
- 2 Collectively, in 2017-18 these bodies raised over £48.5 million income, primarily from council tax payers, and spent over £47.4 million. Because income continues to outstrip expenditure, their reserves have increased to over £38.7 million at 31 March 2018.
- 3 This is my seventh annual report summarising issues identified by external auditors during their statutory audit of local councils in Wales. The audit arrangements for local councils are designed for the following purposes:
 - to enable me to discharge my responsibilities as the statutory auditor for local councils;
 - to provide local residents with a reasonable level of assurance on the effective financial management and governance of their local council; and
 - to support all councils to improve their financial management and governance arrangements where further development is needed.
- 4 The audit process involves a review of the annual accounts and an examination of the council's financial management and governance arrangements that underpin securing value for money in councils' use of resources. Since 2015-16, the same audit arrangements have been applied to all local councils across Wales.

- 5 This report summarises the outcomes of audit work completed to 30 November 2018, two months past the statutory deadline for the publication of the 2017-18 audited accounts. As at 30 November, 647 out of 741 (87%) audits had been completed. The reasons for non-completion are set out in more detail in **Part 2**.
- 6 This report has five main sections.
- **Part 1** provides commentary on the increasing amount of public money and assets managed by local councils across Wales and the importance of demonstrating effective stewardship and management of these resources.
 - **Part 2** identifies the most common issue reported by auditors for 2017-18.
 - **Part 3** explains the issues identified by auditors that lead to qualified audit opinions and other matters being referred to councils.
 - **Part 4** summarises the issues identified at individual councils where I considered that it was necessary to exercise my powers to issue reports in the public interest and/or to make written recommendations that require a formal response from individual councils. This section of the report draws attention to these issues so that local councils can consider if there are lessons they can learn from others and use this information to develop and improve their own arrangements.
 - **Part 5** sets out my future audit programme which has been informed by the issues that auditors identified in previous years and wider developments affecting local councils. In my report on the outcomes of the 2012-13 audit, I committed to publishing in advance the specific areas that auditors will focus on in the following year's audit. This allows local councils to identify areas where they need to develop their arrangements and to take any required action. This section of the report outlines the areas I plan to focus on over the next three years.

7 My overall conclusions from the 2017-18 audits are set out below.

Local councils manage increasing sums of public money and hold reserves equal to the monies raised from council tax payers: following the Independent Review Panel report they need to consider their future role and how this will impact on their financial management arrangements

- 8 Following publication of the report of the Independent Review Panel on Community and Town Councils in Wales, local councils have an opportunity to reflect on the services they deliver to their communities and the financial impact of any proposed developments.
- 9 There is significant variation across county areas of numbers of local councils and the sums of money spent in delivering local services.
- 10 Local councils' income continues to increase each year primarily due to increases in the precept charged to council tax payers.
- 11 Local councils' expenditure continues to increase each year due to increasing staff costs and direct expenditure on goods and services.
- 12 Local councils' reserves continue to increase as income outstrips expenditure and almost 200 councils hold reserves that exceed the precept charged to council tax payers.
- 13 An increasing number of councils are passing the threshold for the adoption of specific duties set out in the Well-being of Future Generations (Wales) Act 2015. 53 councils now meet the threshold requirement of annual income or expenditure exceeding £200,000 for three consecutive years.

A significant number of councils fail to comply with their statutory responsibilities for preparing accounts and ensuring that proper arrangements are made for the statutory audit, including making arrangements for inspection of the accounts by their electors

- 14 The Public Audit (Wales) Act 2004 and the Accounts and Audit (Wales) Regulations 2014 clearly set out the statutory requirements for the preparation and audit of local councils' accounting statements.

- 15 Too many councils in Wales have audits that have not been completed due to delays in submission of the annual return for audit
- 16 A significant number of local councils in Wales have failed to comply with the statutory timetable for approving the accounts
- 17 To assist councils to comply with the Regulations, for the 2018-19 audit I will set a common date of 29 July 2019 for the exercise of electors' rights for all local councils in Wales.
- 18 Auditors will require evidence to demonstrate that every local council has made proper arrangements for public inspection of their accounts.

The number of qualified audit opinions has doubled in 2017-18 to 340 councils, with auditors highlighting ongoing failings in financial management and governance

- 19 Auditors issue 'qualified' audit opinions when councils fail to comply with their statutory responsibilities or where auditors conclude that the information reported in the annual return is mis-stated.
- 20 Over 340 individual councils received a qualified audit opinion for 2017-18 compared with 170 in 2016-17. This increase is mainly due to a failure to adhere to the statutory timetable for the accounts and audit.
- 21 Auditors identified issues that require attention by the council, but which did not result in an audit qualification, at 522 councils compared with 424 in 2016-17.
- 22 Auditors have again highlighted a need to develop the internal audit function and this is supported by the findings of my national study on internal audit in the sector.

In 2018, due to significant deficiencies identified during the audit, I exercised my statutory powers to issue reports in the public interest or to make written recommendations to eight councils in Wales

- 23 Town and community councils in Wales can learn lessons from the reports in the public interest issued at seven councils during 2018. I am also considering similar reports on several other councils.
- 24 Councils can also learn lessons from written recommendations issued under section 25 of the Public Audit (Wales) Act 2004. In 2018 I made such recommendations to one council.

The 2018-19 and 2019-20 town and community council audits will continue to focus on areas where auditors identify scope for improvement in council's arrangements and during this period, I will review the adequacy and effectiveness of the current audit arrangements to ensure they are fit for purpose

- 25 My audit programme for 2018-19 to 2020-21 will continue to focus on areas where there is scope for local councils to improve their financial management and governance.
- 26 In 2019, I will review the current audit arrangements to determine if they remain fit for purpose with any resulting changes to the arrangements expected to be introduced for the 2020-21 audit of accounts.

Part 1

Local councils manage increasing sums of public money and hold reserves equal to the monies raised from council tax payers: following the Independent Review Panel report they need to consider their future role and how this will impact on their financial management arrangements



Following publication of the report of the Independent Review Panel on Community and Town Councils in Wales local councils have an opportunity to reflect on the services they deliver to their communities and the financial impact of any proposed developments

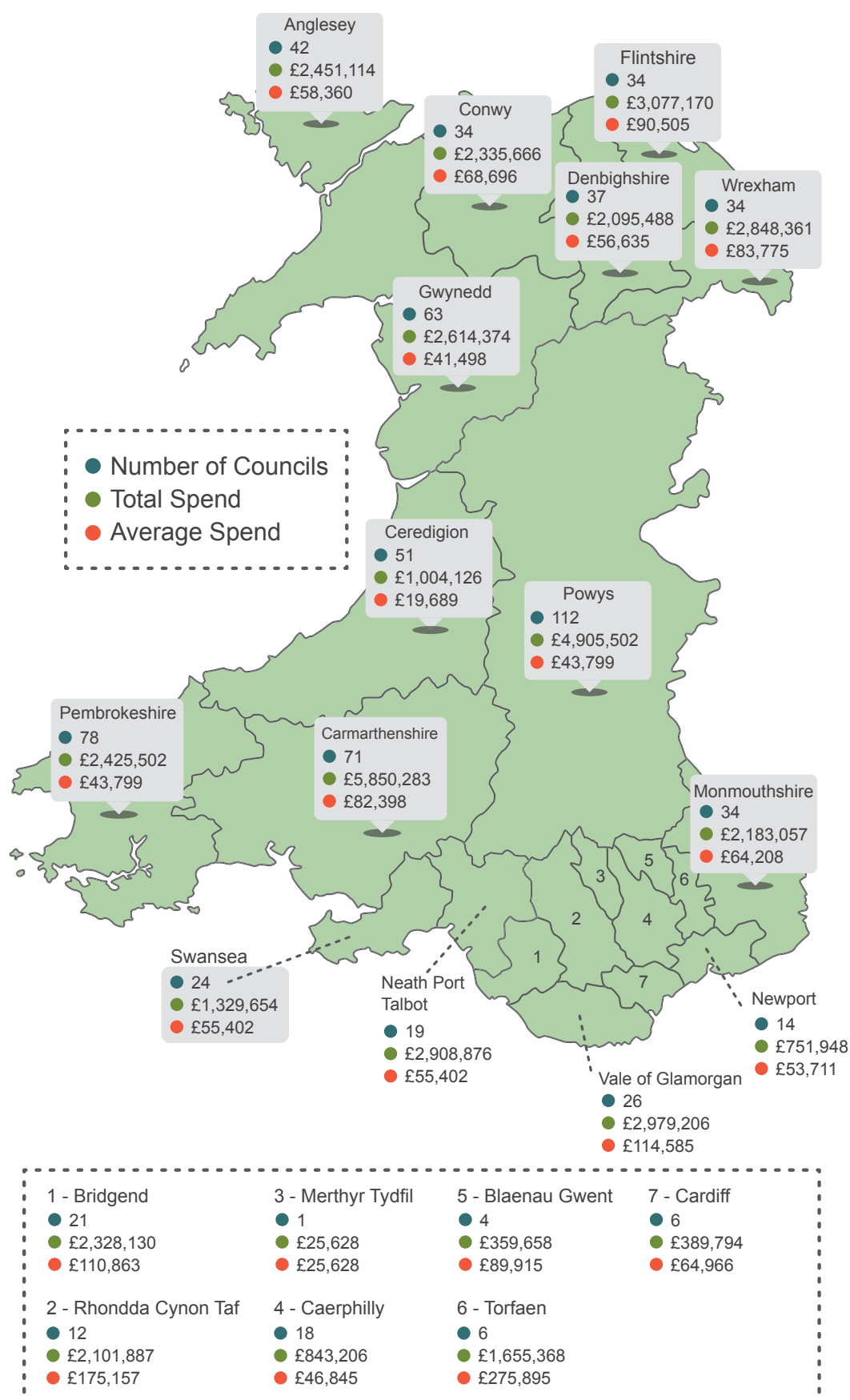
- 1.1 The Independent Review Panel on Community and Town Councils in Wales' final report, published in October 2018 addressed the following themes:
- what community and town councils are: including tackling questions such as whether community and town councils should exist, coverage and types of community and town Councils;
 - what community and town councils do: looking at aspects of the role such as local delivery, powers and flexibilities, local voice and identity, and community engagement;
 - how community and town councils do it: exploring capacity and capability, staffing, funding, expert advice, role of a councillor and the relationships community and town councils have with other bodies; and
 - how community and town councils are held to account: considering democratic accountability, diversity, audit, independent scrutiny and support/intervention.
- 1.2 The report is available on the [Welsh Government website](#).
- 1.3 The Panel made several recommendations that local councils may now wish to consider in planning for the future. In whatever manner councils respond, they will need to consider the financial consequences of decisions they make.
- 1.4 This section of my report provides some high-level analysis of the financial position of the sector.

