

# Document Pack



Mark James LLM, DPA, DCA  
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County Hall, Carmarthen. SA31 1JP

**THURSDAY 22<sup>ND</sup> DECEMBER 2016**

**TO: ALL MEMBERS OF THE AUDIT COMMITTEE**

I HEREBY SUMMON YOU TO ATTEND A MEETING OF THE **AUDIT COMMITTEE** WHICH WILL BE HELD IN THE **DEMOCRATIC SERVICES COMMITTEE ROOM, COUNTY HALL, CARMARTHEN AT 10:00AM ON FRIDAY 6<sup>TH</sup> JANUARY 2017**, FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA.

*Mark James* CBE

**CHIEF EXECUTIVE**



PLEASE RECYCLE

<b>Democratic Officer:</b>	<b>Matthew Hughes</b>
<b>Telephone (Direct Line):</b>	<b>01267 224029</b>
<b>E-Mail:</b>	<a href="mailto:democraticservices@carmarthenshire.gov.uk">democraticservices@carmarthenshire.gov.uk</a>
<b>Ref:</b>	<b>AD016-001</b>

# AUDIT COMMITTEE

**MEMBERSHIP:  
8 COUNCIL MEMBERS AND 1 EXTERNAL VOTING MEMBER**

## PLAID CYMRU GROUP – 3 MEMBERS

1. Councillor H.A.L. Evans
2. Councillor G.B. Thomas
3. Councillor D.E. Williams

## LABOUR GROUP – 3 MEMBERS

1. Councillor C.P. Higgins (Chair)
2. Councillor J.D. James
3. Councillor W.G. Thomas

## INDEPENDENT GROUP – 2 MEMBERS

1. Councillor A.G. Morgan (Vice-Chair)
2. Councillor E.G. Thomas

## EXTERNAL VOTING MEMBER (1)

**Mrs. Julie James**

# AGENDA

1. APOLOGIES FOR ABSENCE
2. DECLARATIONS OF PERSONAL INTERESTS
3. INTERNAL AUDIT PLAN 2016/17 UPDATE 5 - 20
4. AUDIT COMMITTEE FORWARD WORK PROGRAMME 2016/17 21 - 30
5. COASTAL FACILITIES ACTION PLAN UPDATE 31 - 46
6. SUPPORTING PEOPLE UPDATE 47 - 56
7. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY THE WALES AUDIT OFFICE:
  - 7.1 WALES AUDIT OFFICE UPDATE TO CARMARTHENSHIRE COUNTY COUNCIL'S AUDIT COMMITTEE – DECEMBER 2016 57 - 64
  - 7.2 CARMARTHENSHIRE COUNTY COUNCIL'S ANNUAL AUDIT LETTER 2015/16 65 - 72
  - 7.3 CARMARTHENSHIRE COUNTY COUNCIL – AGREED ACTIONS ARISING FROM THE 2015/16 AUDIT 73 - 80
  - 7.4 JOINT PROTOCOL FOR THE CERTIFICATION OF GRANT CLAIMS AND RETURNS 81 - 94
  - 7.5 BRIEFING NOTE ON PROPOSALS FOR IMPROVEMENT – FOLLOW UP WORK AS AT DECEMBER 2016 95 - 102
  - 7.6 WALES AUDIT OFFICE LOCAL GOVERNMENT STUDY: CHARGING FOR SERVICES AND GENERATING INCOME BY LOCAL AUTHORITIES 103 - 178

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|----|--|-----------|
| 8. | <b>MINUTES OF WORKING GROUPS RELEVANT TO THE AUDIT COMMITTEE</b>   | 179 - 192 |
| 9. | <b>TO SIGN AS A CORRECT RECORD THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 30<sup>TH</sup> SEPTEMBER 2016</b> | 193 - 200 |

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Internal Audit Plan 2016/17 Update

**Recommendations / key decisions required:**

- That the Committee receives the Internal Audit Plan 2016/17 Update.

**Reasons:**

- Regular progress reports are presented at each Audit Committee meeting.

<b>Relevant scrutiny committee consulted:</b>	NOT APPLICABLE
<b>Executive Board decision required:</b>	NOT APPLICABLE
<b>Council Decision required:</b>	NOT APPLICABLE

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Phil Sexton</p> <p><b>Report Author:</b> Helen Pugh</p>	<p><b>Designations:</b></p> <p>Head of Audit, Risk &amp; Procurement</p> <p>Audit &amp; Risk Manager</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 246217 <a href="mailto:psexton@cararthenshire.gov.uk">psexton@cararthenshire.gov.uk</a></p> <p>01267 246223 <a href="mailto:hpugh@cararthenshire.gov.uk">hpugh@cararthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Internal Audit Plan 2016/17 Update

This report provides the Committee members with progress of the Internal Audit Plan.

The following reports are attached:

**REPORT A (i): Internal Audit Plan 2016/17 – Progress Report**

**REPORT A (ii): Internal Audit Plan 2016/17 – Recommendations Scoring Matrix**

**REPORT B: Summary of Completed Final Reports 2016/17 relating to Key Financial Systems (April 2016 to date)**

A summary of final reports for the key systems completed during the last quarter is attached:

1. Pensions Payroll
2. Payroll

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: **Phil Sexton**      **Head of Audit, Risk & Procurement**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	YES	NONE	NONE	NONE	NONE

**3. Finance** – Reviews carried out to ensure systems in place comply with the Authority’s Financial Procedure Rules.

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: **Phil Sexton**      **Head of Audit, Risk & Procurement**

1. **Scrutiny Committee** – N/A
2. **Local Member(s)** – N/A
3. **Community / Town Council** – N/A
4. **Relevant Partners** – N/A
5. **Staff Side Representatives and other Organisations** – N/A

**Section 100D Local Government Act, 1972 – Access to Information**  
**List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW:**

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Strategic Audit Plan 2016-19	AC 28-03-16 Internal Audit Unit

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INTERNAL AUDIT PLAN 2016/17										
2016/17	% Plan Completion to Date	48%		% Target November 2016						55.0%
Job No	Departments	Days Planned	Pre-Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Final Report Issued	Days to Date	Status
<b>Chief Executive</b>										
1116001	Corporate Strategy/Policy Making	8							0.0	
1116002	Partnership Arrangements	8							0.0	
1116003	Call Centre	5	*	*	*				0.0	Commenced
1116004	Print Commissioning	5	*	*	*				0.0	Pre Audit Meeting
1116005	Annual Governance Statement	8	*	*	*	*	*		7.2	Draft Report Issued
1116006	Coroners / other services	3	*	*	*	*	*	*	3.0	Complete
1116007	Registrars	8	*	*	*				0.0	Terms of Reference
1216001	HR Function	10	*	*	*	*	N/A	N/A	10.0	Complete
1216002	Staffing Policies	8	*	*	*	*	*	*	8.0	Complete
1216003	Declaration of Interest	3							0.0	
1216004	Democratic Advice and Support	5	*	*	*	*	*	*	5.0	Complete
1316001	Financial Management Other (Cars BID)	5	*	*	*	*	*	*	5.0	Complete
<b>Total Audit Days for Chief Executive</b>		<b>76</b>							<b>38.2</b>	
<b>Education &amp; Children</b>										
2116001	Community Learning	3	*	*	*	*	*	*	3.0	Complete
2116002	Youth Support Service	8	*	*	*	*	*	*	7.2	Draft Report Issued
2216001	Information Management	6	*	*	*	*	*	*	0.0	Pre Audit Meeting
2216002	School Meals / Catering Services	10	*	*	*	*	*	*	10.0	Complete
2316001	Additional Learning Needs	8							0.0	
2316002	School Improvement	5							0.0	
2316003	Schools Organisation	5							0.0	
2316004	Teachers starters & leavers	6	*	*	*	*	*	*	0.0	Commenced
2416001	Child Support	6	*	*	*	*	*	*	5.4	Draft Report Issued
2416002	Family Support	6							0.0	
2416003	Partnering / Procurement	6	*	*	*	*	*	*	0.0	Commenced
2416004	Education Welfare	6	*	*	*	*	*	*	0.0	Pre Audit Meeting
2416005	Safeguarding	10	*	*	*	*	*	*	0.0	Commenced
2516001	Financial Management Other	5							0.0	
<b>Total Audit Days for Education &amp; Children</b>		<b>90</b>							<b>25.6</b>	
<b>Grants</b>										
3116001	Physical Regeneration	10							0.0	
3116002	Business Development	5							0.0	
3116003	Community Funding	8							0.0	
3216001	Departmental Grants	15	*	*	*	*	*	*	15.0	Complete
3216002	Foundation Stage	6	N/A	N/A	N/A	N/A	N/A	N/A	6.0	Complete
3216003	DCELLS Post 16	5	*	*	*	*	*	*	5.0	Complete
3216004	Bus operators Grant	5	*	*	*	*	*	*	0.0	Commenced
3216005	Supporting People	15	*	*	*	*	*	*	13.5	Draft Report Issued
3216006	Education - EIG - Q1 Audit	5	N/A	N/A	N/A	N/A	N/A	N/A	5.0	Complete
3216007	Education - EIG - Q2 Audit	5	*	*	*	*	*	*	5.0	Complete
3216008	Education - EIG - Q3 Audit	5	*	*	*	*	*	*	4.5	Draft Report Issued
3216009	Education - EIG - Q4 Audit	5							0.0	
3216010	Education - EIG - Final Annual Audit	5							0.0	
3216011	Education - PDG	15	*	*	*	*	*	*	15.0	Complete
3316001	Financial Management Other	5	*	*	*	*	*	*	4.5	Draft Report Issued
<b>Total Audit Days for Grants</b>		<b>114</b>							<b>73.5</b>	

INTERNAL AUDIT PLAN 2016/17										
2016/17	% Plan Completion to Date	48%		% Target November 2016						55.0%
Job No	Departments	Days Planned	Pre. Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Final Report Issued	Days to Date	Status
<b>Corporate Services</b>										
4116001	Risk Management	10							0.0	
4216001	Main Accounting	15	*	*	*	*			11.3	Field Work Complete
4216002	VAT	8	*	*	*	*	*		7.2	Draft Report Issued
4216003	Capital Accounting incl.Fixed Asset Register	15							0.0	
4216004	Treasury Management	7							0.0	
4216005	Investments	7							0.0	
4216006	Pensions Payroll System	8	*	*	*	*	*	*	8.0	Complete
4216007	Housing Benefits	10							0.0	
4216008	Council Tax	10							0.0	
4216009	NNDR	10							0.0	
4216010	Payroll System	22	*	*	*	*	*	*	22.0	Complete
4216011	Creditor Payments	20							0.0	
4216012	Debtors System	20							0.0	
4216013	Cash Receipting	8							0.0	
4216014	Banking	8							0.0	
4216015	Travel & Subsistence System	10							0.0	
4216016	Trust Funds	10	*	*	*	*	*	*	10.0	Complete
4316001	Financial Management Other	5							0.0	
<b>Total Audit Days for Corporate Services</b>		<b>203</b>							<b>58.45</b>	
<b>Corporate Property</b>										
	Property Management	8							0.0	
	Estate Management	8							0.0	
	Provision / livestock markets	8							0.0	
<b>Total Audit Days for Corporate Property</b>		<b>24</b>							<b>0</b>	
<b>Communities</b>										
5116001	Disability/Adaptations/Renewals/ARBED	10	*	*	*				0.0	Commenced
5116002	Houses for Homes	8	*	*	*	*	*	*	8.0	Complete
5116003	Tenancy Mgt	8	*						0.0	Pre Audit Meeting
5116004	Voids	8							0.0	
5116005	Homelessness	8	*						0.0	Pre Audit Meeting
5116006	Rents	8	*	*	*	*	*	*	8.0	Complete
5116007	HRA	8	*	*	*	*	*	*	6.0	Field Work Complete
5216001	Contract Management/Partnerships	10							0.0	
5216002	Direct Payments	10	*	*	*	*	*	*	10.0	Complete
5216003	Home Care	10	*	*	*	*	*	*	7.5	Field Work Complete
5216004	Residential Care Authority & Private Homes	10	*	*	*	*	*	*	10.0	Complete
5216005	Day Care	10	*	*	*	*	*	*	10.0	Complete
5216006	Learning Disabilities	7	*	*	*	*	*	*	6.3	Draft Report Issued
5216007	Transport	8	*	*	*	*	*	*	8.0	Complete
5216008	Safeguarding	10							0.0	
5216009	Supporting People	8	*	*	*	*	*	*	7.2	Draft Report Issued
5316001	Public Health / Protection	6	*	*	*	*	*	*	5.4	Draft Report Issued
5416001	Arts Development	5	*	*	*	*	*	*	3.8	Field Work Complete
5416002	Cultural: Oriel Myrddin	5	*	*	*	*	*	*	5.0	Complete
5416003	Heritage Services	6							0.0	
5416004	Libraries	6	*	*					0.0	Terms of Reference
5516001	Amman Valley	5	*	*	*	*			3.8	Field Work Complete
5516002	Carmarthen	5	*	*	*	*	*	*	5.0	Complete
5516003	Llanelli	5							0.0	
5516004	East Area Leisure / NERS / Marketing	20	*						0.0	Pre Audit Meeting
5516005	Arrangements for Leisure Trust Status (changed to Deputyships)	5							0.0	
5516006	Partnerships	5	*	*					0.0	Terms of Reference
5516007	Pembrey Country Park / MCP / Country Parks	15							0.0	
5516008	Ski Centre	5							0.0	
5516009	Burry Port Harbour	5	*	*	*	*	*	*	5.0	Complete
5616001	Financial Management Other (Use for Deputyships)	5							0.0	
<b>Total Audit Days for Communities</b>		<b>244</b>							<b>108.9</b>	