There is significant variation across county areas of numbers of local councils and the sums of money spent in delivering local services

- 1.5 Expenditure by local councils varies across Wales. **Exhibit 1** identifies the spread of councils and the expenditure they incur across county areas in Wales.

Exhibit 1 – variation of councils and expenditure by county area

The number of town and community councils varies across Wales from only 1 in Merthyr Tydfil to 112 in Powys. The average spend per council varies from £19,000 in Ceredigion to £275,000 in Torfaen.



Source: Wales Audit Office analysis

- 1.6 This variation indicates the disparate scope of services offered by town and community councils across Wales. The smallest councils may only provide limited services in the form of community halls and commentary on planning applications whilst the larger councils may maintain public footpaths, undertake street cleaning, operate public conveniences, cemeteries and parks or provide tourist information. As individual councils develop their role in response to the Independent Review Panel's report, the sums of money they manage is likely to increase. The development of robust financial management and governance arrangements will be an essential part of each council's administration and governance.

Local councils' income continues to increase each year primarily due to increases in the precept charged to council tax payers

- 1.7 The 735¹ town and community councils and their 6² joint committees covered by this report raised over £48.5 million income in 2017-18. Local councils raise income either through setting a precept, by charging for goods and services, by claiming grants or disposing of long term assets.
- 1.8 A precept is a peremptory order to the unitary authority to pay a specific sum of money to the local council. The amount of the precept is divided equally between the council tax payers of the community and is paid in full to the local council.
- 1.9 Councils also raise funds by charging for goods and services provided by the local council. Charges may typically be made for:
- use of village halls/community centres owned and managed by the local council;
 - burial fees where the local council is a burial authority;
 - hire charges for sports facilities; and
 - car parking charges.

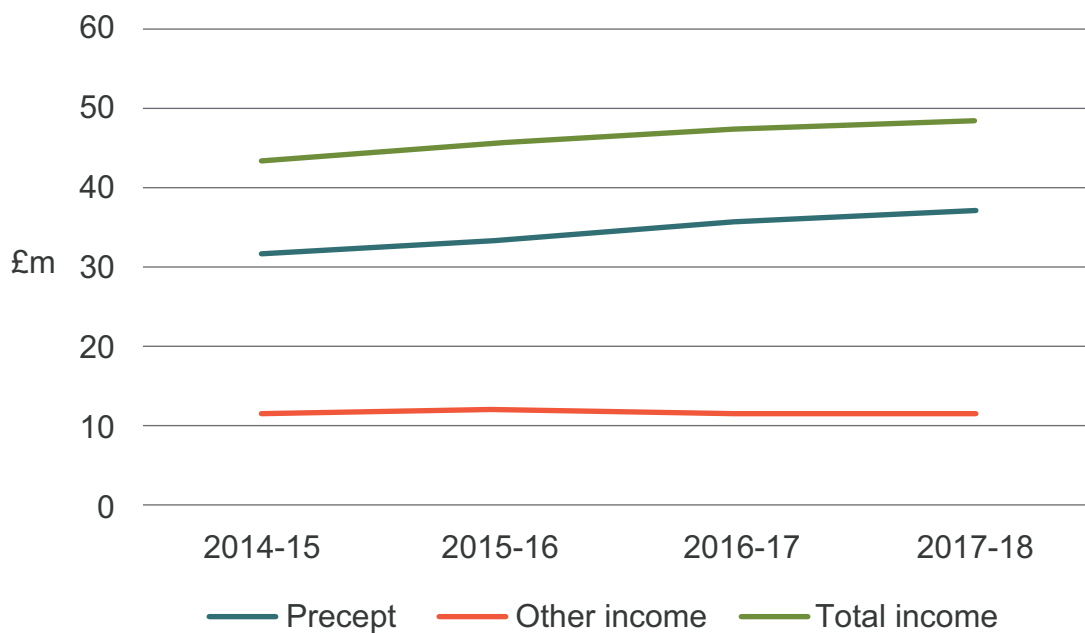
1 My previous reports included Llanelli Rural Community Council and Llanelli Joint Burial Committee. Due to its annual expenditure exceeding £2.5 million, the Council now prepares its accounts on a different basis to other councils and has therefore been excluded from this report. In 2018, the activities of the Joint Burial Committee transferred to Llanelli Rural Community Council and are not now accounted for separately. Data reported in previous years has been amended to exclude these bodies.

2 The joint committees are all burial committees and spend a total of just over £239,000.

- 1.10 Councils may also raise funds for investment in long term assets by applying for grants, drawing down loans or disposing of long term assets. Usually, the use of these funds will be restricted to specific purposes.
- 1.11 Overall, local councils' income has increased by £5.1 million (12%) since 2014-15. In the same period, the total precept charged to council taxpayers increased by £5.2 million (16%).

Exhibit 2 – Local council income 2014-15 to 2017-18

Local council total income has increased each year, from £43.4 million in 2014-15 to over £48.5 million in 2017-18. The total precept increased by £5.2 million to £37.1 million while income from other sources fell by £100,000 to £11.4 million in the same period.



Source: Wales Audit Office analysis

1.12 In 2016, I published a report on Charging for services and generating income by local authorities. Although this report was not aimed at town and community councils, they may find it useful when they think about generating income from sources other than the precept. The report can be accessed on [our website](#).

Local councils' expenditure continues to increase each year due to increasing staff costs and direct expenditure on goods and services

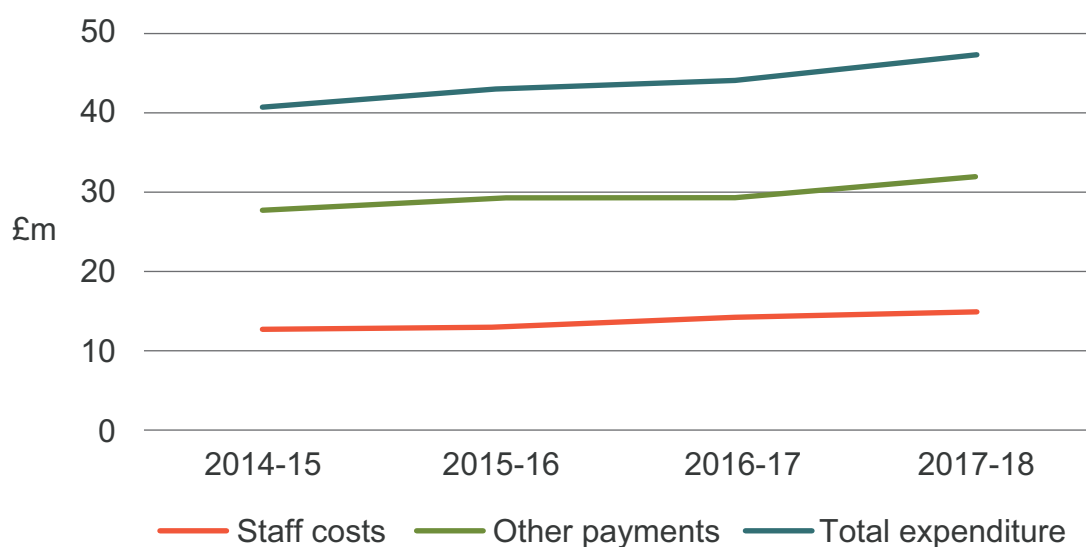
1.13 Town and community councils and their joint committees spent more than £47.4 million in 2017-18. Local councils have a range of statutory powers and functions upon which they may lawfully incur expenditure. These include powers related to:

- appearance of villages including for example, key buildings and sites, good design and roadside verges;
- open air and exercise including for example, village greens, protection of commons, recreational facilities, pleasure grounds and public walks, swimming pools and facilities for countryside visitors;
- gatherings including powers related to tourism, entertainments and the arts, halls and centres and twinning;
- public lighting and crime prevention including for example, surveillance;
- ownership and provision of allotments;
- health including public conveniences, litter and graffiti and water and pond drainage;
- communication including rights of way, works to footpaths and bridleways, shelters and seats and vehicle parks and cycle racks; and
- powers related to the dead, for example provision of a cemetery.

1.14 Overall, local councils' expenditure has increased by £6.5 million (16%) since 2014-15. In this period, expenditure on staff costs increased by £2.2 million (18%) and other payments by £4.2 million (16%).

Exhibit 3 – local council expenditure 2014-15 to 2017-18

Local council total expenditure has increased each year, from £40.9 million in 2014-15 to £47.4 million in 2017-18. Expenditure on staff costs increased by £2.2 million to £14.9 million and other expenditure on goods and services increased by £4.3 million to £32.1 million in the same period.



Source: Wales Audit Office analysis

Local councils' reserves continue to increase as income outstrips expenditure and almost 200 councils hold reserves that exceed the precept charged to council tax payers

1.15 Local councils hold reserves and balances for a variety of reasons. These include to finance unforeseen expenditure and to 'save' for future projects. In some cases, they are required by law to set money aside for specific purposes. For example, receipts from the disposal of long term assets may be defined as capital receipts. If so, they may only be used to finance capital expenditure.

1.16 Local council reserves at 31 March 2018 exceeded £41.5 million and have increased by over £8.6 million or 29% since 31 March 2014.

Exhibit 4 – local council reserves at 31 March 2014 to 31 March 2018

Local council reserves have increased by over £8.6 million over the last three financial years.