INTERNAL AUDIT PLAN 2016/17										
2016/17	% Plan Completion to Date	48%		% Target November 2016						55.0%
Job No	Departments	Days Planned	Pre. Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Final Report Issued	Days to Date	Status
<b>Environmental Services</b>										
6116001	Building Maintenance	10							0.0	
6116002	Procurement	5	*	*	*	*			3.8	Field Work Complete
6116003	Grounds Maintenance	8	*	*	*	*	*		7.2	Draft Report Issued
6116004	Urban Parks	8	*	*	*	*	*		7.2	Draft Report Issued
6216001	Highway Maintenance (incl. Trunk Roads)	8							0.0	
6216002	Waste Services	8							0.0	
6216003	Trade Waste	5	*	*	*				0.0	Commenced
6316001	Public transport	7							0.0	
6316002	School & College Transport	5							0.0	
6316003	Fleet/Plant Management	7							0.0	
6316004	Traffic Management	7	*	*	*	*	*	*	7.0	Complete
6316005	Road Safety	7	*	*	*	*	*	*	7.0	Complete
6416001	Development Control	5	*	*	*	*	*	*	5.0	Complete
6416002	Building Control	5	*	*	*	*	*	*	5.0	Complete
6516001	Financial Management Other	5							0.0	
<b>Total Audit Days for Environmental Services</b>		<b>100</b>							<b>42.15</b>	
<b>Procurement / Contracts</b>										
6616001	Departmental Procurement Revenue Contracts	7							0.0	
6616002	Corporate Procurement	15	*	*	*	*			11.3	Field Work Complete
6616003	Asset Management	15	*	*	*	*			11.3	Field Work Complete
6616004	Framework contracts	15	*	*	*	*			11.3	Field Work Complete
6616005	Specific Projects	18	*	*	*	*	*		16.2	Draft Report Issued
6616006	Capital Maintenance	10	*	*	*	*			7.5	Field Work Complete
6616007	MEP & sample of specific projects / post contracts	15	*	*	*	*			0.0	Commenced
6616008	Post Contract	10	*	*	*				0.0	Commenced
6716001	Financial Management Other	5							0.0	
<b>Total Audit Days for Procurement / Contracts</b>		<b>110</b>							<b>57.45</b>	
<b>Computer Audit</b>										
4416001	Security of Information	15	*	*	*	*	*		13.5	Draft Report Issued
4416002	Operating Systems	15	*	*	*				0.0	Commenced
4416003	Social Media	5							0.0	
4416004	Internet Security	10	*	*	*	*			7.5	Field Work Complete
4416005	Licensing	10	*	*	*	*			0.0	Commenced
4416006	Communications	10	*	*	*	*			7.5	Field Work Complete
4416007	Computer Assisted Audit Testing(CAATs)	25	*	*	*	*	*	*	25.0	Complete
4416008	- Agresso Developments	8	*	*	*	*	*		7.2	Draft Report Issued
4416009	- Resource Link	10	*	*	*	*	*	*	10.0	Complete
4416010	- Payment Cards	5							0.0	
4416011	- Education & Children Services	12	*	*	*	*	*		10.8	Draft Report Issued
4416012	Social Care & Housing	12	*	*	*	*	*	*	12.0	Complete
4416013	Other Systems - Total Mobile	3							0.0	
4516001	Financial Management Other	5							0.0	
<b>Total Audit Days for Computer Audit</b>		<b>145</b>							<b>93.5</b>	

INTERNAL AUDIT PLAN 2016/17										
2016/17	% Plan Completion to Date	48%		% Target November 2016						55.0%
Job No	Departments	Days Planned	Pre. Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Final Report Issued	Days to Date	Status
	<b>School Audits</b>									
	<b>Primary Schools</b>									
2616001	Meithryn Rhydaman	3	*	*	*	*	*	*	3.0	Complete
2616002	Cefneithin C.P.	3	*	*	*	*	*	*	3.0	Complete
2616003	Llechyfedach C.P. School	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616004	Ysgol Gynradd Gorslas	3	*	*	*	*	*	*	3.0	Complete
2616005	Ysgol Gynradd Ponthenri	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616006	Bancyfelin C.P. School	3	*	*	*	*	*	*	0.0	
2616007	Meidrim C.P. School	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616008	Ysgol Gynradd Llanedi	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616009	Ysgol Gynradd Ffairfach	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616010	Ysgol Gynradd Llanwrda	3	*	*	*	*	*	*	3.0	Complete
2616011	Ysgol Gynradd Bro Brynach	3	*	*	*	*	*	*	0.0	
2616012	Ysgol G. Llanpumsaint	3	*	*	*	*	*	*	0.0	
2616013	Ysgol G. Mynyddygarreg	3	*	*	*	*	*	*	3.0	Complete
2616014	Johnstown C.P. School	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616015	Ysgol Gynradd Bynea	3	*	*	*	*	*	*	3.0	Complete
2616016	Dafen C.P. School	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616017	Llangennech Infants School	3	*	*	*	*	*	*	0.0	
2616018	Furnace C.P. School	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616019	Copperworks Infant & Nursery School	3	*	*	*	*	*	*	3.0	Complete
2616020	Maes y Morfa	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616021	Old Road C.P. Primary School	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616022	Ysgol Llanstephan	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616023	Ysgol Gynradd Llannon	3	*	*	*	*	*	*	3.0	Complete
2616024	Myrddin C.P. School	3	*	*	*	*	*	*	3.0	Complete
2616025	Swiss Valley C.P. School.	3	*	*	*	*	*	*	0.0	
2616026	Ysgol Gymraeg Rhydaman	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616027	Llandybie C.P. School	3	*	*	*	*	*	*	3.0	Complete
2616028	Ysgol Llanybydder	3	*	*	*	*	*	*	3.0	Complete
2616029	Burry Port Community School	3	*	*	*	*	*	*	3.0	Complete
2616030	Ysgol Wirfoddol Abergwili	3	*	*	*	*	*	*	0.0	
2616031	Tremoilet V.C.P.	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616032	Laugharne V.C.P. School	3	*	*	*	*	*	*	3.0	Complete
2616033	Ys Gynradd Wirfoddol Llanddarog	3	*	*	*	*	*	*	3.0	Complete
2616034	Ysgol Gynradd Wirfoddol Llanllwni	3	*	*	*	*	*	*	3.0	Complete
2616035	Ysgol Wirfoddol Penboyr	3	*	*	*	*	*	*	0.0	
	<b>Primary Schools Totals</b>	<b>105</b>							<b>80.1</b>	
	<b>Secondary Schools</b>									
2716001	Glanymor	7	*	*	*	*	*	*	0.0	
2716002	Strade	7	*	*	*	*	*	*	6.3	Draft Report Issued
2716003	Bryngwyn	7	*	*	*	*	*	*	0.0	
2716004	Maesygwendraeth	7	*	*	*	*	*	*	6.3	Draft Report Issued
2716005	QE High School	7	*	*	*	*	*	*	6.3	Draft Report Issued
	<b>Secondary Schools Totals</b>	<b>35</b>							<b>18.9</b>	
	<b>Special Schools</b>									
2816001	Rhydygors	7	*	*	*	*	*	*	0.0	
2816002	Heol Goffa	7	*	*	*	*	*	*	7.0	Complete
	<b>Special Schools Totals</b>	<b>14</b>							<b>7</b>	
	<b>Total Audit Days for Schools</b>	<b>154</b>							<b>106</b>	
	<b>Total Approved Plan Days</b>	<b>1260</b>							<b>603.75</b>	



INTERNAL AUDIT PLAN 2016/17		REPORTING					
Job No	Departments	Issues				Score	Assurance Level
		No. of 3 * Issues	No. of 2 * Issues	No. of 1 * Issues	Total No. Issues		
	<b>Corporate Services</b>						
4116001	Risk Management				0	0	
4216001	Main Accounting				0	0	
4216002	VAT				0	0	
4216003	Capital Accounting incl.Fixed Asset				0	0	
4216004	Treasury Management				0	0	
4216005	Investments				0	0	
4216006	Pensions Payroll System	0	0	0	0	0	High
4216007	Housing Benefits				0	0	
4216008	Council Tax				0	0	
4216009	NNDR				0	0	
4216010	Payroll System	1	2	0	3	11	Acceptable
4216011	Creditor Payments				0	0	
4216012	Debtors System				0	0	
4216013	Cash Receipting				0	0	
4216014	Banking				0	0	
4216015	Travel & Subsistence System				0	0	
4216016	Trust Funds	0	0	0	0	0	Acceptable
4316001	Financial Management Other				0	0	
	<b>Corporate Property (to be allocated to relevant Dept)</b>						
	Property Management				0	0	
	Estate Management				0	0	
	Provision / livestock markets				0	0	
	<b>Communities</b>						
5116001	Disability/Adaptations/Renewals/ARBE				0	0	
5116002	Houses for Homes	0	0	0	0	0	High
5116003	Tenancy Mgt				0	0	
5116004	Voids				0	0	
5116005	Homelessness				0	0	
5116006	Rents	0	0	0	0	0	High
5116007	HRA				0	0	
5216001	Contract Management/Partnerships				0	0	
5216002	Direct Payments	0	1	0	1	3	Acceptable
5216003	Home Care				0	0	
5216004	Residential Care Authority & Private	0	0	0	0	0	Acceptable
5216005	Day Care	0	4	2	6	14	Acceptable
5216006	Learning Disabilities				0	0	
5216007	Transport				0	0	
5216008	Safeguarding				0	0	
5216009	Supporting People				0	0	
5316001	Public Health / Protection				0	0	
5416001	Arts Development				0	0	
5416002	Cultural: Oriel Myrddin	0	2	2	4	8	Acceptable
5416003	Heritage Services				0	0	
5416004	Libraries				0	0	
5516001	Amman Valley				0	0	
5516002	Carmarthen	0	3	1	4	10	Acceptable
5516003	Llanelli				0	0	
5516004	East Area Leisure / NERS / Marketing				0	0	
5516005	Arrangements for Leisure Trust Status	0	0	0	0	0	N/A
5516006	Partnerships				0	0	
5516007	Pembrey Country Park / MCP / Country				0	0	
5516008	Ski Centre				0	0	
5516009	Burry Port Harbour				0	0	
5616001	Financial Management Other				0	0	

INTERNAL AUDIT PLAN 2016/17		REPORTING					
Job No	Departments	Issues				Score	Assurance Level
		No. of 3 * Issues	No. of 2 * Issues	No. of 1 * Issues	Total No. Issues		
<b>Environmental Services</b>							
6116001	Building Maintenance				0	0	
6116002	Procurement				0	0	
6116003	Grounds Maintenance				0	0	
6116004	Urban Parks				0	0	
6216001	Highway Maintenance (incl. Trunk				0	0	
6216002	Waste Services				0	0	
6216003	Trade Waste				0	0	
6316001	Public transport				0	0	
6316002	School & College Transport				0	0	
6316003	Fleet/Plant Management				0	0	
6316004	Traffic Management	0	3	0	3	9	Acceptable
6316005	Road Safety	0	0	1	1	1	Acceptable
6416001	Development Control	0	0	0	0	0	High
6416002	Building Control	0	0	0	0	0	High
6516001	Financial Management Other				0	0	
<b>Procurement / Contracts</b>							
6616001	Departmental Procurement Revenue				0	0	
6616002	Corporate Procurement				0	0	
6616003	Asset Management				0	0	
6616004	Framework contracts				0	0	
6616005	Specific Projects				0	0	
6616006	Capital Maintenance				0	0	
6616007	MEP & sample of specific projects /				0	0	
6616008	Post Contract				0	0	
6716001	Financial Management Other				0	0	
<b>Computer Audit</b>							
4416001	Security of Information				0	0	
4416002	Operating Systems				0	0	
4416003	Social Media				0	0	
4416004	Internet Security				0	0	
4416005	Licensing				0	0	
4416006	Communications				0	0	
4416007	Computer Assisted Audit	0	0	0	0	0	High
4416008	- Agresso Developments				0	0	
4416009	- Resource Link	0	0	0	0	0	High
4416010	- Payment Cards				0	0	
4416011	- Education & Children Services				0	0	
4416012	Social Care & Housing				0	0	
4416013	Other Systems - Total Mobile				0	0	
4516001	Financial Management Other				0	0	

INTERNAL AUDIT PLAN 2016/17		REPORTING					
Job No	Departments	Issues				Score	Assurance Level
		No. of 3 * Issues	No. of 2 * Issues	No. of 1 * Issues	Total No. Issues		
	<b>School Audits</b>						
	<b>Primary Schools</b>						
2616001	Meithryn Rhydaman	0	2	3	5	9	Acceptable
2616002	Cefneithin C.P.	0	2	1	3	7	Acceptable
2616003	Llechyfedach C.P. School				0	0	
2616004	Ysgol Gynradd Gorslas	0	2	0	2	6	Acceptable
2616005	Ysgol Gynradd Ponthenri				0	0	
2616006	Bancyfelin C.P. School				0	0	
2616007	Meidrim C.P. School				0	0	
2616008	Ysgol Gynradd Llanedi				0	0	
2616009	Ysgol Gynradd Ffairfach				0	0	
2616010	Ysgol Gynradd Llanwrda				0	0	
2616011	Ysgol Gynradd Bro Brynach				0	0	
2616012	Ysgol G. Llanpumsaint				0	0	
2616013	Ysgol G. Mynyddygarreg				0	0	
2616014	Johnstown C.P. School				0	0	
2616015	Ysgol Gynradd Bynea	0	1	2	3	5	Acceptable
2616016	Dafen C.P. School				0	0	
2616017	Llangennech Infants School				0	0	
2616018	Furnace C.P. School				0	0	
2616019	Copperworks Infant & Nursery School	0	1	3	4	6	Acceptable
2616020	Maes y Morfa				0	0	
2616021	Old Road C.P. Primary School				0	0	
2616022	Ysgol Llanstephan				0	0	
2616023	Ysgol Gynradd Llannon	0	1	0	1	3	Acceptable
2616024	Myrddin C.P. School	0	1	2	3	5	Acceptable
2616025	Swiss Valley C.P. School.				0	0	
2616026	Ysgol Gymraeg Rhydaman				0	0	
2616027	Llandybie C.P. School	0	3	3	6	12	Acceptable
2616028	Ysgol Llanybydder	0	2	2	4	8	Acceptable
2616029	Burry Port Community School	0	0	0	0	0	Acceptable
2616030	Ysgol Wirfoddol Abergwili				0	0	
2616031	Tremollet V.C.P.				0	0	
2616032	Laugharne V.C.P. School	0	0	1	1	1	Acceptable
2616033	Ys Gynradd Wirfoddol Llanddarog	0	1	4	5	7	Acceptable
2616034	Ysgol Gynradd Wirfoddol Llanllwni	0	1	4	5	7	Acceptable
2616035	Ysgol Wirfoddol Penboyr				0	0	
	<b>Primary Schools Totals</b>						
	<b>Secondary Schools</b>						
2716001	Glanymor				0	0	
2716002	Strade				0	0	
2716003	Bryngwyn				0	0	
2716004	Maesygwendraeth				0	0	
2716005	QE High School				0	0	
	<b>Secondary Schools Totals</b>						
	<b>Special Schools</b>						
2816001	Rhydygors				0	0	
2816002	Heol Goffa	0	2	2	4	8	Acceptable

**SCORING METHODOLOGY**

Star Rating	Weighting
3* Issue	5 Points
2* Issue	3 Points
1* Issue	1 Point

**ASSURANCE LEVEL - BASED ON NUMBER OF RECOMMENDATIONS AND WEIGHTING**

Scores	Assurance Level
0 to 2	HIGH: Good controls consistently applied. Low Risk of not meeting objectives. Low Risk of fraud, negligence, loss, damage to reputation.
3 to 10 with no 3* recommendations	ACCEPTABLE: Moderate controls, some areas of non compliance to agreed controls. Medium/Low risk of not meeting objectives. Medium/Low risk of fraud, negligence, loss, damage to reputation.
11 & over or including 1 or more 3* recommendations	LOW: Inadequate controls High risk of not meeting objectives. High risk of fraud, negligence, loss, damage to reputation.



DEPARTMENT	AUDIT REVIEW	AUDIT REF
<b>Corporate Services</b>	<b>Pensions Payroll</b>	<b>4216006</b>
PLANNED DAYS	ACTUAL DAYS	Frequency of Audit
<b>8</b>	<b>8</b>	<b>ANNUAL</b>

**BACKGROUND**

The Pension Section within the Corporate Resources Department is responsible for the payment of pensions to members of the Dyfed Pension Fund. Carmarthenshire County Council is the statutorily appointed Administering Authority for the Dyfed Pension Fund. It administers the benefits and invests the assets of the Fund. Carmarthenshire County Council also acts as the administrator for the unfunded Police and Fire pension schemes for Dyfed Powys Police Authority, Mid & West Wales Fire and Rescue Service and North Wales Fire and Rescue Service respectively. The Fund’s LGPS membership base consists of approximately 39,000 members (as at 31<sup>st</sup> March 2015) from over 50 employing authorities. Given the number of pensioners paid through the system and the values involved, the system is considered fundamental to the Authority.

**SCOPE**

The review was to ascertain that procedures and internal controls for the administration of the Pensions System and associated payments comply with approved Policies and that the Pension Fund is effectively managed and that payments are made to eligible pensioners. The audit sought to ensure that procedures have been established and effective controls are in place to ensure:

- there are adequate, documented, procedures in place which are complied with;
- effective controls exist over payments made to Pensioners;
- Exception reports are generated and reviewed with queries dealt with appropriately;
- Access to standing data processing and programmes is restricted to appropriate personnel and amendments are properly authorised;
- The payroll system is regularly reconciled to the main accounting system

**GENERAL OPINION**

Current procedures are considered to be robust with expected key controls established and operating to a good standard. In addition, procedures were well documented and available to all support staff, and there was adequate evidence of monthly monitoring being undertaken to ensure compliance with Authority Policy. As a result it can be reported that the Pension’s Section demonstrates good control over the function. As a result the risk to the Authority remains as low.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	<b>None</b>	<b>High</b>
Priority 2 – Strengthen Existing Controls	<b>None</b>	
Priority 3 – Minor Issues	<b>None</b>	

DEPARTMENT	AUDIT REVIEW	AUDIT REF
<b>Corporate Services</b>	<b>Payroll</b>	<b>4216010</b>
PLANNED DAYS	ACTUAL DAYS	Frequency of Audit
<b>22</b>	<b>22</b>	<b>ANNUAL</b>

## BACKGROUND

The Authority pays over 8,500 employees amounting to approximately £184m. Payroll is a centralised function and the Authority has an integrated Payroll and HR system operated through “Resource Link”.

The system is classified as high risk given the value and volume of transactions.

## SCOPE

The review covered the internal controls within the Payroll System for the payment of salaries and wages to ensure that:

- Recommendations from the previous audit report have been implemented;
- There are adequate documented procedures in place which are adhered to;
- Exception reports are generated and reviewed with queries dealt with appropriately;
- Access to standing data processing and programmes is restricted to appropriate personnel and amendments are properly authorised;
- Time-sheets, overtime claims, advance payments, SSP, etc. have been properly authorised and data entered correctly;
- Appropriate BACS controls exist;
- The payroll system is regularly reconciled to the main accounting system;
- Individual departments verify the accuracy of employee standing data.

## GENERAL OPINION

From the testing undertaken it is apparent that many expected key controls have been established and are operating to a good standard. It is very pleasing to report that the last certification exercise carried out is complete with a 100% response rate. The sample of employee deduction, sickness and maternity forms reviewed had all been appropriately authorised and calculated correctly. Payroll control reconciliations were up to date and well maintained.

However, there was one significant weakness identified this year. The Authority’s Intranet site details that to take unpaid leave an application must be submitted ahead of the date when the leave is required in one of two ways:

- *Using the web based self-service system, ‘My View – Dashboard’*
- *Completing an ‘Application for Time Off’ form*

However, the Resource Link Self Service ‘unpaid leave’ element does not automatically feed to the back-office application of the payroll system. Payroll Officers were therefore not being made aware of the requirement to reduce pay.

As a consequence of the audit finding, action was taken immediately and reports are now produced on a pay run basis highlighting unpaid leave requests entered via Self Service. These reports are used to manually calculate the amounts owed for these periods of absences. The process is currently under review to establish a better way of identifying and adjusting employees pays for all unpaid leave within the system.

The other issues identified were in relation to processing timesheets and authorisation of overtime.

<b>NUMBER OF RECOMMENDATIONS</b>		<b>OVERALL ASSURANCE</b>
Priority 1- Fundamental Weaknesses	<b>1</b>	<b>Acceptable</b>
Priority 2 – Strengthen Existing Controls	<b>2</b>	
Priority 3 – Minor Issues	<b>None</b>	

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# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Audit Committee Forward Work Programme 2016/17

**Recommendations / key decisions required:**

- That the Committee receives its updated Forward Work Programme 2016/17.

**Reasons:**

- To inform members of the expected agenda items for the 2016/17 Audit Committee cycle.

**Relevant scrutiny committee consulted:** NOT APPLICABLE  
**Executive Board decision required:** NOT APPLICABLE  
**Council Decision required:** NOT APPLICABLE

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Phil Sexton</p> <p><b>Report Author:</b> Helen Pugh</p>	<p><b>Designations:</b></p> <p>Head of Audit, Risk &amp; Procurement</p> <p>Audit &amp; Risk Manager</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 246217  <a href="mailto:psexton@cararthenshire.gov.uk">psexton@cararthenshire.gov.uk</a></p> <p>01267 246223  <a href="mailto:hpugh@cararthenshire.gov.uk">hpugh@cararthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Audit Committee Forward Work Programme 2016/17

This report provides members with the latest version of the Committee's Forward Work Programme for the 2016/17 to ensure that all appropriate committees have a published up to date programme owned by the committee members.

DETAILED REPORT ATTACHED?

YES

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: **Phil Sexton**      **Head of Audit, Risk & Procurement**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: **Phil Sexton**      **Head of Audit, Risk & Procurement**

1. **Scrutiny Committee – N/A**
2. **Local Member(s) – N/A**
3. **Community / Town Council – N/A**
4. **Relevant Partners – N/A**
5. **Staff Side Representatives and other Organisations – N/A**

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW:**

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Strategic Audit Plan 2016-19	AC 28-03-16 Internal Audit Unit

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## FORWARD WORK PROGRAMME

## Audit Committee 2016 &amp; 2017

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Jan 2017	March 2017	July 2017	Sept 2017
<b>Appointment of Audit Committee:</b> <ul style="list-style-type: none"> <li>• Chair</li> <li>• Vice Chair</li> </ul>	Corporate Services	Audit Committee			✓	
<b>Annual Audit Report</b>	Corporate Services	Head of Audit, Risk & Procurement			✓	
<b>Forward Work Programme</b>	Corporate Services	Head of Audit, Risk & Procurement	✓	✓	✓	✓
<b>Internal Audit Plan Update</b> <ul style="list-style-type: none"> <li>• To receive the progress report</li> <li>• To receive the Scoring Matrix for finalised reviews</li> </ul>	Corporate Services	Head of Audit, Risk & Procurement	✓	✓	✓	✓
<b>Internal Audit indicative three year plan</b>	Corporate Services	Head of Audit, Risk & Procurement		✓		
<b>Assurance Reviews:</b> <ul style="list-style-type: none"> <li>- Fundamental financial systems</li> <li>- 3* reports</li> </ul>	Corporate Services	Head of Audit, Risk & Procurement	As required			
<b>Progress reports as requested by Audit Committee</b> <ul style="list-style-type: none"> <li>• Supporting People</li> </ul>	Communities	Safeguarding & Commissioning Manager	✓	✓	✓	✓

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Jan 2017	March 2017	July 2017	Sept 2017
<ul style="list-style-type: none"> <li>Coastal facilities</li> </ul>		Head of Leisure				
Approval of Audit Charter	Corporate Services	Head of Audit, Risk & Procurement				
Approval of Contract & Quotation Rules	Corporate Services	Head of Audit, Risk & Procurement				
Approval of Audit Strategy	Corporate Services	Head of Audit, Risk & Procurement			✓	
Approval of Financial Procedure Rules	Corporate Services	Head of Audit, Risk & Procurement		✓		
Approval of Risk and Business Continuity Strategy	Corporate Services	Head of Audit, Risk & Procurement				✓
Approval of Anti-Fraud and Corruption Strategy	Corporate Services	Head of Audit, Risk & Procurement				✓
Receive the Corporate Risk Register N.B Work is underway with an External Risk Consultant to improve the format of the Corporate Risk Register	Corporate Services	Head of Audit, Risk & Procurement		✓		✓
Statement of Accounts including Annual Governance Statement for Carmarthenshire CC & Dyfed Pension Fund <ul style="list-style-type: none"> <li>To be received</li> </ul>	Corporate Services	Head of Financial Services			✓	✓