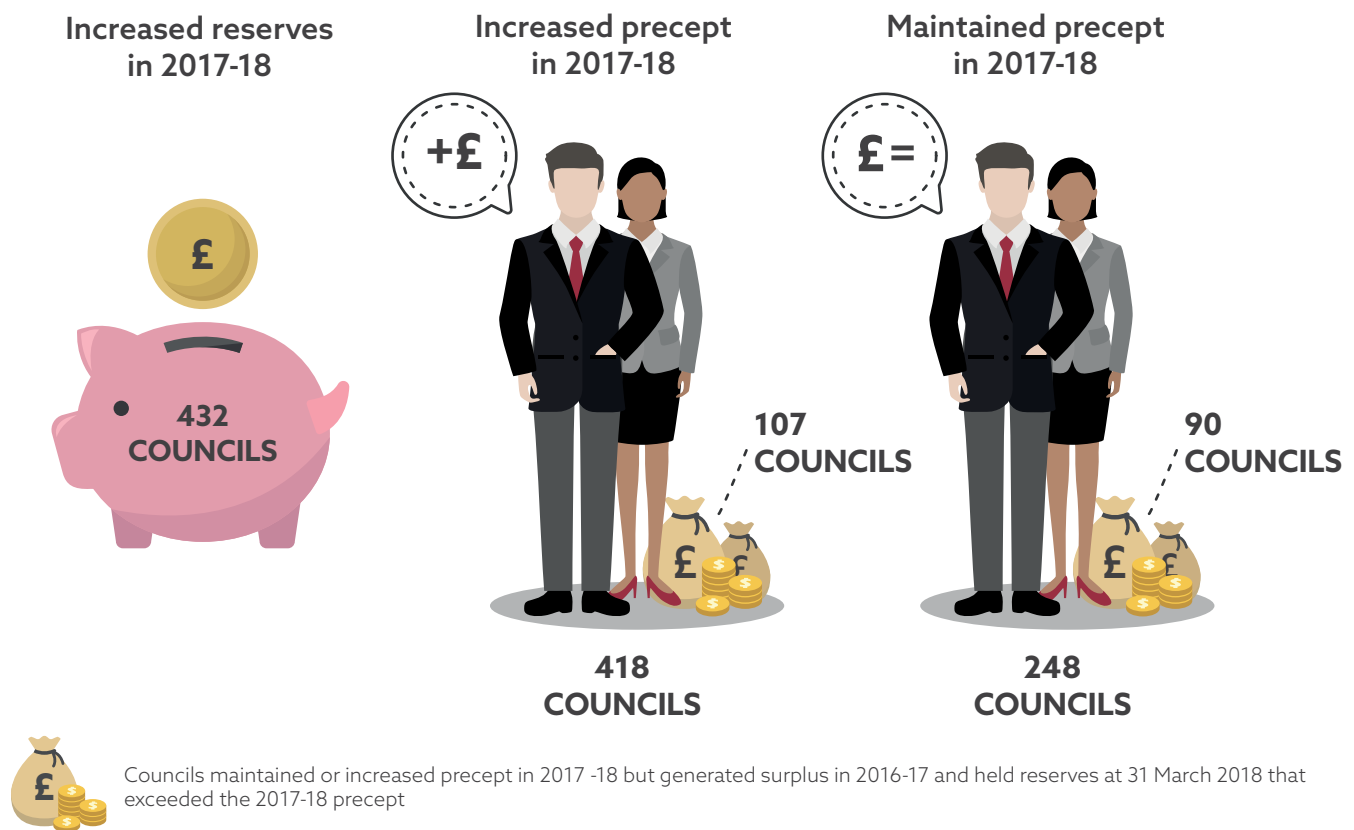
Source: Wales Audit Office analysis

1.17 In setting the precept, local councils are required by law to consider the value of funds held as reserves. Local councils must consider the level of the reserves they hold and whether they plan to finance any of their expenditure from reserves or whether they need to increase the amounts set aside in reserves.

1.18 Councils continue to raise income in excess of expenditure each year. The sums held by local councils as reserves has increased by over £8.6 million (29%) since 31 March 2014. For 2017-18, councils set aside in reserves, 2% of the total income they received compared with 7% for 2016-17.

Exhibit 5 – local councils increased their precepts and reserves for 2017-18 despite generating a surplus in 2016-17

Over 430 councils increased their reserves in 2017-18 while almost 200 council maintained or increased their precept in 2017-18 even though they had generated a surplus in 2016-17 and held reserves at 31 March 2018 that exceeded the 2017-18 precept.



Source: Wales Audit Office analysis

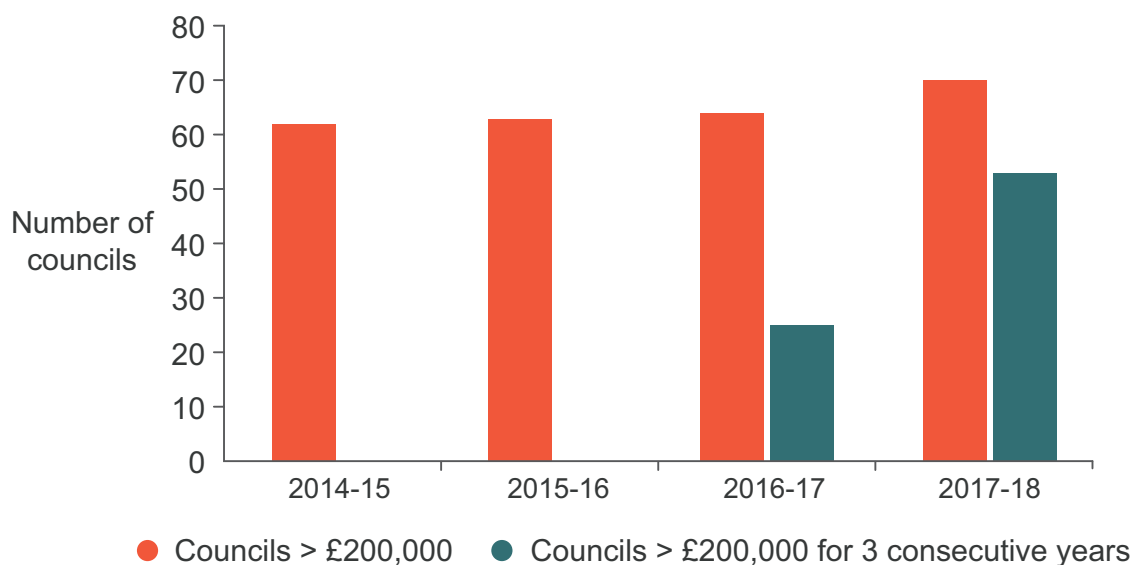
- 1.19 I expect income and expenditure across the sector to increase over time as local councils begin to manage more services and assets transferred to them by the unitary authorities. However, in times of austerity, it is important that councils do not add unnecessarily to the burden placed on council-tax payers, by raising more income through council tax than is necessary to deliver council services and administer their affairs.
- 1.20 In this context, it is a matter of concern that auditors regularly report that councils fail to take their reserves into account when setting their budgets. The above statistics suggest that some local councils need to give very careful consideration as to whether they need to hold the level of reserves they currently have, and whether some of the balances held should be used to finance current expenditure, enabling a lower precept to be set. Local councils do not have powers simply to raise money to hold in ever increasing reserves. Where councils do hold significant reserves balances they should ensure they have developed plans to apply these monies for the benefit of the communities they serve.

An increasing number of councils are passing the threshold for the adoption of specific duties set out in the Well-being of Future Generations (Wales) Act 2015 and 53 councils now meet the threshold requirement of annual income or expenditure exceeding £200,000 for three consecutive years

- 1.21 Section 40 of The Well-being of Future Generations (Wales) Act sets out the role of local councils in relation to local well-being plans. It states that councils with annual income or expenditure over £200,000 for three consecutive years or more are subject to specific but limited duties under the Act.
- 1.22 In 2017-18, 70 councils had income or expenditure of over £200,000. This number is increasing each year.

Exhibit 6 – local councils with annual income or expenditure exceeding £200,000

The number of local councils with annual income or expenditure exceeding £200,000 has increased to 70 in 2017-18 and 53 of these councils now meet the qualifying condition set out by the Well-being of Future Generations (Wales) Act 2015.



Source: Wales Audit Office analysis

- 1.23 53 councils have income or expenditure exceeding £200,000 for each of the last three financial years. The requirements of the Act will now apply to these councils. **Appendix 1** includes a complete list of these councils.
- 1.24 These councils have a specific but limited duty under the Act to take all reasonable steps towards meeting the objectives included in the local well-being plan. Each financial year, they must publish a report on the progress they have made in meeting the local objectives.
- 1.25 The councils that exceed the threshold will need to be aware of and plan for discharging their duties. My interaction with councils to date suggests there is a need for increased awareness of the duties under the Act that apply to town and community councils.

Part 2

A significant number of councils have failed to meet their statutory responsibilities for preparing accounts and ensuring that proper arrangements are made for the statutory audit, including making arrangements for inspection of the accounts by their electors



The Public Audit (Wales) Act 2004 and the Accounts and Audit (Wales) Regulations 2014 set out clearly the statutory requirements for the preparation and audit of local councils' accounting statements

- 2.1 Section 13 of the Public Audit (Wales) Act 2004 (the Act) requires local councils to make up their accounts to 31 March each year and to have those accounts audited by the Auditor General.
- 2.2 The Accounts and Audit (Wales) Regulations 2014 (the Regulations) sets out the timetable for the preparation and approval of the annual accounts:
- 2.3 The council's responsible finance officer (RFO) must prepare and certify that the accounts properly present the council's receipts and payments or present fairly the council's financial position and income and expenditure. The certification is evidenced by the RFO signing and dating the accounting statements. Provision for signature and date are made in the annual return.
- 2.4 The members, meeting as a whole, must consider the accounting statements and following that consideration, approve the accounting statements for submission to the auditor by a resolution of the body; and following approval, ensure that the accounting statements are signed and dated by the person presiding at the meeting at which that approval was given.
- 2.5 These actions must be completed by 30 June following the end of the financial year.
- 2.6 Councils must also make arrangements for local electors to exercise their rights to inspect the accounts and supporting records at audit. Section 30 of the Act gives local electors the right to inspect the accounts that are to be audited and to approach the auditor to ask questions about, or to make objections to, the accounts.
- 2.7 The Regulations state that electors must be allowed to inspect the accounts for 20 working days on reasonable notice before the date set by the auditor from which local electors may exercise their rights to ask questions or make objections. Councils must publish a notice advertising this inspection period at least 14 working days before the period commences.

Too many councils in Wales have audits that have not been completed due to delays in submission of the annual return for audit

- 2.8 It is disappointing to note that as at 30 November 2018 i.e. two months after the councils should have published audited accounts, the 2017-18 audit is incomplete at 94 councils. The audits are incomplete for various reasons as set out in [Exhibit 7](#). In many cases, the reasons for the delayed completion of the audit are avoidable and are due to a failure by the councils to prepare the annual return or to submit it to the auditor on a timely basis.

Exhibit 7 – reasons for incomplete audits

The 2017-18 audit is incomplete at 94 councils for various reasons.

	Number of councils
2017-18 annual return not submitted to the auditor	17
Councils not responding to requests for further information	24
Prior year audits incomplete	22
2017-18 audit issues to be resolved	31

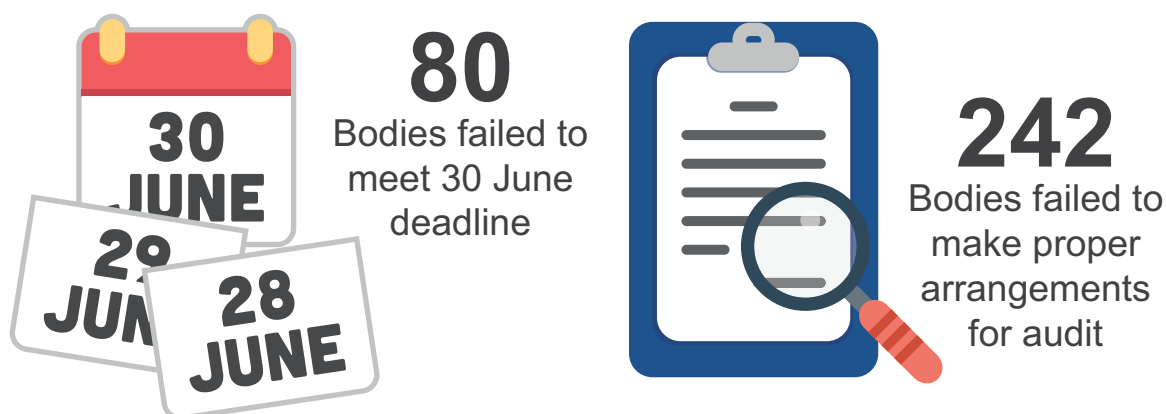
- 2.9 Details of which councils had incomplete audits as at 30 November 2018 are set out in [Appendix 2](#).