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Jan 2017	March 2017	July 2017	Sept 2017
<ul style="list-style-type: none"> <li>To be approved</li> </ul>						
<b>Burry Port Harbour Accounting Statement 2015-16</b> <ul style="list-style-type: none"> <li>To be received</li> <li>To be approved</li> </ul>	Corporate Services	Head of Financial Services			✓	✓
<b>Audit enquiries to those charged with governance and management for:</b> <ul style="list-style-type: none"> <li>Carmarthenshire CC</li> <li>Dyfed Pension Fund</li> </ul>	Corporate Services	Head of Financial Services			✓	
<b>Single Tender Action</b>	Corporate Services	Director of Corporate Services	As required			
<b>Minutes for noting:</b> <ul style="list-style-type: none"> <li>Grants Panel</li> <li>Corporate Governance Group</li> <li>Risk Management Steering Group</li> </ul>	Corporate Services	Head of Audit, Risk & Procurement Head of Financial Services	✓	✓	✓	✓
<b>Wales Audit Office:</b>	Corporate Services	Wales Audit Office				
<ul style="list-style-type: none"> <li>Audit Plan Update</li> </ul>			✓	✓	✓	✓
<ul style="list-style-type: none"> <li>Annual Improvement Report</li> </ul>				✓		

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Jan 2017	March 2017	July 2017	Sept 2017
<ul style="list-style-type: none"> <li>• <b>Financial Statements – ISA260</b> Report presented to those charged with Governance)in relation to the Statement of Accounts for                             <ul style="list-style-type: none"> <li>○ Carmarthenshire CC</li> <li>○ Dyfed Pension Fund</li> </ul> </li> </ul>						✓
<ul style="list-style-type: none"> <li>• <b>Letter of Representation</b> <ul style="list-style-type: none"> <li>○ Carmarthenshire CC</li> <li>○ Dyfed Pension Fund</li> </ul> </li> </ul>						✓
<ul style="list-style-type: none"> <li>• <b>Annual Audit Letter:</b> <ul style="list-style-type: none"> <li>○ Carmarthenshire CC</li> <li>○ Dyfed Pension Fund</li> </ul> </li> </ul>			✓			
<ul style="list-style-type: none"> <li>• <b>Certification of Grants and Returns</b> <ul style="list-style-type: none"> <li>○ 2015-16</li> </ul> </li> </ul>				✓		
<ul style="list-style-type: none"> <li>• <b>Review of the application of Equalities impact Assessment in relation to Council improvement priorities</b></li> </ul>						
<ul style="list-style-type: none"> <li>• <b>LG Improvement Study 1 – Council funding of third sector services</b></li> </ul>						
<ul style="list-style-type: none"> <li>• <b>LG Improvement Study 2 – The strategic approach to councils to income generation and charging for services</b></li> </ul>						

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Jan 2017	March 2017	July 2017	Sept 2017
<ul style="list-style-type: none"> <li>• National Study – The effectiveness of local community safety partnerships</li> </ul>						
<ul style="list-style-type: none"> <li>• Auditor General’s fees                             <ul style="list-style-type: none"> <li>○ Financial Audits:                                     <ul style="list-style-type: none"> <li>▪ Carmarthenshire CC</li> <li>▪ Dyfed Pension Fund</li> </ul> </li> <li>○ Performance Audit</li> </ul> </li> </ul>				✓		

### Audit Committee Training / Informal Sessions

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Subject area and brief description of nature of report	Lead Department	Responsible Officer	Dates	
			Feb 2017	July 2017
Audit Committee Self-Assessment	Corporate Services	Director Corporate Services Head of Audit, Risk & Procurement	✓	
Risk Register	Corporate Services	Director Corporate Services Head of Audit, Risk & Procurement	✓	
Statement of Accounts	Corporate Services	Director Corporate Services Head of Financial Services		✓

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Coastal Facilities Action Plan Update

**Recommendations / key decisions required:**

- That the Committee approves progress and the continued work objectives.

**Reasons:**

- To note the progress in implementing the Coastal Facilities Action Plan.
- A quarterly progress report was requested by the Audit Committee at its meeting on the 22nd March 2016.

<b>Relevant scrutiny committee consulted:</b>	NOT APPLICABLE
<b>Executive Board decision required:</b>	NOT APPLICABLE
<b>Council Decision required:</b>	NOT APPLICABLE

**Executive Board Member Portfolio Holder:**  
Cllr. Meryl Gravell (Regeneration & Leisure)

<p><b>Directorate:</b> Communities</p> <p><b>Name of Head of Service:</b> Ian Jones</p> <p><b>Report Author:</b> Ian Jones</p>	<p><b>Designation:</b></p> <p style="text-align: center;">Head of Leisure</p>	<p><b>Tel No. / E-Mail Address:</b></p> <p style="text-align: center;">01267 228309 <a href="mailto:ijones@carmarthenshire.gov.uk">ijones@carmarthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Coastal Facilities Action Plan Update

The attached action plan summarises the agreed work and progress to date by the Coastal Facilities Team to improve its processes following the Internal Audit Summary presented to the Audit Committee at its meeting on the 22nd March 2016.

DETAILED REPORT ATTACHED?

YES



## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Ian Jones      Head of Leisure

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	YES	YES	YES	YES	YES	YES

**2. Legal** – Appropriate advice is now being sought from Legal, Property Management, Finance, Health & Safety, Internal Audit and Risk to ensure revised procedures are legally compliant.

**3. Finance** – Significant focus of review to ensure that Financial Procedure Rules are fully complied with.

**4. ICT** – New technology to be introduced where this improves control.

**5. Risk Management** – Increased focus on evaluating exposure to risk and addressing weaknesses identified.

**6. Staffing Implications** – Action Plan addresses concerns identified re recruitment and safety of staff.

**7. Physical Assets** – Leisure to work closer with Environment Department to ensure proper arrangements for maintenance and control of physical assets.

# CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Ian Jones      Head of Leisure

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW:

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Audit Committee (22nd March 2016)	<b>Cymraeg</b> <a href="http://democratiaeth.sirgar.llyw.cymru/ieListDocuments.aspx?CId=163&amp;MId=179&amp;Ver=4">http://democratiaeth.sirgar.llyw.cymru/ieListDocuments.aspx?CId=163&amp;MId=179&amp;Ver=4</a> <b>English</b> <a href="http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=163&amp;MId=179&amp;Ver=4">http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=163&amp;MId=179&amp;Ver=4</a>
Coastal Facilities – Audit Committee (8th July 2016)	<b>Cymraeg</b> <a href="http://democratiaeth.sirgar.llyw.cymru/ieListDocuments.aspx?CId=163&amp;MId=445&amp;Ver=4">http://democratiaeth.sirgar.llyw.cymru/ieListDocuments.aspx?CId=163&amp;MId=445&amp;Ver=4</a> <b>English</b> <a href="http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=163&amp;MId=445&amp;Ver=4">http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=163&amp;MId=445&amp;Ver=4</a>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
	<b>Non-Compliance with Financial Procedure Rules (R1 –R7)</b>		***			
R1	Whilst previous Internal Audit reports and senior managers concerns have identified significant issues in the administration of facilities these issues have not been satisfactorily addressed or resolved.	Adequate management arrangements should be established and appropriate action taken where issues in the administration of facilities are identified in order to ensure they do not continue.		<p>HOS meeting managers formally on once a week to oversee improvement plan.</p> <p>Additional staffing resource and expertise brought into service: Senior Business Support Manager for the Communities Department seconded to Acting Senior Manager role for Countryside; and Business &amp; Projects Manager assisting from Leisure division.</p> <p>New structure agreed and being implemented for PCP and wider Countryside service which will become the Outdoor Recreation unit.</p> <p>3 new senior managerial posts created to bring vision, purpose and clarity to the unit.</p> <p>All business functions including income collection and adherence to financial regulations to be managed by Senior Business Support Manager for Communities Dept as part of new structure</p> <p>Clear roles, responsibilities and accountabilities agreed throughout the structure.</p> <p>Temporary staffing appointments have been approved and recruited for additional cleaners, park attendants and wardens pending the implementation of the re-alignment to deal with demand over the busy Summer period</p>	Head of Service	<p>In place</p> <p>In place</p> <p>In place</p> <p>Structure agreed (expressions of interest out for 3x senior posts. Confirm in post initiated for relevant posts. Full implementation by end March '17)</p> <p>In place</p> <p>Agreed for interim, and fully once whole structure is implemented</p> <p>Completed</p>

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Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
<p>R2 was identified that the Authority's approved policies and procedures and in some instances statutory legislation were not being fully complied with. These include:</p> <ul style="list-style-type: none"> <li>• Financial Procedure Rules,</li> <li>• Contract Procedure Rules,</li> <li>• Quotation Procedure Rules,</li> <li>• Transport &amp; Engineering Unit Policy,</li> <li>• Health &amp; Safety,</li> <li>• Building Regulations,</li> <li>• Control of Vibration at Work Regulations,</li> <li>• H.R. Policies.</li> </ul> <p>Procedure manuals had been established to provide guidance to staff in performing their duties however these were not always available or up to date.</p>	<p>The Authority's approved policies and procedures and statutory legislation should be fully complied with.</p>		<p>As part of the re-alignment noted in R1 above, roles and responsibilities will be clarified with established departmental Business Support Team taking a lead role on all compliance matters, assisting new service managers with budget monitoring, procurement, income reconciliation, and HR management</p> <p>Procedural manuals and work instructions are being updated and signed off with assistance from central support services and departments. These will be made available through the Council File Plan for each service / site, with appropriate staff training provided where necessary.</p> <p>All property maintenance work and improvements now go through property Services.</p> <p>All equipment and machinery is now procured and serviced via the fleet management team in Environment Department.</p> <p>Health and safety advisors spent 6 weeks at site(s) during July and August reviewing and updating policies, procedures and risk assessments with staff, including normal and emergency operating procedures.</p>	<p>Acting Senior Countryside Manager</p>	<p>Interim arrangements in place pending new appointments</p> <p>Many are in place, but others will continue to be developed over Winter months. Aim to complete by end March '17</p> <p>In place</p> <p>In place</p> <p>In place and ongoing for review of risk assessments and operating procedures</p>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R3	It was not possible to place an assurance that all income due has been collected, recorded, banked, monitored and accurately reflected in the Authority's accounts.	All income due should be fully identified, collected, recorded, banked, monitored and recorded accurately in the Authority's accounts.		<p>Departmental Business Support Team taking a lead role on income collecting processes and reconciliation to ensure compliance with financial regulation.</p> <p>Aim is to reduce cash transactions and handling as much as possible, which requires some infrastructure investment (in hand) e.g.:</p> <ul style="list-style-type: none"> <li>- New automated barrier system planned for PCP entrance</li> <li>- On-line booking system for caravan and camping site</li> </ul>	<p>Acting Senior Countryside Manager</p> <p>HOS is overseeing the development of a new site masterplan for PCP including new toilet / shower block for campsite &amp; new café / visitor hub</p>	<p>Most parts of process already reviewed and new processes in place for banking &amp; reconciliation, aim to complete by Feb '17</p> <p>Masterplan agreed by Exec Board in Summer 2016</p>

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	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R4	It is not possible to place an assurance that all assets are fully accounted for.	A list of all assets should be maintained which uniquely identifies individual assets including their location. This should be subject to physical check by an independent person at least on an annual basis. In addition, there should be a record of the movement of all assets.		A full list of assets is being compiled for all sites, which will be updated annually for tools, machinery and fixed equipment etc, and tracked through a 'live' stock inventory for goods and materials. Lists will be kept on the Council file Plan. A nominated officer will be responsible for maintaining these records at each site, countersigned by a Senior Manager.	Rangers, countersigned by Acting Senior Countryside Manager	PCP inventory completed. Looking at Mynydd Mawr site next – aim to complete by end Feb '17

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R5	The management, administration and monitoring of agreements / leases for private enterprises and for events held is poor.	Procedures should be established for the proper management, administration and monitoring of agreements / leases for private enterprises and for events held, in consultation with other relevant Sections of the Authority.		<p>Procurement / Corporate Property / Legal Services are now fully involved in all of these agreements.</p> <p>The catering tender for PCP is currently being reviewed with support from the procurement section.</p> <p>All agreements are listed on a partnership matrix which defines lead responsibility between the service and corporate property.</p> <p>A new events registration process is being put in place with Licencing and H&amp;S officers.</p>	<p>Acting Senior Countryside Manager</p> <p>Temp catering arrangement for Summer '16. Looking to procure temporary provision again for Spring / Summer '17 season whilst café re-furb is ongoing at PCP</p>	<p>Apr 17' &amp; Ongoing (Many of these have been extended / reviewed, but extensive list to work through)</p> <p>In place and being updated as each is reviewed</p> <p>Interim arrangement in place, formalise when new appointments made, by March '17</p>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R6	The current controls in place and the performance management information available for the management and administration of the ski slope and ski shop are weak and ineffective. In addition there were areas of non-compliance with the Authority's and locally set policies and procedures.	<p>A review of the ski slope and shop should be undertaken to establish the appropriateness of the services being offered.</p> <p>Where services are accepted as appropriate then procedures should be improved to ensure there are strong and effective controls in place for the management and administration of the site.</p>		<p>The Ski Centre has been transferred over to the Sports and Leisure Unit.</p> <p>A review of the purpose of the facility and the shop has been completed and discussed with audit / and finance. This includes a procurement, sales and disposal policy for goods.</p> <p>Roles and responsibilities on site have been clarified with staff.</p> <p>A new Gladstone till system is being installed with accepted operating procedures consistent with Leisure Centres introduced on site.</p>	<p>Actif Facilities Manager (South).</p> <p>Head of Service</p>	<p>Completed</p> <p>Shop is being closed down – aim to sell / dispose of all stock by end March '17</p> <p>Completed</p> <p>Jan '17</p>





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	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
	<b>Risk Management &amp; Business Continuity Strategy (R8-R10)</b>		***			
R8	Arrangements for the storage of fuel at the PCP Depot are inadequate with safety and security issues being identified.	Adequate safety, security and monitoring arrangements should be implemented for fuel stored at the Park.		Condition survey of depot undertaken by property services with schedule of work drawn up to re-furb for practical and H&S purposes  New systems and procedures developed with H&S advisors for fuel storage and draw down.	Acting Senior Countryside Manager	Survey completed. Schedule of works being worked through  In place

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R9	<p>There was no evidence that staff had been properly trained in the use of all plant and machinery that had been procured directly by the park.</p> <p>There were no records of regular maintenance checks undertaken by staff.</p> <p>Whilst vibration monitoring equipment is available this has not been fitted to all relevant machinery and did not appear to be in use on any piece of equipment.</p>	<p>All staff should be appropriately trained in the use of all machinery at the park.</p> <p>Evidence of regular maintenance checks should be maintained to demonstrate equipment is safe to use.</p> <p>Vibration monitoring equipment should be fitted to all relevant equipment.</p> <p>Records should be monitored to ensure equipment is used appropriately and staff and the Authority are protected</p>		<p>Many of the staff have had training and others require refresher training. Internal training is being sourced through the Environment department to ensure all staff are fully trained on the use of equipment and to ensure consistency of procedures adopted.</p> <p>All assets including machinery will be checked and repaired by the Transport &amp; Engineering Unit (see R4 too).</p> <p>The H&amp;S review (see R2) in July / Aug '16 will also ensure compliance with these procedures and practices</p>	<p>Acting Senior Countryside Manager</p> <p>(Nominated officer(s) to maintain training logs under new structure)</p>	<p>Any outstanding training will be taking place over Winter months in readiness for next Spring '17 season</p> <p>In place or in hand</p> <p>Feb '17 (linked to training above)</p>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R10	<p>Certain functions at the coastal facilities have not been discussed with the Authority's Risk Management section and may present an insurance risk for the Authority.</p> <p>Insurance provision of customers and event holders at the coastal facilities are not always obtained. Without current insurance the Authority may suffer losses caused by or to users of facilities.</p>	<p>All activities should be subject to a robust registration and checking procedure to protect the authority</p>		<p>New event booking procedures are being developed in conjunction with Licensing and Health &amp; Safety staff to safeguard the authority.</p> <p>New charges agreed as part of charging policy.</p> <p>Events / activities management protocol and procedures (relevant to scale of event / activity) to be finalised with input from H&amp;S team.</p> <p>Proof of public liability insurance will be obtained and records held on CFP.</p> <p>New structure identifies 3 posts with varying levels of responsibility for event management within the service</p>	<p>Acting Senior Countryside Manager</p>	<p>By end Jan '17 In readiness for next Spring / Summer '17 bookings</p> <p>Completed, as of budget setting process for Apr '17</p> <p>In hand</p> <p>In place (where required)</p> <p>Appoint by end Mar '17 (current staff given interim roles to lead)</p>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
	<b>Employee issues</b>		***			
R11	<p>Staff working hours including TOIL arrangements are not always being recorded and are not being managed at an appropriate level.</p> <p>In addition, the restrictions relating to the approval for the appointment of agency staff are not being complied with.</p>	<p>A review should be undertaken of staff working arrangements to ensure they are consistent with the needs of the facilities, comply with relevant policies, procedures and locally set restrictions, and are adequately managed at an appropriate level.</p>		<p>New structure will resolve this issue.</p> <p>All agency staff appointments are now signed off by the HOS, Director, and CEX.</p> <p>Staff rota's have all been updated and agreed to ensure compliance with working directives.</p> <p>Clocking in system to be introduced at all sites.</p>	<p>HoS Acting Senior Countryside Manager to oversee once structure is in place.</p>	<p>Mar '17</p> <p>In place &amp; Ongoing</p> <p>In place</p> <p>March 2017 (timesheets in place for interim)</p>
R12	<p>Employee Declaration of Interests are not being completed when it would be appropriate to do so.</p>	<p>Employees should complete 'Declarations of Interest' where it would be appropriate to do so.</p>		<p>All staff will be reminded of their responsibilities to declare any interests and asked to complete formally on an annual basis with a log kept for all returns. Nil returns will be requested</p>	<p>BSU Officer</p>	<p>In place and annually (April) thereafter</p>

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# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Supporting People Update

**Recommendations / key decisions required:**

- That the Committee approve progress and the continued work objectives.

**Reasons:**

- To note recommendations made by Internal Audit for 2015/16 Grant Review and note the progress and proposed action by Supporting People Team.
- A quarterly progress report was requested in the Audit Committee meeting on 10th July 2015. An update was also requested on the Internal Audit review carried out for 2015/16 Grant Audit.

<b>Relevant scrutiny committee consulted:</b>	Not applicable
<b>Executive Board decision required:</b>	Not applicable
<b>Council Decision required:</b>	Not applicable

**Executive Board Member Portfolio Holders:**

- Cllr. David Jenkins (Resources)
- Cllr. Jane Tremlett (Social Care & Health)

<p><b>Directorates:</b> Communities / Corporate Services</p> <p><b>Names of Heads of Service:</b></p> <p>Phil Sexton</p> <p>Chris Harrison</p>	<p><b>Designations:</b></p> <p>Head of Audit, Risk &amp; Procurement</p> <p>Head of Strategic Joint Commissioning</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 246217 <a href="mailto:psexton@sirgar.gov.uk">psexton@sirgar.gov.uk</a></p> <p><a href="mailto:chris.harrison@pembrokeshire.gov.uk">chris.harrison@pembrokeshire.gov.uk</a></p>
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<b>Directorates:</b> Communities / Corporate Services	<b>Designations:</b>	<b>Tel Nos. / E-Mail Addresses:</b>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Supporting People Update

The attached report summarises the main findings of the Internal Audit Review of the 2015/16 Grant Review noting issues arising that have previously been submitted to the Audit Committee.

The report also summarises the progress made to date by the Supporting People Team to address each issue with the proposed work and timeline to continue to address the issues identified.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

We confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

**Signed:** Phil Sexton                      Head of Audit, Risk & Procurement  
                  Chris Harrison                Head of Strategic Joint Commissioning

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	YES	NONE	NONE	NONE	NONE

**3. Finance** – Reviews carried out to ensure systems in place comply with the Authority’s Financial Procedure Rules, Grants Manual and the Welsh Government Grants Terms and Conditions.

## CONSULTATIONS

We confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

**Signed:** Phil Sexton                      Head of Audit, Risk & Procurement  
                  Chris Harrison                Head of Strategic Joint Commissioning

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

**Section 100D Local Government Act, 1972 – Access to Information**  
**List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW:**

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Internal Audit Plan Update 2014/15 and 2015/16 – Audit Committee (10th July 2015)	<p><b>Cymraeg</b>  <a href="http://online.carmarthenshire.gov.uk/agendas/cym/PARC20150710/MINUTES.HTM">http://online.carmarthenshire.gov.uk/agendas/cym/PARC20150710/MINUTES.HTM</a></p> <p><b>English</b>  <a href="http://online.carmarthenshire.gov.uk/agendas/eng/AUDC20150710/MINUTES.S.HTM">http://online.carmarthenshire.gov.uk/agendas/eng/AUDC20150710/MINUTES.S.HTM</a></p>

Audit Issues		Departmental Response		
	Issue	Recommendation	Progress to Date	Proposed work and timetable
R1	<p><b><u>In-house Service Provision</u></b>                      At the time of the Audit review Internal Audit confirmed that Memoranda of Understanding (MOU) had been formulated for all services provided internally with the exception of 'Adult Placement &amp; Learning Disabilities' which is currently under review.                      It was identified that there was often a lack of compliance with MOU, as a result there is a risk that expenditure relating to services provided in-house is ineligible under the terms and conditions of the Supporting People Grant.</p>	<p>The MOU for 'Adult Placement &amp; Learning Disabilities' should be completed as soon as possible.</p> <p>Procedures should be formulated to ensure any non-compliance with MOU's identified are addressed appropriately and payments only made in respect of eligible expenditure.</p> <p>In accordance with the terms and conditions, in-house and externally provided services should be treated equally with a view to achieving best value and consistency across the system.</p>	<p>The Adult Placement or Shared Lives service is currently being evaluated. It is anticipated that the information gathering part of the evaluation process will be complete by the end of January 2017.</p> <p>In-house services that are subject to MOU's have been monitored during 2016/17. Where non-compliance has been an issue, service managers have been made aware of this and remedial action requested. In-house providers have been informed of their responsibility to provide evidence of eligible activity and the consequences of non-compliance.</p>	<p>The MOU will be in place as from April 2017.</p> <p>A procedure to ensure that any non-compliance with the MOU are addressed appropriately will be formulated in Spring 2017.</p>
R2	<p><b><u>Outcomes</u></b>                      It was previously reported that monthly monitoring returns and outcome details continue to be completed by providers based on information required by Welsh Government and that documentation was not available to</p>	<p>The total outcomes information supplied by providers should be verified on a regular basis to source documentation to ensure information being provided is accurate and consistent with the</p>	<p>At the start of the 2016/17 financial year, the Carmarthenshire SP Team joined the outcomes collection model that is being used by the remainder of the Mid and West Wales region. This model is based on collection of data via Snap Surveys. This provides a</p>	<p>A formal process for monitoring outcomes including where issues are identified will be in place for the first outcome reporting period of 2017 which will be July.</p>

Audit Issues		Departmental Response		
Issue	Recommendation	Progress to Date	Proposed work and timetable	
<p>support the outcomes claimed against the grant.</p> <p>It is acknowledged that this information is checked for reasonableness with any errors referred back to the provider who must confirm that the information is accurate and that contract monitoring meetings are now held with providers.</p> <p>However the total outcomes claimed are not verified to source documents to ensure their accuracy and that the information being provided to Welsh Government is accurate</p> <p>In addition, the minutes of the meetings reflect the issue that in some instances it was difficult to verify the outcomes.</p>	<p>requirements of the Welsh Government.</p> <p>Adequate documentation should be available to support all outcomes claimed.</p> <p>Where issues are identified a formal process should be established to ensure they are addressed appropriately.</p>	<p>much more accurate submission of data from service providers. It simplifies the process of validating source data supplied by providers.</p> <p>A conversation took place between Internal Audit and Supporting People on 29<sup>th</sup> November where the documentation required to support all outcomes claimed were discussed and agreed. This will be implemented for the outcome monitoring visits that will take place in January/February 2017.</p>		
R3	<p><b><u>Management Charges</u></b></p> <p>For the first time this year, the 'Schedule 4 – Audit Certificate' requires certification that 'management charges for services are below 10%'</p> <p>Currently the management charge is included in contract prices and Internal Audit have been advised that it is not always possible to identify the exact percentage that</p>	<p>Procedures should be established and evidence maintained to demonstrate that the management fee applied does not exceed 10% as required by the terms and conditions of the grant.</p>	<p>The recent locality based floating support tender exercise was based on the premise that management charges are 10% or less as indicated in the Welsh Government Guidance dated July 2013.</p>	<p>It is anticipated that service providers who tender for future services will be expected to evidence the management charges submitted. The default position for the Supporting People Team will be that management charges will be</p>