A significant number of local councils in Wales have failed to comply with the statutory timetable for preparation and approval of their accounts

2.10 The Regulations related to the timing of the audit and the arrangements that must be made have not changed for several years. Notwithstanding this, many councils have failed to make appropriate arrangements. This is a recurring theme identified by auditors and indicates that council clerks and members do not understand the statutory requirements and their responsibilities for complying with them.

Exhibit 8 – compliance with the statutory timetable

Many councils in Wales fail to adhere to the statutory timetable set out in the Accounts and Audit (Wales) Regulations 2014



Source: Wales Audit Office analysis

- 2.11 The most common reason for the failure to make proper arrangements for the inspection of accounts was due to the local council approving the accounts after the commencement of the 20 day inspection period.
- 2.12 Section 30(1) of the Public Audit (Wales) Act 2004 provides that an interested person may 'inspect the accounts to be audited'. The Accounts and Audit (Wales) Regulations 2014 requires a relevant body (council) to 'approve the accounting statements for submission to the auditor' following its consideration.
- 2.13 It is only accounting statements that have been approved that may be submitted to the auditor for audit, so the 'accounts to be audited', which are to be made available for inspection must first be approved by the council.
- 2.14 In many cases, the accounts were approved just a few days into the inspection period. However, in other cases the accounts were only approved towards the end of the inspection period.
- 2.15 Auditors also reported that some councils do not provide sufficient time for the notice period or the inspection period. Where auditors identify significant breaches of the Regulations, they will instruct the council to place a new notice that meets the requirements of the Regulations in full.

To assist councils to comply with the Regulations, for the 2018-19 audit I will set a common date of 29 July 2019 for the exercise of electors' rights for all local councils in Wales.

- 2.16 To address the most common failings, from the 2018-19 audit onwards, I will set a common date for the electors to exercise their rights under the Public Audit (Wales) Act 2004. Auditors acting on my behalf will then issue a proforma audit notice for councils to display in a conspicuous place locally and to publish on their websites.
- 2.17 **Exhibit 9** explains for the 2018-19 audit, details of what councils must do and when they must do it to ensure proper arrangements are made for the exercise of electors' rights to inspect the accounts.

Exhibit 9 – audit timetable for 2018-19

I have appointed 29 July 2019 as the date from which local electors may exercise their rights under section 30 of the and 31 of the Public Audit (Wales) Act 2004.

Action	To be completed by
Council to place audit notice in a conspicuous place and to publish a copy on its website	16 June 2019
Responsible Financial Officer to certify the accounting statements	30 June 2019
Council to approve the accounts for submission to the auditor	30 June 2019
Council to make accounts and supporting records available for public inspection	1 July 2019
End of statutory inspection period	26 July 2019
Date from which local electors can ask questions about or make objections to the accounts to the auditor	29 July 2019

2.18 As notice of these dates has now been given, I anticipate that almost all councils will comply with the Regulations for 2018-19.

Auditors will require evidence to demonstrate that every local council has made proper arrangements for the exercise of electors' rights to inspect the accounts

- 2.19 In recent years, an increasing number of local electors have contacted their auditors or the Wales Audit Office with concerns that councils are not making proper arrangements for the exercise of electors' rights. In most of these cases, the council had not complied with the law.
- 2.20 Therefore, as part of the 2017-18 audit, auditors asked for evidence in the form of a photograph to demonstrate that councils had complied with the requirements to display the notices in a conspicuous place.
- 2.21 In some cases, despite being given notice of the evidence requirements, a small number councils were unable to provide the requested evidence. In other cases, the council's clerk simply refused to provide the evidence.
- 2.22 For 2018-19, I will instruct auditors that where councils fail to comply with the request for evidence, they are to refer the council to me to establish why the council and/or its clerk is unwilling to co-operate with the auditor. I will also consider whether I should issue a report in the public interest to draw the public's attention to the council's failings.

Part 3

The number of qualified audit opinions has doubled in 2017-18 to 340 councils, with auditors highlighting ongoing failings in financial management and governance



Auditors issue 'qualified' audit opinions when councils fail to comply with their statutory responsibilities or where auditors conclude that the information reported in the annual return is mis-stated

- 3.1 My audit approach for local councils is designed to discharge my responsibilities under the Public Audit (Wales) Act 2004.
- 3.2 Local councils prepare their accounts in the form of an annual return. The annual return includes:
 - The annual accounting statements made up to 31 March each year;
 - An annual governance statement which sets out assertions in which the council confirms the arrangements it has in place to manage its finances.
- 3.3 Auditors review the accounting statements included in the annual return and the assertions made in the annual governance statement to come to a conclusion on whether or not there is evidence that the accounting statements have been properly prepared, whether or not the council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and whether or not the information contained in the annual return is an accurate reflection of the council's finances and financial management and governance arrangements.
- 3.4 Auditors measure the council's arrangements against its statutory responsibilities and issue 'qualified' opinions when they identify non-compliance. These are reported as exceptions in the audit opinion. However, all audit qualifications are avoidable if councils have appropriate arrangements in place to comply with their statutory responsibilities.
- 3.5 Auditors also qualify the audit opinion where the information contained in the accounts and/or the annual governance statement is inconsistent with the evidence provided for audit.

Over 340 individual councils received a qualified audit opinion for 2017-18 compared with 170 in 2016-17 and this increase is mainly due to a lack of understanding of the statutory timetable for the accounts and audit

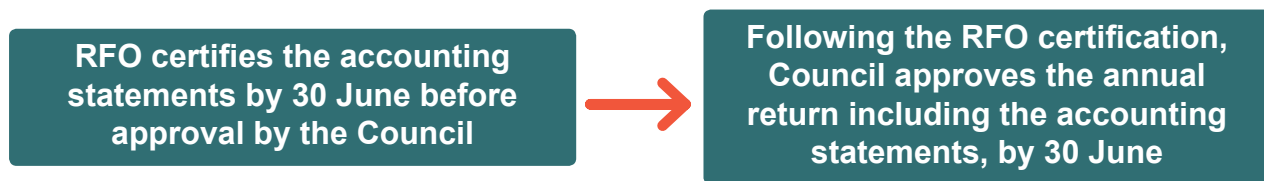
- 3.6 I issue an unqualified audit opinion when no matters come to my attention during the audit that suggest the council has failed to comply with statutory or regulatory requirements. My audit may also identify other matters that although they do not indicate a failure to comply with a statutory or regulatory requirement, need to be drawn to the attention of the council.
- 3.7 The most common issue that resulted in a qualified audit opinion was non-compliance with the Regulations related to the approval of the accounts and the arrangements for public inspection of the accounts. I have covered this issue in more detail in **Part 2** of this report.
- 3.8 Excluding the qualifications related to the accounts and audit timetable, the type of qualifications are broadly similar to 2016-17. In some cases, audit opinions are qualified for more than one reason. Examples of the recurring qualification matters include:
- failure to comply with regulations for the preparation and approval of the accounting statements;
 - weaknesses in budget setting and monitoring arrangements;
 - non-compliance with statutory requirements to publish documents online; and
 - failure to make appropriate arrangements for the taxation of payroll.

86 councils did not prepare and approve their annual accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 compared with 50 in 2016-17

- 3.9 As summarised in **Exhibit 10**, Regulation 15 of the Accounts and Audit (Wales) Regulations 2014 sets out the timetable for local councils to prepare and approve the accounting statements.

Exhibit 10 – the statutory approval process for local council's accounts

The Responsible Financial Officer (RFO) must certify the accounting statements before the Council approves the accounting statements and the annual governance statement.



3.10 Auditors identified that of those councils that have submitted accounts for audit, 86 councils did not adhere to this timetable for the 2017-18 accounts. It is likely that this figure will increase as the overdue accounts, referred to earlier, are submitted and the date of approval becomes known. This compares with 50 councils who did not comply with requirements for 2016-17.

3.11 Auditors identified cases where:

- the RFO only certified the accounting statements after the Council had approved the annual return; and
- either or both the RFO or the Council had failed to discharge their responsibilities by 30 June. In some cases, this was due to individual councils' meeting cycles and could have been addressed by the council altering their normal meeting schedule.

86 councils made an inaccurate assertion that they had taken appropriate action on all matters raised in previous reports from internal and external auditors

- 3.12 At the end of each audit, auditors provide the councils with a detailed report setting out their audit findings and including recommendations for improvement. These reports and recommendations should be considered by the council and appropriate action taken.
- 3.13 For the 2017-18 audit, auditors reviewed progress against recommendations made in 2015-16 and 2017-17. Auditors reported that many councils had not addressed their recommendations and were still not complying with the statutory responsibilities regarding budget setting and payroll. Further detail on these matters are included in my earlier reports on the [2015-16 accounts](#) and the [2016-17 accounts](#).

24 councils have yet to make proper arrangements for online publication of documents as required by the Local Government (Democracy) (Wales) Act 2013

- 3.14 The Local Government (Democracy) (Wales) Act 2013 (the 2013 Act) requires every local council to make available their contact and membership details, and records of their proceedings via the internet. The 2013 Act also requires every council to publish their register of members' interests, public notices and audited accounts electronically. The changes introduced by the 2013 Act enhance accountability of local councils to their electorate.
- 3.15 Auditors identified 24 councils who either:
- do not have a publicly accessible website on which to publish the information required to be published; or
 - do not publish this information electronically despite having a website.

Auditors identified issues that require attention by the council but which did not result in an audit qualification, at 522 councils compared with 424 in 2016-17

- 3.16 Auditors will also report on other matters that have come to their attention during the audit. Councils should consider these matters so they can improve their internal arrangements in light of the comments made.
- 3.17 Auditors reported such matters to 522 councils in 2017-18 compared with 424 in 2016-17.