Audit Issues		Departmental Response	
Issue	Recommendation	Progress to Date	Proposed work and timetable
<p>has been applied by contractors as there is not always a breakdown of the costs. It is acknowledged that all services to be funded by Supporting People are to be retendered in the next 18months and the management fee will be requested to be costed separately in the tender specification documents and in the evidence expected from the third party during this process.</p>			10% or less with justifications requested for charges over 10%
<p>R4 <b>Contracts</b> In order to address the issue of non-compliance with the Authority's Contract Procedure Rules, a status report and subsequent report update have been formulated. This has resulted in Interim Contracts being issued and further actions being identified meaning firm decisions are yet to be made.  Whilst many of the Interim contracts were only signed the end of 15/16 or the beginning of 16/17, they are set to expire next year. It is therefore important that decisions are made and a clear timetable put in place in order to ensure compliance with the</p>	<p>The Authority's Contract Procedure Rules should be fully complied with.  In addition, in accordance with the terms and conditions of the grant services required must be bought in a competitive and sustainable way so as to demonstrate that best value in the use of public funds has been achieved.</p>	<p>The Supporting People will give consideration to the best way of doing this.  The Supporting People Team has sought and been granted exceptions to the Contract Procedure Rules to extend some of the interim arrangements put in place in 2015. This extends some of the Interim Contracts to April 2018. This is to give the Supporting People Team opportunity to investigate joint commissioning opportunities with Pembrokeshire County Council's Supporting People Team to realise efficiencies</p>	<p>Meetings are to commence in January 2017 with Pembrokeshire County Council's Supporting people Team to schedule pre-tender work. This will enable service specifications to be written and consulted upon so that new, appropriately procured services are in place by April 2018.</p>

Audit Issues		Departmental Response	
Issue	Recommendation	Progress to Date	Proposed work and timetable
<p>Authority's Contract Procedure Rules.</p> <p>A review of a sample of service provision identified that where contracts existed dates on contracts and specifications were not always consistent. In addition, there was one instance where there was no specific specification / contract relating to the provision of the supporting people element.</p>		<p>and a more strategic approach to services.</p>	
<p>R5 <b>Eligibility</b></p> <p>Eligibility of a sample of participants is now undertaken during the contract monitoring visits to the contractors. However there is no formal process for the monitoring of service user eligibility to ensure consistency and a record is not maintained to support what checks have been undertaken or what records have been reviewed. A review of the minutes produced from the contract monitoring visits highlights that it was not always possible to verify the eligibility of service users.</p> <p>In addition, Internal Audit have been advised that the eligibility of</p>	<p>A formal process should be established for the monitoring of eligibility of service users.</p> <p>Service providers should be reminded of the requirement to maintain adequate records to demonstrate eligibility.</p> <p>All checks should be formally recorded as evidence of the checks being undertaken in order to demonstrate that the grant is only being used for the purpose intended.</p>	<p>As stated in the Audit Issues, eligibility of a sample of participants is currently being undertaken though it is acknowledged that this process needs to be formalised.</p>	<p>A formal process will be put in place in January/February 2017 that will detail the eligibility criteria and the evidence that will be requested to prove eligibility. This will also detail how checks will be recorded formally and evidenced in order to demonstrate that the grant is only being used for the purpose intended.</p>

Audit Issues		Departmental Response		
Issue	Recommendation	Progress to Date	Proposed work and timetable	
	all service users relating to supported living is checked on an individual basis although there is no evidence to support this.			
R6	<p><b>Monitoring</b> Previously Internal Audit reported that there was no evidence available that overall monitoring of the progress of the grant including total project outputs against targets, project finances, etc as required by the Project Grants Manual, nor monitoring by a senior manager had been undertaken on a regular basis</p> <p>Internal Audit have been advised that whilst this issue remains outstanding, feedback reports are produced by the Procurement &amp; Contracting Officer for the Safeguarding &amp; Commissioning Manager.</p>	<p>Overall monitoring of the project including project progress, total project outputs, finances, etc should be undertaken at least on a quarterly basis and evidenced as required by the Project Grants Manual.</p>	<p>During 2016/17 a system has been developed that looks at the overall project progress in terms of the finances. This was introduced in October 2016 and gives a monthly indication of the progress of the Grant payments. This has enabled the feedback reports to be more informed.</p> <p>In addition, there are regular meetings between officers of the Supporting people team and Accountancy to review the grant and ensure it is being managed effectively, efficiently and economically</p>	<p>This is acknowledged as an area that needs to be consolidated and improved.</p> <p>Formal quarterly grant monitoring meetings will be arranged during 2017 to record project progress and outputs as per the Project Grants Manual.</p> <p>In addition, there will be continued external scrutiny between the Supporting People Team and Accountancy.</p>
R7	<p><b>Expenditure</b> Testing of a sample of expenditure transactions was undertaken (10 subsidy claims &amp; 10 invoices) and it was identified that the Authority's Financial Procedure Rules and the Terms &amp; Conditions of the grant had not been fully complied with.</p>	<p>The requirements of the terms and conditions of the grant and the Authority's Financial Procedure Rules should be fully complied with.</p>	<p>The payments function was transferred to the Business Support division of the Department for Communities during 2016/17.</p> <p>This has shown considerable improvement during 2016/17.</p>	<p>Evidence to support all elements of accruals actioned in April 2017 will be made available.</p>

Audit Issues		Departmental Response	
Issue	Recommendation	Progress to Date	Proposed work and timetable
In addition, testing of a sample of accruals identified that there was not always sufficient evidence available to support all elements of the accrual.	All invoices/provider claims should be date stamped and authorised prior to payment.  Evidence should be available to support all elements of accruals actioned.	It is hoped that this matter will be resolved fully for 2017/18	
R8 <b>Subsidy Payments</b> Guidance received from WG in 2002 specified that existing tenants should be protected against transitional costs. As a consequence of a previous Internal Audit recommendation a review was undertaken to establish whether the grant should be used for this purpose and a report was taken to the Supporting People Planning Group where it was recommended to refer any decision to DMT. However, the exercise did not review individuals to ensure their eligibility. As a result, the issue of whether all individual payments are eligible currently remains outstanding.	The review of the process regarding the tenant subsidy payments needs to be completed to ensure such payments continue to be eligible.	The Supporting People Team has prepared a paper detailing a number of options and presented it to the Supporting People Planning Group. A discussion has also taken place in the Departmental Management team regarding this.	The Supporting People Team will action the decision made during 2017/18.



# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Wales Audit Office update to Carmarthenshire County Council's Audit Committee – December 2016

**Recommendations / key decisions required:**

- That the Committee receives the Wales Audit Office report noted above.

**Reasons:**

- The Wales Audit Office carries out both financial audit and performance audit work at the Council. This report summarises the progress on its audit work as at December 2016.

**Relevant scrutiny committee consulted:** NOT APPLICABLE  
**Executive Board decision required:** NO  
**Council Decision required:** NO

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Owen Bowen</p> <p><b>Report Author:</b> Owen Bowen</p>	<p><b>Designations:</b></p> <p>Head of Financial Services</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 224886  <a href="mailto:obowen@carmarthenshire.gov.uk">obowen@carmarthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Wales Audit Office update to Carmarthenshire County Council's Audit Committee – December 2016

This report summarises the progress on the Wales Audit Office's audit work as at December 2016.

DETAILED REPORT ATTACHED?

YES

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Owen Bowen      Head of Financial Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Owen Bowen      Head of Financial Services

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:**

**THERE ARE NONE**

Title of Document	File Ref No. / Locations that the papers are available for public inspection

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## Carmarthenshire County Council Audit Committee Update – December 2016

### Financial audit work 2015-16 – Dyfed Pension Fund

Activity	Scope	Status
<b>Audit Plan</b>	Plan of financial audit work for 2015-16.	Audit Committee March 2016.
<b>Financial Statements/Annual Audit Letter</b>	Audit of the Pension Fund's 2015-16 financial statements and Annual Audit Letter.	Audit Committee September 2016.

### Financial audit work 2015-16 – Carmarthenshire County Council

Activity	Scope	Status
<b>Certification of Grants and Returns 2014-15</b>	Summary of grants and returns certification work 2014-15.	Audit Committee July 2016.
<b>Audit Plan 2016</b>	Plan of financial audit work for 2016-17.	Audit Committee March 2016.
<b>Financial Statements 2015-16</b>	Audit of the Council's 2015-16 financial statements.	Audit Committee September 2016.
<b>Annual Audit Letter</b>	Report summarising our 2015-16 financial audit work.	Audit Committee January 2017
<b>Agreed Action Plan For 2016-17 Accounts Preparation and Audit Process</b>	Summary of agreed actions for making improvements to the 2016-17 accounts preparation and audit processes.	Audit Committee January 2017

## Performance work 2015-2016 - Carmarthenshire County Council

Activity	Scope	Status
<b>Corporate Assessment</b>	Review of the Council's capacity and capability to deliver continuous improvement.	Complete. Report issued January 2016. Follow up reviews 2016-17 (See Local Projects below*)
<b>Annual Improvement Report</b>	Annual review of Council's performance and arrangements	Complete. AIR issued April 2016
<b>Local Project</b>	Review of the application of Equalities Impact Assessment in relation to Council improvement priorities	Complete. Findings to be included in Governance Thematic Review.
<b>Performance Review</b>	Assessment of performance in relation to two of the Council's Key Improvement Priority Areas.	Complete. Assessment included in Annual Improvement Report issued April 2016
<b>Financial Management and Financial Position Summary - 2</b>	Further work on our financial management arrangements following up our 2014-2015 review, and looking forward to 2016-2017 budget setting and savings proposals. There will also be a focus on reserves position.	Complete. Issued – January 2016
<b>Governance and Performance Reviews; inform the Corporate Assessment Report.</b>	Human Resources Review. Information technology Review. Information Management Review. Asset Management Review. Partnership Review.	Complete. Informed Corporate Assessment report issued January 2016.
<b>LG Improvement Study 1 – Council funding of third-sector services</b>	Underway	Report being drafted. Anticipated publishing in late 2016/early 2017

<b>LG Improvement Study 2 - The strategic approach of councils to income generation and charging for services</b>	Underway	Report published 10 <sup>th</sup> November 2016
<b>National Study – The effectiveness of local community safety partnerships</b>	Underway	National Report publication date 18 <sup>th</sup> October 2016

### Performance work 2016-2017 - Carmarthenshire County Council

Activity	Scope	Status
<b>Audit Plan</b>	Plan of performance audit work for 2016-17.	Audit Committee March 2016
<b>Improvement Plan Audit – 2016-2016</b>	Audit of the discharge of the Council's duty to publish an improvement plan.	Review of ARIP complete. Certificate issued Presented to Audit Committee September 2016
<b>Assessment of performance</b>	Audit of the discharge of the Council's duty to publish an assessment of performance.	As above
<b>Annual Improvement Letter</b>	Letter from AGW reviewing Council's performance and arrangements	To be processed January – March 2017
<b>Thematic Study: Financial Resilience (3)</b>	Focus: Savings Plans	Local report draft - being issued to Council December 2016.
<b>Thematic Study: Governance</b>	Focus: Governance of significant changes	Local report draft – to be issued January 2017.
<b>Thematic Study: Transformation</b>	Focus of study to be confirmed	Projected timescale: Early 2017

<b>Local Project*</b>	Review of ICT arrangements – follow up of Corporate Assessment PFI	Site work (intermittent) - July to December 2016. Reporting January 2017
<b>Local Project*</b>	Review of progress of Corporate Assessment PFIs	Follow up work within Governance Thematic Study and further site work in January 2017. Reporting within Annual Improvement Letter 2016/17
<b>LG Improvement Study – 1 Improving well-being through housing adaptations</b>	Underway – Carmarthenshire Council will participate in the survey only	Survey response awaited from the Council. Closing date extended to 27 January 2017.
<b>LG Improvement Study 2 – Strategic commissioning of learning disability services by local authorities.</b>	Underway – Carmarthenshire Council will participate in the survey only	Survey response awaited from the Council. Closing date extended to 27 January 2017.
<b>LG Improvement Study 3 – How local government manages demand – Homelessness services</b>	Underway – Carmarthenshire Council is one of five sample local authorities participating in this study – involving fieldwork.	Fieldwork /interviews scheduled for week commencing 23rd January. All relevant preparatory documents received from Council.

Updated 16.12.16



# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Carmarthenshire County Council's Annual Audit Letter 2015/16

**Recommendations / key decisions required:**

- That the Committee receives the Wales Audit Office's Annual Audit Letter for Carmarthenshire County Council for 2015/16.

**Reasons:**

- The Auditor General is the auditor for Carmarthenshire County Council and this letter summarises the key messages arising from the work carried out to discharge his statutory responsibilities under the Public Audit (Wales) Act 2004.