Auditors identified issues in the accounting statements of 180 councils

- 3.18 All councils should ensure that the annual return is fully completed and checked before it is presented for audit. Additional audit costs are incurred when auditors need to send the annual return back to councils for correction or completion
- 3.19 The accounting statements required for local councils in Wales are simple both in structure and accounting requirements. Auditors reported issues with the accounting statements of 180 councils. This is significantly more than reported for 2016-17 (86) but comparable with 2015-16 (176).
- 3.20 In many cases, auditors reported that the comparative accounts for 2016-17 reported on the 2017-18 annual return had been amended from the 2016-17 accounts included on the 2016-17 annual return. In other cases, the accounts contained simple errors:
- arithmetic errors. In some cases, the accounting statements did not add up. Often this is because of the figures being rounded to the nearest pound. However, it is important that councils ensure that the accounting statements are correctly presented
 - incorrect treatment of unrepresented transactions. At the year end, there will often be timing differences between transactions being recorded in a council's cashbook and the transaction clearing through the council's bank account. As part of their year-end accounts preparation, councils will reconcile the cashbook to the bank statement. Under proper accounting practice, reconciling items are not adjusted for at the year end. Instead they are reversed if necessary in the following year. However, too many councils either amend the prior year or the current year accounts to remove the impact of uncleared transactions. This has the effect of misstating the accounting statements.

- exclusion of bank accounts and transactions. In some cases, poor record keeping by councils means that balances held in some bank accounts and transactions linked to those accounts are excluded from the accounting statements for the year. This results in understatements of the council's balances and misstatement of its income and expenditure for the year. The lack of internal control also puts at risk the funds held by the council.
- incorrect disclosure of asset values. Other common errors identified included the assets figure in the accounting statements not agreeing with the asset register or in year additions being excluded from the accounting statements, comparative figures being amended and thereby not agreeing to the prior year's audited accounts, cost and income misclassifications as well as rounding and arithmetic errors.
- inappropriate inclusion of charitable funds. A small number of councils had included charitable fund bank accounts and transactions in the accounting statements which is a breach of their trustee fiduciary duties. This results in the overstatement of council balances and misstatement of income and expenditure for the year. It also risks the inappropriate use of charitable funds for council purposes and vice versa.

Councils incorrectly apply section 137 of the Local Government Act 1972 as the statutory basis for expenditure when another, more appropriate power is available

- 3.21 As statutory corporations, councils only have such powers to act as are conferred on them by statute. Section 137 of the Local Government Act 1972 empowers the council to spend up to a prescribed amount in any year for the direct benefit of their area or any part of it or all or some of its inhabitants. Where there is an existing specific statutory provision, that provision should be applied rather than s137.
- 3.22 Auditors identified 112 councils that applied s137 powers to items of expenditure when there was an existing relevant provision available.

270 councils did not complete the annual return fully before submission for audit

- 3.23 The annual return prepared by local councils is designed to be easy to complete and includes guidance on completing the return. Nevertheless, each year auditors identify that many councils do not complete the annual return fully.
- 3.24 All councils should ensure that the annual return is fully completed and checked before it is presented for audit. Additional audit costs are incurred when auditors need to send the annual return back to councils for correction or completion. Common issues identified in 2017-18 include:
- failure to enter the council's name on the annual return;
 - failure to enter on the return the date and/or signatures demonstrating approval of the return by the council; and
 - failure to respond to all assertions in the Annual Governance Statement.

Auditors have again highlighted a need to develop the internal audit function and this is supported by the findings of my national study on internal audit in the sector

- 3.25 Internal audit forms an important part of the internal control arrangements that each council is required to have in place and review annually. In recent years, external auditors have commented on concerns related to internal audit arrangements across the sector including:
- incomplete or non-existent terms of reference for internal audit at 61 councils. The terms of reference are important for councils to understand the expected scope of internal audit's work.
 - although councils make an assertion in the annual governance statement that there is an adequate and effective internal audit in place, this assertion was made by 52 councils before internal audit had reported on their work. Councils should consider the adequacy and effectiveness of internal audit once they receive the internal auditor's report.
 - 23 councils did not receive a report from their internal auditor setting out the work undertaken and the findings from the audit.
 - conclusions reported by internal audit were inconsistent with evidence obtained from the council by external auditors.

- 3.26 These councils will find it difficult to demonstrate that they have an adequate and effective system of internal audit in place and receive full value from that service.
- 3.27 In 2018, I carried out a national study on internal audit in town and community councils. The report setting out the findings from this study will be published on 17 January 2019.

Part 4

In 2018, due to significant deficiencies identified during the audit, I exercised my statutory powers to issue reports in the public interest or to make written recommendations to eight councils in Wales



- 4.1 As part of the audit, I have a duty under the Public Audit (Wales) Act to consider whether, in the public interest, I should make a report on any matter which comes to my notice in the course of the audit, in order for it to be considered by the council, or brought to the attention of the public. I also have a statutory power to issue written recommendations to councils and require the councils to consider those recommendations in accordance with specific provisions within the Act. Where I exercise these powers, councils must consider the recommendations at a public meeting and publish their response to the report or recommendations.
- 4.2 Although these reports and recommendations are addressed to individual councils, there are usually lessons that can be applied to other councils across Wales. Therefore, I recommend that all councils consider the following issues and whether any of the issues raised may apply to them.

Town and community councils in Wales can learn lessons from the reports in the public interest issued at seven councils during 2018

- 4.3 I normally expect that the publication of a report in the public interest to be an unusual occurrence. However, town and community councils are responsible for the management of public funds and where there are significant failures in financial management and governance at individual councils, I consider that it is important to draw these failures to the attention of the community that the councils serve.
- 4.4 In 2018, I published reports in the public interest at seven councils. Copies of these reports are published on the Wales Audit Office website at [audit.wales](https://www.walesauditoffice.wales.nhs.uk/audit).

Exhibit 11 – public interest reports issued in 2018

In 2018, the Auditor General issued reports in the public interest in relation to seven community councils

Public interest reports issued in 2018
<u>Whitford Community Council</u>
<u>Penally Community Council</u>
<u>Trymynach Community Council</u>
<u>Llanwnnen Community Council</u>
<u>Glantymyn Community Council</u>
<u>Cadfarch Community Council</u>
<u>Llanbrynmair Community Council</u>

4.5 The reports I issued in 2018 highlight recurring issues including:

- long standing failures in financial management and governance including a failure to respond to issues previously identified during the audit;
- failure by the council to properly manage their clerk;
- failure by the clerk to prepare annual accounts and to deal with the auditor;
- incomplete accounting records maintained by the clerk;
- lack of payroll records and failure to properly administer PAYE taxation arrangements;
- loss of income arising from failures to reclaim VAT where the council was able to make a claim; and
- ineffective or non-existent internal audit arrangements.

4.6 Recommendations for improvement have been made to each council.

Councils can also learn lessons from written recommendations issued under section 25 of the Public Audit (Wales) Act 2004

Machynlleth Town Council

- 4.7 In 2016, the former appointed auditor disclaimed to provide an audit opinion on the accounts for the financial years 2009-10 to 2014-15 and issued a series of written recommendations to the Council. The auditor's findings were summarised in my report on Financial Management and Governance in Community Councils 2015-16. The 2015-16 report can be found on [our website](#).
- 4.8 During this period, the Council employed, as its clerk, the same individual referred to in the reports on Cadfarch, Glantwymyn and Llanbrynmair Community Councils, referred to in **Exhibit 11**. However, the Council appointed a new clerk in early 2018 and in the period since the former appointed auditor issued their written recommendations, the Council has made significant progress in addressing the deficiencies identified.
- 4.9 However, there remains scope for further improvement and therefore I issued further written recommendations in relation to the 2015-16 and 2016-17 accounts.
- 4.10 The 2015-16 accounts contained unresolved errors due to the deficiencies in records kept by the former clerk. Furthermore, the former clerk did not make the appropriate arrangements to prepare and certify the accounts in accordance with the Accounts and Audit (Wales) Regulations. The 2015-16 audit also identified that the Council did not maintain a website that would allow it to publish documents required to be published electronically by the Local Government (Democracy) (Wales) Act 2013. Consequently, written recommendations were made to the Council in June 2018 to address the ongoing issues.

Part 5

The 2018-19 and 2019-20 town and community council audits will continue to focus on areas where auditors identify scope for improvement in council's arrangements and during this period, I will review my audit approach to ensure it remains fit for purpose



My audit programme for 2018-19 to 2020-21 will continue to focus on areas where there is scope for local councils to improve their financial management and governance

- 5.1 Since 2015-16, all councils have been required to complete and provide evidence to support the assertions made in a two-part annual governance statement set out in the annual return.
- 5.2 The objective of the new audit arrangements introduced for 2015-16 is to examine and assess the effectiveness of local councils' governance arrangements over a period of five years. The programme focuses on recurring themes identified as part of the annual audit cycle and are intended will help councils to improve their arrangements, where required, over time. **Exhibit 12** sets out the current proposed timetable for future governance themes. Councils should note that these may change if significant issues arise from the annual audits.

Exhibit 12 – future governance themes

My proposed audit programme for future governance themes for local councils is as set out below although this may change if further issues emerge.

2018-19	2019-20	2020-21
Compliance with Standing Orders Delegation to committees	Arrangements for making payments	Employment of staff Well-being of Future Generations

Compliance with standing orders

- 5.3 Standing orders are the written rules of a local council. They are used to confirm a council's internal organisational, administrative and procurement procedures and procedural matters for meetings. Under the Local Government Act 1972, every local council must have standing orders for the procurement of contracts.
- 5.4 In recent years, auditors have regularly reported that:
- some councils have not adopted any standing orders;
 - in many cases, standing orders were adopted a long time ago and no longer reflect the way in which individual councils conduct their business; and
 - although councils may have adopted up to date standing orders, they do not comply with the standing orders.
- 5.5 Where councils do not comply with their standing orders, there is a risk that transactions that arise from such breaches may be unlawful.
- 5.6 Therefore, as part of the 2018-19 audit, auditors will seek to establish if:
- councils have up to date standing orders; and
 - if councils comply with their standing orders in relation to expenditure.

Establishment of committees

- 5.7 Under section 102 of the Local Government Act 1972, councils can delegate the exercise of certain functions to committees of members. Where this is the case, the council must delegate specific responsibilities to the committees.
- 5.8 External auditors have reported that in some cases, committees lack formal delegated terms of reference and may incur expenditure without appropriate authority from the council to do so. Where committees make decisions and act without authority from the council, they may act 'ultra vires' and incur unlawful expenditure.
- 5.9 Therefore, for the 2018-19 audit, auditors will examine each council's committee structure and establish if each committee has been properly established with appropriate terms of reference.

In 2019, the current audit arrangements will be reviewed to determine if they remain fit for purpose with any resulting changes to the arrangements expected to be introduced for the 2020-21 audit of accounts

- 5.10 The current audit arrangements were introduced for the audit of the 2015-16 accounts. The arrangements were developed in response to concerns of systemic deficiencies in the sector's arrangements for financial management and governance. The current audit arrangements include a five-year programme of work to assist all councils to develop their own arrangements to ensure they meet their statutory duties and meet best practice requirements.
- 5.11 The 2017-18 audit is the midway point of the current arrangements and therefore, it is appropriate to take stock of the progress made by the sector and to consider if the current audit arrangements are fit for purpose. The arrangements can be considered fit for purpose if they are sufficient to allow me to discharge my responsibilities under the Public Audit (Wales) Act 2004 and provide an appropriate level of assurance to users of the accounts.
- 5.12 As part of the review of the audit arrangements, the following strands of evidence will be considered:
- the outcomes of external audit work for the period 2015-16 to 2017-18 as reported in my annual reports on Financial Management and Governance in the sector;
 - reports in the public interest issued to town and community councils since 2015;
 - reports and written recommendation issued under section 25 of the Public Audit (Wales) Act 2004, issued since 2015; and
 - the outcome of my national study on the role of internal audit in the sector.
- 5.13 This review will be completed in 2019 and I propose to consult on the outcome of the review and any changes to the audit arrangements late in 2019. Any changes to the audit arrangements arising from the review are expected to be implemented for the 2020-21 audit.

Appendices

Appendix 1 – Councils with income and expenditure exceeding £200,000

Appendix 2 – Audits incomplete as at 30 November 2018

Appendix 3 – Explanation of the statutory framework for common audit issues



Appendix 1 – Councils with income and expenditure exceeding £200,000³

Councils meeting the expenditure threshold 2015-16 to 2017-18

Abergavenny Town Council
Aberystwyth Town Council
Bangor City Council
Barry Town Council
Bay of Colwyn Town Council
Beaumaris Town Council
Blaenhonddan Community Council
Brecon Town Council
Bridgend Town Council
Buckley Town Council
Caernarfon Royal Town Council
Caia Park Community Council
Caldicot Town Council
Carmarthen Town Council
Chepstow Town Council
Coedffranc Community Council
Coedpoeth Community Council
Connah's Quay Town Council
Conwy Town Council
Cwmaman Town Council
Cwmbran Community Council
Gwersyllt Community Council
Haverfordwest Town Council
Hawarden Community Council
Holyhead Town Council
Llandudno Town Council
Llanedi Community Council
Llanelli Rural Community Council⁴

³ Where councils have not yet submitted accounts for audit, I have assumed that income and expenditure will be at the same level as prior years

⁴ Included for completeness

Councils meeting the expenditure threshold 2015-16 to 2017-18

Llanelli Town Council
Llangennech Community Council
Llannon Community Council
Llantrisant Community Council
Llantwit Fardre Community Council
Llantwit Major Town Council
Machynlleth Town Council
Maesteg Town Council
Milford Haven Town Council
Mold Town Council
Monmouth Town Council
Neath Town Council
Newtown and Llanllwchaiarn Town Council
Pembrey & Burry Port Community Council
Penarth Town Council
Pontypool Community Council
Pontypridd Town Council
Porthcawl Town Council
Prestatyn Town Council
Rhosllanerchrugog Community Council
Rhyl Town Council
Rogerstone Community Council
St Davids City Council
Tonyrefail & District Community Council
Welshpool Town Council
Ystradgynlais Town Council

Councils meeting the expenditure threshold 2016-17 and 2017-18

Abergele Town Council
Builth Wells Town Council
Denbigh Town Council
Laleston Community Council

Councils meeting the expenditure threshold 2017-18 only

Brackla Community Council
Cefn Community Council
Flint Town Council
Holywell Town Council
Kidwelly Town Council
Llandybie Community Council
Mumbles Community Council
Neyland Town Council
Offa Community Council
Pembroke Town Council
Pontardawe Town Council
Pontyberem Community Council
Talybont-on-Usk Community Council

Appendix 2 – Audits incomplete as at 30 November 2018

Annual returns not submitted for audit

The following councils have failed to submit their annual return for 2017-18 to the auditor

- 1 Blaengwrach Community Council
- 2 Cilcain Community Council
- 3 Clocaenog Community Council
- 4 Henryd Community Council
- 5 Llampumsaint Community Council
- 6 Llanelly Community Council
- 7 Llanfairpwll Community Council
- 8 Llanfrothen Community Council
- 9 Llanilar Community Council
- 10 Nantcwnlle Community Council
- 11 Newchurch and Merthyr Community Council
- 12 Pembrey & Burry Port Community Council
- 13 Pwllheli Town Council
- 14 Raglan Community Council
- 15 Rhosyr Community Council
- 16 St Donats Community Council
- 17 Wick Community Council

Councils not communicating with auditors

The following councils although having submitted the annual return for audit have not responded to the auditors' requests for further information, explanation or clarification

- 1 Betws Garmon Community Council
- 2 Betws Gwerfil Goch Community Council
- 3 Bishton Community Council
- 4 Bro Machno Community Council
- 5 Brynchrug Community Council
- 6 Croesyceiliog & Llanyrafon Community Council
- 7 Cyfflliog Community Council
- 8 Derwen Community Council
- 9 Henllan Community Council
- 10 Leeswood Community Council
- 11 Llanaelhaern Community Council
- 12 Llanbedgrog Community Council
- 13 Llanbedr Dyffryn Clwyd Community Council
- 14 Llanberis Community Council
- 15 Llanfynydd Community Council
- 16 Llangwm Community Council
17. Llanrhaeadr Yng Nghinmeirch Community Council
- 18 Llanwnda Community Council
- 19 Llanysys Community Council
- 20 New Tredegar Community Council
- 21 Penmeanmawr Community Council
- 22 Pennal Community Council
- 23 St Arvans Community Council
- 24 Usk Town Council

Prior year audit(s) incomplete

The following councils have prior year audits remaining open and will be concluded once the prior year issues are resolved

- 1 Abergele Joint Burial Committee
- 2 Abertillery & Llanhilleth Community Council
- 3 Bethesda Community Council
- 4 Bodorgan Community Council
- 5 Cadfarch Community Council
- 6 Cynwyd Community Council
- 7 Glantwymyn Community Council
- 8 Glynneath Town Council
- 9 Llanbrynmair Community Council
- 10 Llangristiolus Community Council
- 11 Llangynwyd Middle Community Council
- 12 Llantilio Pertholey Community Council
- 13 Llanwnnen Community Council
- 14 Maenclochog Community Council
- 15 Maesteg Town Council
- 16 Ogmore Valley Community Council
- 17 Penally Community Council
- 18 Rhigos Community Council
- 19 Tirymynach Community Council
- 20 Tywyn Community Council
- 21 Whitford Community Council
- 22 Ynysawdre Community Council

Audit issues to be resolved

The following councils have prior year audits remaining open and will be concluded once the prior year issues are resolved

- 1 Aberporth Community Council
- 2 Ammanford Town Council
- 3 Beulah Community Council
- 4 Bontnewydd Community Council
- 5 Buckley Town Council
- 6 Builth Wells Town Council
- 7 Carreghafa Community Council
- 8 Chepstow Town Council
- 9 Clunderwen Community Council
- 10 Connah's Quay Town Council
- 11 Conwy Town Council
- 12 Criccieth Town Council
- 13 Faenor Community Council
- 14 Holyhead Town Council
- 15 Llancarfan Community Council
- 16 Llandyrnog Community Council
- 17 Llangefni Community Council
- 18 Llannor Community Council
- 19 Magor with Undy Community Council
- 20 Merthyr Mawr Community Council
- 21 Mumbles Community Council
- 22 Penbryn Community Council
- 23 Pistyll Community Council
- 24 Port Eynon Community Council
- 25 Prestatyn Community Council
- 26 Rhyl Town Council
- 27 Ruabon Community Council
- 28 Saltney Town Council
- 29 St Brides Major Community Council
- 30 Troedraur Community Council
- 31 Van Community Council

Appendix 3 – Explanation of the statutory framework for common audit issues

Approval of accounts and the exercise of electors' rights to inspect documents at audit

Section 30(1) of PAWA 2004 provides that an interested person may 'inspect the accounts to be audited'. [A copy of the Act can be found on the UK Government website.](#)

Regulation 15(2)(b) of the Accounts & Audit (Wales) Regulations 2014 requires a relevant body (council) to 'approve the accounting statements for submission to the auditor' following its consideration. A copy of the [Regulations can also be found on the UK Government website.](#)

Therefore, it is only accounting statements that have been approved that may be submitted to the auditor for audit. As such, the 'accounts to be audited', which are to be made available for inspection must first be approved by the council.

Requirements to operate Pay As You Earn by councils

Employers do not need to register for PAYE if none of their employees are paid £116 or more a week, get expenses and benefits, have another job or get a pension. However, they must still maintain payroll records.

Otherwise there is an obligation for the employer to operate PAYE, which is confirmed in Sections 4 and 5 of the Income Tax Earnings and Pensions Act 2003 (ITEPA). A copy of [the Act can be found on the UK Government website.](#)

Section 684 of ITEPA is the authority for PAYE Regulations which deal with routine payments such as cash wages, salaries or pensions paid by UK employers or pension providers. The Income Tax (PAYE) Regulations 2003 (Statutory Instrument 2682/2003) set out in detail how the PAYE system will operate. The regulations assign responsibilities to employers:

- Regulation 21 provides 'On making a relevant payment to an employee during a tax year, an employer must deduct or repay tax in accordance...'
- Regulation 68 determines how much an employer must be pay to the HMRC for a tax period.
- Regulation 73 requires an employer to deliver an annual return to HMRC.

The Regulations place obligations upon an employer, not the employee or any agent or intermediary of an employer. Employers can use payroll agents, solicitors, accountants, etc to help them comply with their PAYE obligations but there is nothing in the legislation or PAYE Regulations which enables an employer to escape the legal responsibility to operate PAYE and it is the employer that HMRC will enforce an underpayment of PAYE against. There is no legislative provision that allows an employee to choose to pay tax thorough self-assessment as an alternative to the employer deducting tax under PAYE.

[A copy of the Regulations can be found on the UK Government website.](#)

Further [explanation is also available on the HMRC website.](#)

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

Discussion Paper: Six themes to help make scrutiny ‘Fit for the Future’



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



This is an interactive pdf

Please use the buttons displayed
on the pages to navigate through.

I have prepared this document so as to provide a summary of work undertaken in accordance with the Public Audit (Wales) Act 2004 and Local Government (Wales) Measure 2009.

This document was produced by Tim Buckle under the direction of Huw Rees.

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

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.