**Relevant scrutiny committee consulted:** NO  
**Executive Board decision required:** NO  
**Council Decision required:** NO

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Owen Bowen</p> <p><b>Report Author:</b> Owen Bowen</p>	<p><b>Designations:</b></p> <p>Head of Financial Services</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 224886  <a href="mailto:obowen@carmarthenshire.gov.uk">obowen@carmarthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Carmarthenshire County Council's Annual Audit Letter 2015/16

The Auditor General is the auditor for Carmarthenshire County Council and this letter summarises the key messages arising from the work carried out to discharge his statutory responsibilities under the Public Audit (Wales) Act 2004.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Owen Bowen      Head of Financial Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Owen Bowen      Head of Financial Services

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

**Section 100D Local Government Act, 1972 – Access to Information  
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Cllr Emlyn Dole  
Leader  
Carmarthenshire County Council  
County Hall  
Jail Hill  
Carmarthen  
SA31 1JP

**Reference:** 704A2016

**Date issued:** 19 December 2016

Dear Cllr Dole

## Annual Audit Letter – Carmarthenshire County Council 2015-16

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

### The Council complied with its responsibilities relating to financial reporting and use of resources although there remains scope for improvement in some areas

It is the Council's responsibility to:

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

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

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United

Kingdom. This Code is based on International Financial Reporting Standards. On 30 September 2016 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Dyfed Pension Fund's financial position and transactions. I issued a certificate confirming that the audit of the financial statements had been completed on the same date. My report and certificate are contained within the Statement of Accounts.

I reported the key matters arising from the accounts audit to members of the Audit Committee in my Audit of Financial Statements report on 30 September 2016. I reported that the Council had delivered the draft financial statements in line with the statutory deadline of 30 June and that, generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand.

However, we had some concerns in relation to the Council's processes as to how it valued certain types of assets. Our concerns related to:

- rates used in valuing specific assets;
- evidencing of judgements; and
- internal quality assurance arrangements.

The Council has agreed to make improvements in all these areas for 2016-17 and we will review these revised processes as part of our 2016-17 audit.

**I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but there remains scope for the Council to make further improvements**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009.

My Annual Improvement Report published in March 2016 concluded that the Council demonstrating ambition in its vision, with collective leadership and more robust and transparent governance, is delivering improved outcomes for its citizens although some outdated approaches may limit the speed of progress. This conclusion was reached after considering our detailed findings on performance, use of resources and governance shown below:

- **Performance** - the Council, in collaboration with partners and despite increasing pressure on budgets, is continuing to improve performance across its priority areas and has complied with the Local Government Measure 2009.
- **Use of resources** - the Council's arrangements for managing its resources have served it well in the past, but the current approach in some areas is outdated and needs to be more explicitly linked to service plans which may help to improve outcomes for citizens in the future.
- **Governance** - the Council has made good progress in establishing improved governance arrangements which are now more robust and transparent, although there are opportunities for further improvements to enable Members to be more effective in their roles.

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

The Council has taken a number of steps to improve grants management over a number of years and some of these actions are now delivering improvements. There remain some areas where the Council needs to improve its grant certification arrangements.

The main areas where improvements were needed are shown below:

- Non-compliance with the Council's own procurement rules;
- the awarding of funding to third parties and the subsequent checks that the grant funding has been spent in accordance with the scheme's terms and conditions;
- justification of internal charges and apportionments included in grant claims as eligible costs for grant funding; and
- supporting evidence to confirm eligible expenditure items in the claim (three claims).

I have begun my audit of the 2015-16 grants and I will report the outcomes of this work in early 2017, when the programme of certification work is complete.

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

Yours sincerely



**Richard Harries**  
**For and on behalf of the Auditor General for Wales**

cc. Mark James, Chief Executive  
Chris Moore, Chief Finance Officer

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# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Carmarthenshire County Council – Agreed actions arising from the 2015/16 audit

**Recommendations / key decisions required:**

- That the Committee receives the Wales Audit Office’s report on agreed actions arising from the 2015/16 audit.

**Reasons:**

- This report summarises the agreed actions that will be carried out by both the Council and the Wales Audit Office in completing the 2016/17 accounts and audit process.

**Relevant scrutiny committee consulted:** NOT APPLICABLE  
**Executive Board decision required:** NO  
**Council Decision required:** NO

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Owen Bowen</p> <p><b>Report Author:</b> Owen Bowen</p>	<p><b>Designations:</b></p> <p>Head of Financial Services</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 224886  <a href="mailto:obowen@carmarthenshire.gov.uk">obowen@carmarthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Carmarthenshire County Council – Agreed actions arising from the 2015/16 audit

This report summarises the agreed actions that will be carried out by both the Council and the Wales Audit Office in completing the 2016/17 accounts and audit process.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Owen Bowen      Head of Financial Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Owen Bowen      Head of Financial Services

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

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[www.wao.gov.uk](http://www.wao.gov.uk)

Chris Moore, Director of Corporate Services,  
Carmarthenshire County Council,  
County Hall  
Jail Hill,  
Carmarthen,  
SA31 1JP

Reference

Date 14<sup>th</sup> December 2016

Pages 1 of 3

Dear Chris

**Agreed actions arising from our 2015-16 audit**

We have now completed our 2015-16 audits of the financial statements and Whole of Government Accounts (WGA) for the Council, Dyfed Pension Fund and Burry Port Harbour. I can confirm that the financial statements for the Council and Pension Fund were given an unqualified audit opinion on 29<sup>th</sup> September 2016. I can also confirm that our WGA Assurance Statement was submitted on 19<sup>th</sup> October 2016.

We reported our findings from the audit in our Audit of Financial Statements Report presented to the Audit Committee in September. I would like to thank you and your finance team for the support given during the audit process.

We have subsequently met with Owen Bowen and members of the finance team to discuss the accounts preparation and audit process for 2015-16. With the early closure regime approaching and the aim for continual improvement we have agreed a list of actions that will hopefully realise efficiencies to the accounts preparation and audit process in 2016-17. I have set out the agreed actions in [Appendix 1](#).

Yours sincerely,

Jason Garcia  
Audit Manager

## Appendix 1 – Agreed actions for the 2016-17 accounts preparation and audit process

Action	Responsibility for action
<p><b>Audit deliverables document</b></p> <p>A detailed review of this document will be carried out in order to remove any working papers that auditors no longer require. We will also meet with Council finance staff to discuss any areas of the document that they are unclear as to what is being requested. This will hopefully improve the finance team's understanding of what is being asked for and in turn reduce the number of audit queries.</p>	<p>Audit Team Leader and relevant finance department staff</p>
<p><b>Schedule of leave</b></p> <p>A joint schedule of audit and finance team staff leave will be prepared for 2017. This will assist both Audit and Finance staff in structuring their work. The Council will also advise auditors of any periods where due to other commitments they are unable to support the audit team.</p>	<p>Audit Team Leader and relevant finance department staff</p>
<p><b>Valuation of Fixed Assets</b></p> <p>The Audit Manager and Team Leader have already met with Property &amp; Finance staff and have been advised of the intended revised procedures to the valuation processes for 2016-17. We have confirmed that these processes are appropriate and the valuation team has committed to follow these processes for 2016-17. We have agreed to carry out our detailed audit work on the valuations undertaken in April 2017.</p>	<p>Audit team supported by the Council Valuation team</p>
<p><b>Estimates</b></p> <p>The Finance team are to review the use of estimates for relevant disclosures in compiling the 2016-17 financial statements. It was agreed that the methodologies for any estimates to be included in the 2016-17 financial statements will be shared with the audit team at an early stage. This will allow for auditors and the finance team to agree the methodology in advance of the draft 2016-17 accounts being submitted.</p>	<p>Council Finance team</p>
<p><b>Welsh versions of the 2016-17 accounts</b></p> <p>It was agreed that the Welsh version of the 2016-17 financial statements would be submitted to the audit team by 30<sup>th</sup> June 2017 submission deadline.</p>	<p>Council Finance team</p>

Action	Responsibility for action
<p><b>Early Audit work</b></p> <p>In 2015-16 the audit team carried out audit testing on the following areas in the period February – April 2016:</p> <ul style="list-style-type: none"> <li>• Payroll transactions</li> <li>• Expenditure transactions</li> <li>• Asset existence, ownership and additions testing</li> <li>• Some asset valuation work</li> <li>• Income transactions</li> </ul> <p>By completing this work earlier in the year there was less work to be completed after we received the draft accounts on 30<sup>th</sup> June 2016. With the early closure regime introducing a 31<sup>st</sup> May accounts preparation deadline and a 31<sup>st</sup> July audit deadline in 2020-21 we will have to complete more work in the earlier months of the calendar year. We will continue to carry out early testing on these account areas in 2016-17 and have agreed to select our samples for transactions we need to test in January 2017. This will give the Finance team a reasonable period to obtain the information requested prior to us starting the work in February 2017. We are looking to extend the work we complete during these early months of 2017 and the Council Finance Team has agreed to review and suggest other possible areas where some early audit work could be carried out.</p>	<p>Audit Team Leader and relevant finance department staff</p>
<p><b>Audit testing schedules</b></p> <p>It was agreed that the Audit team will provide details of the audit tests they undertake on each transaction selected for testing. A meeting will be arranged between the auditor undertaking the work and the relevant finance department staff member so that there is agreement as to the exact supporting documentation needed to satisfy the specific audit test.</p>	<p>Audit team leader supported by auditors and finance department staff.</p>
<p><b>Agreement of audit issues</b></p> <p>To avoid any misunderstandings in agreeing specific audit findings, it was agreed that the Audit Manager/Team leader will meet formally with the Head of Financial Services on a regular basis throughout the audit period rather than communicating issues found on a more informal basis.</p>	<p>Audit Manager and Head of Financial Services</p>

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# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Joint protocol for the certification of Grant Claims and Returns

**Recommendations / key decisions required:**

- That the Committee receives the joint protocol for the certification of grant claims and returns, between Carmarthenshire County Council and the Wales Audit Office.

**Reasons:**

- The Wales Audit Office audits grant claims and returns for Carmarthenshire County Council. This protocol summarises the agreed working arrangements in relation to these audits.

**Relevant scrutiny committee consulted:** NOT APPLICABLE  
**Executive Board decision required:** NO  
**Council Decision required:** NO

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Owen Bowen</p> <p><b>Report Author:</b> Owen Bowen</p>	<p><b>Designations:</b></p> <p>Head of Financial Services</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 224886  <a href="mailto:obowen@carmarthenshire.gov.uk">obowen@carmarthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Joint protocol for the certification of Grant Claims and Returns

The Wales Audit Office audits grant claims and returns for Carmarthenshire County Council. This protocol summarises the agreed working arrangements in relation to these audits.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Owen Bowen      Head of Financial Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Owen Bowen      Head of Financial Services

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

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WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

# Joint Protocol for the Certification of Grant Claims and Returns

## **Carmarthenshire County Council and the Wales Audit Office**

**Audit year:** 2015-16

**Issued:** November 2016

**Document reference:**

# Status of report

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

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

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, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk).

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# Summary report

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## Summary

1. The management, compilation and audit of Carmarthenshire County Council's (the Council) grant claims and returns involve considerable time and effort on behalf of both officers of the Council and auditors. In addition it is important both to the paying bodies and for the purposes of the Council's accounts that all claims are properly supported, submitted and certified by the required deadlines.
2. To facilitate this, the Council and the Wales Audit Office have agreed a joint working protocol for the certification of grant claims and returns. The joint grants protocol – as agreed by the Council and the Wales Audit Office – is shown at Appendix 1. The joint protocol covers the co-ordination of the certification process as well as key stages of the audit of individual claims/returns. It should be read in conjunction with internal protocol and procedures documents, prepared by the Council and Wales Audit Office respectively.
3. This joint protocol may be subject to amendment during the year in respect of any changes to arrangements, job titles and responsibilities.



# Appendix 1

## Joint Grants Protocol

Area		Wales Audit Office	Carmarthenshire County Council
<b>Co-ordination</b>			
1	Grant Co-ordinators	The Wales Audit Office has established a key audit contact to co-ordinate the grant claims/return certification process (Wales Audit Office Grants Team Leader).	The Council has established a key Council contact to co-ordinate the grant/return certification process (Council's Grants Compliance Officer).
2	Claims / returns requiring external audit	The Grants Team Leader will compile a listing of grant claims/returns expected for audit based on information provided by the Wales Audit Office's Central Grants Team and share this with the Grants Compliance Officer. This will be updated on a monthly basis following the issue of the Certification Index issued by the Wales Audit Office's Grants Team and any amendments notified to the Grants Compliance Officer.	The Grants Compliance Officer will maintain a listing of grant claims / returns required to be submitted for audit and will keep the Grants Team Leader informed of progress.
3	Progress	The Grants Compliance Officer will liaise with the Grants Team Leader on progress. Discussion to include the deadlines for submission and audit, together with the actual submission and audit completion dates with an accompanying narrative including details of any qualifications (if appropriate). Regular updates will be provided at Grants Panel. Wales Audit Office to notify the Authority of any changes to the de minimis level for audit.	