PART 1

Clarifying roles and responsibilities is still necessary in some councils and is a pre-requisite to successful scrutiny

PART 2

Many councils continue to recognise a need to improve public engagement in scrutiny but in many councils this will require a step change in scrutiny practice

PART 3

Councils should reflect on the rigour with which they prioritise and then plan scrutiny activity to improve its impact

PART 4

Responding to current and future challenges may need a different approach to supporting scrutiny committee members

PART 5

Evaluating the effectiveness of scrutiny

PART 6

Welsh government and councils should consider the implications of the above themes for councils' and partnership governance arrangements



Background

During 2017-18 we explored with each of the 22 principal councils in Wales how 'fit for the future' their scrutiny functions are. We considered how councils are responding to current challenges, including the Wellbeing of Future Generations Act 2015 (WFG Act) in relation to their scrutiny activity, as well as how councils are beginning to scrutinise Public Service Boards (PSBs). We also examined how well placed councils' overview and scrutiny functions are to respond to future challenges such as continued pressure on public finances and the possible move towards more regional working between local authorities.

We issued separate reports with proposals for improvement to each of the 22 principal councils. In this discussion paper, we took the key themes arising from our work and presented them as a checklist that Councils can use to consider the efficiency and effectiveness of their arrangements.

Key themes for improving the effectiveness of overview and scrutiny

Through our review we identified six key areas which we think many councils could reflect on to improve the efficiency and effectiveness of their scrutiny functions. The areas we identified are:



Clarifying roles and responsibilities is still necessary in some councils and is a pre-requisite to successful scrutiny

In some councils there remains some fundamental confusion and misunderstanding around roles and responsibilities for overview and scrutiny in practice. This is illustrated most clearly in a number of councils where typically senior officers rather than Cabinet members give account and are held to account at scrutiny committee meetings. One of the key roles of scrutiny as part of political management in arrangements in Welsh local government is to hold the executive to account for the efficient exercise of executive functions. It is notable therefore that several councils have yet to demonstrate a clear understanding of this, despite the National Assembly for Wales issue of Guidance¹ on this in 2006.

We found, albeit to a lesser extent, a lack of clarity around the role of scrutiny committees in various aspects of council governance, and around why some information/items were being considered by scrutiny committees.

We also found in a number of councils that scrutiny work programmes are not planned and 'owned' by scrutiny members. This suggests a lack of understanding and therefore ownership of the scrutiny function by non-executive councillors.

Without properly considering and understanding the role that committees are trying to perform and the powers and options open to them, those charged with carrying out overview and scrutiny are at a fundamental disadvantage. They may be far less likely to select appropriate topics, and methodologies for examining them and arrive at impactful conclusions. Similarly, if cabinet members who are to be held to account and the officers who support them are also not clear on their roles, this is also likely to hinder the effectiveness of scrutiny. It is perhaps surprising that we found some aspects where roles were confused in a number of councils, despite it being 18 years since the Local Government Act 2000 was passed, and for example 12 years since the National Assembly for Wales Guidance explicitly set out some aspects of roles that in practice remain confused.

What action could councils take?

Councils should consider whether elected members and officers have a sound understanding of roles and responsibilities. And what this means for the way in which scrutiny functions and support are structured; and scrutiny activity is planned and conducted.

¹ Good Scrutiny? Good Question! – Auditor General for Wales improvement study: Scrutiny in Local Government



Many councils continue to recognise a need to improve public engagement in scrutiny but in many councils this will require a step change in scrutiny practice

“Most councils recognise that the extent to which scrutiny committees ensure that the voice of local people is heard as part of local decision-making is an area that needs to improve. During the study some councils referred to the need to develop a public engagement strategy for scrutiny, as well as the need to improve engagement of the public in the planning of scrutiny work. Broadening and improving engagement with partners was also recognised by councils as an area for development.”²

The above quote is from the report of the Auditor General's Scrutiny Improvement Study 'Good Scrutiny? Good Question' published in 2014. Despite this the need to engage the public in overview and scrutiny is still recognised by many councils as an area they need to improve. There are plenty of examples of councils engaging the public as part of planned scrutiny activity but improved communication technology, the growth of social media and rising public expectations all mean that there are new opportunities to engage communities as well as through more 'traditional' methods. The WFG Act also requires councils to 'involve' communities in acting in accordance with the sustainable development principle. Scrutiny can play an important role in helping and challenging executives to do this.

What action could councils take?

In light of current and future challenges councils have an opportunity to re-evaluate what they are trying to achieve in terms of public engagement and consider whether a fundamental re-think of the way in which they plan and undertake scrutiny activity will help to achieve this. As part of this they could consider:

- clearly defining their ambitions in terms of seeking to engage the public in overview and scrutiny;
- how improved technology can help them to engage more easily and cost-effectively;
- if the way in which scrutiny functions 'operate' is conducive to proactive public engagement and involvement of other stakeholders; and
- if they have the appropriate support in place in terms of officers with the right knowledge, skills and experience as well as training, development and ICT support for members to enable scrutiny functions to properly and proactively engage with the public.

² Good Scrutiny? Good Question! – Auditor General for Wales improvement study: Scrutiny in Local Government



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Councils should reflect on the rigour with which they prioritise and then plan scrutiny activity to improve its impact

In most councils we found the default approach to work planning as being able to select a number of topics, and then to request officer reports on those topics to be presented at full committee meetings. More planning and consideration of methods is typically undertaken for task and finish groups, but usually these are undertaken for a relatively small number of items when compared with the number of officer reports that are prepared. As we noted above, there remains in some councils a fundamental lack of awareness that scrutiny committee members are able to formulate their own work programmes. The number of agenda items/work programme items varies, but overall many committees are probably still trying to consider too much in not enough detail which in turn limits their ability to gather evidence from a range of sources. This makes it difficult for them to arrive to well-evidenced solutions to recognised problems. Developments in technology and the potential to gather views, data and other forms of evidence more quickly and cost effectively could present opportunities to better inform the work of scrutiny functions. When we asked councils for examples of scrutiny activity that have had a significant impact, they were often able to point to only a few examples over a number of years. We also found that most of the examples tended to involve task and finish group work or similar, despite the vast majority of scrutiny activity being undertaken through receipt of officer reports at committee meetings. Aside from this approach having a limited impact, the time and resources taken to prepare and present numerous reports is considerable. There is an obvious question for councils to ask themselves regarding the value for money of this approach.

What action could councils take?

Councils should consider whether the way in which scrutiny activity is planned and undertaken:

- is sufficiently well prioritised, taking into account how much time and resource may be needed to 'properly' scrutinise topics, based on an appropriate methodology and hence, the implications for the number of items that committees can properly consider;
- properly considers the options and methods that could be used to approach scrutiny of every topic, rather than just a few topics;
- aligns with the roles and intended outcomes of the scrutiny function, and that choice of topics and methodologies are designed to deliver against these, rather than necessarily 'defaulting' to considering the majority of items at full committee in the form of officer reports; and
- actively considers how emerging technologies could be used to improve the evidence base for scrutiny, to inform both topic selection as part of work programming, and the findings and recommendations of scrutiny work.



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Responding to current and future challenges may need a different approach to supporting scrutiny committee members

It is timely for councils to review the type of scrutiny support and training they provide to overview and scrutiny committee members. We suggest there are two reasons for this. Firstly because in those councils where roles remain confused (see above) after almost two decades, a different approach to supporting members to understand their roles, responsibilities and powers in relation to scrutiny may be needed. Secondly, councils should assure themselves that they can make the most of the opportunities and mitigate against the potential risks associated with social media, new technologies, rising public expectations, new roles for scrutiny (eg in relation to Public Service Boards) and the variety of other changes that have and will continue to impact on scrutiny functions. We recognise the financial pressures facing councils, and we are not proposing that this is necessarily about increasing the resources dedicated to scrutiny but it may be about deploying resources differently and/or upskilling existing support.

What action could councils take?

Councils should consider:

- what their scrutiny functions are trying to achieve, and whether current arrangements for officer support; and training and development will help them to achieve this;
- if there is a need to upskill officers who work in support of scrutiny;
- working more effectively with other parts of the council and/or with other organisations to improve the range of skills and knowledge available to support scrutiny; and
- re-designing approaches to training and development programmes for scrutiny members.



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Evaluating the effectiveness of scrutiny

Most councils do not routinely consider the effectiveness and impact of their scrutiny functions relative to the amount of resource in terms of money and time dedicated to them. We looked at a number of scrutiny 'Annual Reports' and found that often they 'describe' the work undertaken, or topics considered by committees, rather than 'evaluate' the effectiveness of arrangements and the impact made.

What action could councils take?

Given some of our observations above which suggest that roles are still not always clear, and there remains a 'traditional' approach to scrutiny topics in many councils, regular reviews of the effectiveness of arrangements that are subsequently acted on may be a key way of addressing some of these long-standing issues.



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Welsh government and councils should consider the implications of the above themes for councils' and partnership governance arrangements

As a consequence of the above themes, in many councils scrutiny has failed to reach its potential and does not yet effectively hold decision makers to account or for example regularly arrive at well-evidenced solutions to recognised problems. This has implications for the robustness of councils' own governance and self-evaluation arrangements. And particularly in the light of the WFG Act, for the ability of scrutiny members to hold council executives and other partners to account, and specifically to scrutinise PSBs effectively.

What action could councils and the Welsh Government take?

Councils and the Welsh Government should reflect on:

- the extent to which they can place reliance on local authority scrutiny functions in their current form; and
- what this might mean for the expectations placed on scrutiny functions both within Councils' own governance and management arrangements and any associated guidance.





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Agenda Item 5

Grŵp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Cyfarwyddwr Cyffredinol - Director General



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales

13 March 2019

Dear Chair

At the Public Accounts Committee meeting on 18th February, I agreed to write to you with further information regarding the creation and maintenance of the National Procurement Service (NPS).

In 2013, during the creation of NPS, it was expected that the development of the service would need to be supported in its initial years. Indeed, this was clear in the Business Case for the development of the NPS. As such, an Invest to Save Loan Fund of £5.92m was approved to set up the service covering three years, from 2013/14 to 2015/16.

Although over time there has been a significant increase in income resulting from developing the pipeline of NPS frameworks, it was clear by 2016 that further central support would still be required to maintain the service in the medium term. Over the operational three years from 2016/17 to 2018/19, £5.1m of reserve funding has been approved, although these subventions have been reducing year on year as the income recovered by NPS has increased. The NPS is expected to achieve over £1.3m income in 2018/19, an increase of over 50% from the previous year.

These Welsh Government investments should not be considered in isolation; various components including some staff costs, ICT and facilities will continue into the next iteration of the NPS. Further, to put the investments in context, over the six years the NPS has been operating, it has secured a year on year increase in engagement from customer organisations and this financial year is expected to exceed the forecast spend against frameworks of £300m. Reported benefits to Welsh public services through these arrangements amounted to £18m in the last financial year alone, and of the 670 suppliers involved in NPS frameworks, nearly half are now based in Wales.

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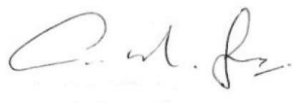
BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE

Page 172

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Additionally, the intangible assets the service has gained through developing frameworks, building a skilled workforce and strengthening procurement networks across Wales, have provided a valuable platform for the future. Indeed, these factors will be essential in helping ensure the new service will be fit for purpose and sustainable in the longer term.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Slade', with a stylized flourish at the end.

ANDREW SLADE
Director General, Economy Skills and Natural Resources

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Public Accounts Committee

PAC(5)-09-19 Paper 7 25 March 2019

Governance Review of Betsi Cadwaladr University Health Board: Lessons Learnt

Additional Information from Betsi Cadwaladr University Health Board(BCUHB)

During the evidence session held on 4 March, BCUHB agreed to provide the following information:

- BCUHB currently has 14 managed GP practices – 6 located in Wrexham, 2 in Conwy and the others in Blaenau Ffestiniog, Prestatyn/Rhuddlan, Holywell, Criccieth, Colwyn Bay and Porthmadog.
- In respect of approved GPs available for out of hours work – should a doctor not on the Wales approved list wish to work in BCUHB out of hours services, then we would permit this if they were already on the England list. However, this would only be feasible if there was sufficient time to meet the necessary requirements i.e the individual would need also to be placed on the Wales list via a fast-track process and acceptable references would need to be obtained. This could prove difficult at short notice. In practice, this situation does not arise, most likely due to the fact that there are sufficient opportunities in England for GPs to secure the same type of work, but with less travel and without the need to go through the process to be placed on the Wales list.

BCUHB 15 March 2019

By virtue of paragraph(s) vi of Standing Order 17.42

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Agenda Item 9

By virtue of paragraph(s) ix of Standing Order 17.42

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Reference: AC/092/caf
Date issued: 7 March 2019

Dear Colleague

Consultation on three-year forward programme of work

During December 2018 and January 2019, I [consulted](#) on proposals to inform the development of a three-year programme of audit work. I am very grateful to the many organisations and individuals who responded.

I made clear at the time that, with this being my first programme of work as Auditor General, I am keen to ensure that it covers the big issues facing Welsh public services, as well as enabling us to offer detailed commentary on governance, management and service delivery. The proposals that I consulted on were anchored in the following themes:

- Key risks and opportunities facing Welsh public services, such as austerity, demographic change, Brexit, digital and public service transformation;
- Governance and management of Welsh public bodies; and
- Delivery of key programmes, projects and services.

Around 180 organisations or individuals were invited to provide views and we received a total of 55 responses. Those responses were predominantly from the organisations that we audit but also from a variety of other sources including representative bodies, the third sector, Public Accounts Committee members and committee clerking teams from the National Assembly, unions and professional bodies.

The responses that we received helped us prioritise a number of the proposed studies and indicated support for/interest in a wide variety of the topics that we had included in our consultation. Unsurprisingly, the balance of responses reflected the direct relevance to the organisations responding to some extent. Nevertheless, it is clear that many of those responding welcomed the opportunity to provide comments on a cross-sector basis and looking more than one year ahead. Alongside the responses to the consultation, my thinking about how we take our work forward has

been informed by the very many conversations that I have been having over the past six months with Chief Executives and senior officers across our audited bodies and other partner organisations.

I emphasised as part of the consultation the importance of retaining flexibility within my programme to respond to any emerging or unanticipated issues. Nevertheless, mapping out a medium-term plan for my work will provide a clearer line of sight for the various stakeholders. I will be providing fuller details of my plans over a three-year horizon following some further engagement activity.

In the meantime, I have appended to this letter an overview of new work that I intend to take forward in 2019-20 as part of my programme of national studies. This includes thematic local audit work across specific sectors and work to follow up on previous studies. For completeness, I have also provided details about work in progress prior to the consultation that will run into 2019-20.

When deciding on the specific plans for individual pieces of work, we will consider comments raised through the consultation and engage with relevant external parties. Please do not hesitate to contact us if there are any further thoughts about the topics that we have prioritised for 2019-20 that you would wish us to take into account.

I made clear as part of the consultation that I am keen to produce shorter, sharper reports, make more use of data analytics, issue more real-time commentary on the big issues facing public services, and use different media to communicate our messages. This is all with the wider aim of exploiting our unique perspective, insight and knowledge base, building on our already positive reputation and being more visible in the way we engage with the bodies we audit and the people of Wales more generally. We are already taking the learning from positive recent examples to help develop our future approaches, including tailoring more of our work to reflect the perspectives of citizens and service-users.

Once again, I am very grateful for the time that has been spent considering and responding to our consultation and look forward to working with you as we take forward our audit programme.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales

Annex: 2019-20 programme of national studies work

Work already in progress prior to the recent consultation¹

Improving the well-being of young people	We are drawing together data to provide an overview of relevant trends and will also be highlighting key lessons for the Welsh Government to learn based on our review of issues including young parents, young adult carers, homelessness, mental health, jobs and skills.
Primary care services	Following on from our Picture of Primary Care report , we will be building on local audit work to consider whether health boards are well placed to implement the strategic vision for primary care.
Integrated Care Fund	This cross-sector review has considered whether the Integrated Care Fund is being used effectively to deliver sustainable services that achieve better outcomes for service-users.
Orthopaedic services	We are following up our 2015 report to examine the extent to which previous audit recommendations have been implemented at a national and local level. The focus of the work will be on elective services, although the impact of emergency/unplanned demand on these services will also be considered.
Quality governance arrangements in NHS bodies	As an extension of our structured assessment work at NHS bodies we are examining quality governance arrangements at NHS bodies, with a particular focus on the arrangements underpinning the work of quality and safety committees.

¹ This list includes work already in progress prior to the consultation that will run into 2019-20.

Tackling violence against women, domestic abuse and sexual violence	In the context of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 and the national strategy , this work is considering whether local authorities are collaborating effectively with their partners to prevent violence against women and domestic abuse.
Planning services	In the context of the Planning (Wales) Act 2015 , this work is considering how well local planning authorities are delivering their planning services and whether services are supporting sustainable development and delivering for the long-term well-being of local communities.
First point of contact assessments	This work is considering whether local authority first point of contact assessment and processes are meeting the needs of service users and carers in line with the Social Services and Well-being (Wales) Act 2014 .
A465 (Section 2) road improvement	We are undertaking this work in the context of wider concerns about cost and time overruns. We are planning to publish an initial 'interim findings' report.
Well-being of future generations	We will be continuing work to discharge the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015 to examine and report on the extent to which relevant public bodies have acted in accordance with the 'sustainable development principle' when setting and taking steps to meet 'well-being objectives'.

New work that we plan to take forward in 2019-20, building on the consultation²

Picture of public services	<p>We plan to adopt this as a theme for different pieces of commentary-based work over a three-year period.</p> <p>Reflecting proposals set out in our work programme consultation, in 2019-20 this could include plans for work on a UK comparative spending analysis and commentary on examples of changing approaches to public services. It could also include further commentary on NHS finances.</p>
Brexit	<p>Following our February 2019 report, we will be taking forward further work to consider how public bodies are responding to the implications, risks and opportunities of Brexit.</p> <p>This is likely to then continue as a theme for further work in 2020-21 and 2021-22.</p>
Preventing fraud and corruption	<p>We are already taking work forward to provide an initial overview report to inform a planned Public Accounts Committee inquiry. We may then take forward further work to consider in more detail the effectiveness of public bodies' arrangements.</p>
Administration of student finance	<p>We plan to consider issues relating to the overall administration of the student finance system, including the implementation of the new arrangements introduced from September 2018 and the Welsh Government's modelling of future repayments. This work may also draw on the results from data-matching work as part of the National Fraud Initiative.</p>
Fuel poverty / energy efficiency	<p>This work will look at progress in tackling fuel poverty. The work will consist how fuel poverty/home energy efficiency programmes integrate with wider anti-poverty work.</p>

² There may also be additional outputs throughout 2019-20 arising from other follow-up work on previous audit topics, from examinations undertaken in response to issues of public or parliamentary concern, or from local performance audit work where there are issues or learning of wider relevance.

Welsh Government workforce	This study would look at how the Welsh Government is planning its workforce in light of the changing environment in which it operates. We may extend the work to consider wider workforce management issues.
Welsh Government ICT	This work would look at the basis for the Welsh Government's decision to bring its core IT service in-house from early 2019, including expected costs and benefits and the extent to which the new arrangements are delivering in line with expectations.
Digital resilience	As described in our consultation, this would look at how public bodies are ensuring that their IT systems are resilient, robust and secure so that, in the event of serious incidents, systems can be recovered quickly and services can keep running. It could also incorporate some more general issues reflective of the proposal in our consultation on ICT asset management .
Welsh Community Care Information System (WCCIS)	We touched on plans for the WCCIS in our 2018 report on informatics systems in NHS Wales. This study will look at the effectiveness of the national and local implementation arrangements and would consider whether the investment to date has provided value for money. Our consultation identified this as a potential topic for the period 2020-21 or 2021-22, but we plan to bring this forward.
Impact of austerity on local authority discretionary services	This study will focus on judging how well local authorities understand, plan for and meet the needs of those people in need of discretionary services. The review will look at the scale of changes in discretionary provision across Welsh local authorities.
Financial sustainability in local government	We will be taking forward local audit work across all local authorities on this topic. This work will examine medium and longer term financial strategy, budget management, cost pressures, efficiency and savings plans, and levels and use of reserves. We anticipate reporting the findings from that work in some way at a national level.
Commercialisation in local authorities	This study will look at the work of councils to create a strong commercial outlook, how they are developing commercial skills, their policies, vision, monitoring and reporting abilities and broader delivery infrastructure.

Public Service Boards	As a refinement to the proposal in our consultation on regional working in local government, this work will focus on issues relating to the performance of Public Service Boards as vehicles for improving the well-being of citizens.
Grants management	Building on the proposal in our consultation, this work will reflect on how the Welsh Government has been managing changes to grant schemes but as part of a wider look at how grant management arrangements have developed since our 2011 report .
Collaborative arrangements for managing local public health resources	We will be examining whether NHS Wales has worked collectively to address the issues we identified through previous local audit work at Public Health Wales NHS Trust.
NHS waiting times	We intend to follow up on our 2015 report and are likely to incorporate consideration of the topic from our consultation on procedures of limited clinical value . There are also links to our ongoing work on orthopaedic services.
Covering teachers' absence	We intend to follow up on developments since our 2013 report , <u>including in response to the Ministerial Supply Model Taskforce's 2017 report</u> .