Area		Wales Audit Office	Carmarthenshire County Council
<b>Administration</b>			
4	Guidance	Audits will be conducted in accordance with guidance circulated by the Wales Audit Office's Grants Team (CIA01) and follow the process set out in the Wales Audit Office's Procedure for the Certification for the Grant Claims>Returns. Copies of certification instructions will be provided to the Grants Compliance Officer.	Grant schemes/returns will be managed in accordance with the Council's internal procedures as set out in the Grants Manual. The Grants Compliance Officer will distribute copies of the certification instructions to project officers.
5	Provision of grant working papers	The Wales Audit Office will provide training if and when requested in respect of core working paper requirements.	Working papers should conform to the Wales Audit Office core requirements. Appropriate training and/or guidance notes should be provided to staff, both in finance and service departments, as required, to ensure that they are made aware of their responsibilities in this regard.
6	Good Practice	The Wales Audit Office has developed a Good Practice Exchange web page which has a module on Grants Management. Further training on Grants Management Good Practice can be provided by the Wales Audit Office at request from the Council.	
7	Submission of grants for audit	All grants received by the Wales Audit Office are logged immediately on the grants receipting schedule and the original claims and any supporting working papers securely stored.	Original claims and returns ready for audit should be provided to a member of the audit team. Supporting information to be saved in the Wales Audit Office folders on the Corporate File Plan. Grants Compliance Officer to co-ordinate and arrange access permissions for appropriate project staff as required. Project Officers will notify the Grants Compliance Officer when claims/returns have been submitted to Wales Audit Office.

Area	Wales Audit Office	Carmarthenshire County Council
<b>Grant Submission</b>		
8	Submission of grants for audit	<p>The Project Officer managing the project has overall responsibility for the submission of the projects grant claims/returns to the Wales Audit Office.</p> <p>All grant claims to be verified by the Accountancy Section and arrangements made for them to be signed by an appropriate officer.</p> <p>All claims/returns submitted for audit to include original signatures.</p> <p>If no-one is available in the offices of Wales Audit Office, claims/returns will be passed to Grants Compliance Officer who will liaise with Wales Audit Office notifying them that claims/returns are available for collection.</p>
<b>Submission deadlines</b>		
9	Pre-audit submission deadlines (ie, date of submission of unaudited claims to funding bodies)	<p>The Project Officer will ensure that pre-audit submission deadlines are met. Where deadlines cannot be met, the Project Officer will make arrangements to request an extension from the paying body. Confirmation of the extension in writing is to be provided to the Wales Audit Office at the earliest opportunity.</p>
10	Audit deadlines	<p>The Wales Audit Office will endeavour to meet all deadlines for certification. Where this is not going to be achievable, the matter will be reported to the Project Officer and Grants Compliance Officer.</p> <p>Where audit submission deadlines cannot be met, the Project Officer will request an extension from the Funding Body and provide confirmation of the extension to the Wales Audit Office in writing.</p>

Area		Wales Audit Office	Carmarthenshire County Council
<b>Claim certification</b>			
11	Emerging issues	<p>During each audit, WAO will send a summary of issues including proposed amendments, qualifications as well as any outstanding information to the relevant project officer and agree a timetable for resolution and finalisation.</p> <p>Where the agreed timetable cannot be met then these will be referred to the Grants Compliance Officer at the earliest opportunity for discussion and action.</p>	The Project Officers will follow-up the summary of issues within the agreed timescales.
12	Amendments	The Grants Team Leader will agree with the Project Officer any amendments required to the claim prior to certification.	Where the claim requires amendment, the change will be made and 're-initialled' (or a replacement claim completed and signed) by the appropriate certifying officer.
13	Qualifications	<p>The Wales Audit Office will agree the wording of any qualification letter with the Project Officer and the relevant Head of Service.</p> <p>The Wales Audit Office will provide the Project Officer and Grants Compliance Officer with copies of certified claims, along with an accompanying grant qualification report where relevant.</p>	
<b>Monitoring of the grants process</b>			
14	Grants report	The Grants Team Leader will prepare a Grants Report for the annual claims for the year. This will highlight key successes, issues and areas for improvement. The draft report will be issued for comment to the Head of Financial Services and the Grants Panel. The final report will go to the Audit Committee. A summary will also be included in the Annual Audit letter.	

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**Overall responsibilities**

15	Overall responsibilities	The Wales Audit Office Audit Manager takes overall responsibility for the grants work and will review all qualification letters. The Council's Head of Financial Services takes overall responsibility for grant claims on behalf of the Council. The Council's Grants Panel and Audit Committee also play a key role in monitoring and improving the Council's grant management arrangements.
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WALES AUDIT OFFICE  

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# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Briefing note on Proposals for Improvement – Follow up work as at December 2016

**Recommendations / key decisions required:**

- That the Committee receives the Wales Audit Office’s briefing note as described above.

**Reasons:**

- The Wales Audit Office carries out both financial audit and performance audit work at the Council. This Briefing Note summarises the progress made to follow up on its Proposals for Improvement, as at December 2016.

**Relevant scrutiny committee consulted:** NOT APPLICABLE  
**Executive Board decision required:** NO  
**Council Decision required:** NO

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Owen Bowen</p> <p><b>Report Author:</b> Owen Bowen</p>	<p><b>Designations:</b></p> <p>Head of Financial Services</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 224886  <a href="mailto:obowen@carmarthenshire.gov.uk">obowen@carmarthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Briefing note on Proposals for Improvement – Follow up work as at December 2016

This report provides the Audit Committee with information on the purpose and progress of the Wales Audit Office's follow up work undertaken to assess what actions have been taken by the Council to address current Proposals for Improvement, as at December 2016.

**DETAILED REPORT ATTACHED?**

**YES**



## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Owen Bowen      Head of Financial Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Owen Bowen      Head of Financial Services

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:**

**THERE ARE NONE**

Title of Document	File Ref No. / Locations that the papers are available for public inspection

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# Briefing note

**Reference:** 702A2016

**Audited body:** Carmarthenshire County Council

**Topic:** Follow-up of WAO Proposals for Improvement

**Date issued:** 19 December 2016

## Wales Audit Office Briefing Note

For Audit Committee Friday 6 January 2017

### Introduction

In the Wales Audit Office's annual Audit Plan, the Auditor General sets out his programme of financial and performance audit work for the year. The current plan includes the following:

### Performance audit

The components of my performance audit work are shown below and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy

([www.audit.wales/publication/wales-audit-office-corporate-strategy-2013-2016](http://www.audit.wales/publication/wales-audit-office-corporate-strategy-2013-2016))



As can be seen, part of the programme includes follow up activity. We undertake this to ensure that the Council is taking steps to address any recommendation or proposals for improvement that we have made in any of our reports (National Reports, Local Government Studies and Carmarthenshire County Council specific reports).

We do not follow up all recommendations and proposals for improvement through direct audit activity. We generally choose a sample to look at in detail and discuss others through our regular meetings with officers.

### **Proposals for Improvement 2015-16**

In 2015-16 the WAO issued the following two reports:

- Annual Improvement Report 2015/16 (Published March 2016)
- Corporate Assessment Report (Published January 2016)

No new recommendations appeared in the first report. However, we did make a number of proposals for improvement in the **Corporate Assessment report**. We included these in our current years audit plan and have been monitoring them during 2016-17.

The proposals for improvement were as follows

#### **Governance:**

- Develop a forward work programmes to ensure that all appropriate committees have a published up to date programme owned by committee Members.
- Publish a register of delegated decisions.
- Develop and deliver training to help Members understand their roles and responsibilities and refresh this training delivery as Members move between roles.
- Review the remit of Audit Committee to make sure it is delivering what is expected of it.

An update on these will be included in the report arising from our all-Wales Thematic Study 'Good Governance when determining service changes' and our Annual Improvement Report both due to be issued in March 2017.

#### **Use of Resources – People:**

- Finalise and implement the revised structure for People Management and Performance (PMP) Division.
- Ensure all staff have an annual individual performance appraisal.
- Simplify communication mechanisms both within PMP and those used for communicating people management initiatives to the wider workforce.

- Review the ICT systems and equipment used within PMP and drive developments to deliver as a minimum:
  - a single personnel record;
  - effective self-service;
  - agile working for PMP officers;
  - a clear business requirement for ICT communicated to the ICT Strategy Group; and
  - more effective use of the Insight reporting system.

Fieldwork on these proposals is expected to take place in January 2017. An update on these will be included our Annual Improvement Report due to be issued in March 2017.

**Use of Resources – Assets:**

- Strengthen the service level asset management plans and improve links between these plans and the overarching corporate asset management plan.
- Report progress against the corporate asset management plan and the office accommodation strategy to Members quarterly.

Fieldwork on these proposals is expected to take place in January 2017. An update on these will be included our Annual Improvement Report due to be issued in March 2017.

**Use of Resources – ICT and Information Management:**

- Ensure that the ICT work streams resolve the apparent disconnect between the business and the ICT service and take appropriate account of business needs

We have been working on this for several months, monitoring the changes taking places. A formal update on progress will be included in our Annual Improvement Report due to be issued in March 2017.

**Improvement Planning:**

- Provide clearer direction and professional level challenge on all performance management issues to ensure consistent application of the Council's performance management framework and sharing of good practice.

Site work is expected to take place in January 2017. An update on these will be included our Annual Improvement Report due to be issued in March 2017.

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# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Wales Audit Office Local Government Study: Charging for services and generating income by local authorities

**Recommendations / key decisions required:**

- That the Committee receives the Wales Audit Office's Local Government Study Report as described above.

**Reasons:**

- The Wales Audit Office carries out both financial audit and performance audit work at the Council. This report contains conclusions reached regarding Welsh Local Authorities' approach and arrangements for charging for services and generating income (published November 2016).

<b>Relevant scrutiny committee consulted:</b>	NOT APPLICABLE
<b>Executive Board decision required:</b>	NO
<b>Council Decision required:</b>	NO

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Owen Bowen</p> <p><b>Report Author:</b> Owen Bowen</p>	<p><b>Designations:</b></p> <p>Head of Financial Services</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 224886 <a href="mailto:obowen@cararthenshire.gov.uk">obowen@cararthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Wales Audit Office Local Government Study: Charging for services and generating income by local authorities

During 2015/16, the Auditor General examined how local authorities use their powers to introduce and increase charges on services, how performance on generating income has changed in recent years, and how the process of consulting with users, and assessing the impact of charging decisions on users, is managed.

Based on the findings of this audit, the Auditor General has concluded that despite raising more money from charging, authorities are not pursuing all options to generate income because of weaknesses in their policies and in how they use data and information to support decision-making.

#### Background to the study

The key study question was: ***Have councils established effective systems to consider and approve whether and how they should introduce or increase charges for their services?***

Councils in Wales have the legal powers to charge for a wide range of the services they provide, and to control how much they charge for these services. This gives them the ability to raise income at a local level. The services that fall under local control for charges range from leisure and home care to parking and school meals.

Councils in Wales have experienced a £155 million (3.8 per cent) real-terms reduction in their revenue funding from the Welsh Government in 2011-12. Funding levels are continuing to decline with revenue funding from the Welsh Government approximately £283 million (seven per cent) lower in 2013-14 than 2010-11. In October 2013, the Welsh Government announced reductions in core funding of £175 million for 2014-15 and a further £65 million in 2015-16. By the end of 2016, the Welsh Local Government Association expects the local government shortfall will be in the region of £460 million<sup>1</sup>. The study will look at how councils use their powers to introduce and increase charges on services, how the income generated contributes to overall budgets and how the process of consulting with users and assessing the impact on users is strategically managed.

DETAILED REPORT ATTACHED?	YES
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## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Owen Bowen      Head of Financial Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Owen Bowen      Head of Financial Services

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW:**

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Charging for services and generating income by local authorities – Wales Audit Office (10th November 2016)	<p><b>Cymraeg</b>  <a href="https://www.wao.gov.uk/cy/cyhoeddi/trefniadau-awdurdodau-lleol-i-godi-t%C3%A2l-am-wasanaethau-chynhyrchu-incwm">https://www.wao.gov.uk/cy/cyhoeddi/trefniadau-awdurdodau-lleol-i-godi-t%C3%A2l-am-wasanaethau-chynhyrchu-incwm</a></p> <p><b>English</b>  <a href="https://www.wao.gov.uk/publication/charging-services-and-generating-income-local-authorities">https://www.wao.gov.uk/publication/charging-services-and-generating-income-local-authorities</a></p>

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Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Charging for services and generating income by local authorities



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU





I have prepared and published this report in accordance with the Public Audit (Wales) Act 2004 and the Government of Wales Act 2006.

The Wales Audit Office study team Project Manager was Nick Selwyn and comprised of Duncan Mackenzie, Gareth Jones, Martin Gibson Seth Newman and staff of Grant Thornton UK LLP under the direction of Jane Holownia.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
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The Auditor General is independent of the National Assembly and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General, together with appointed auditors, also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

For further information please write to the Auditor General at the address above, telephone 029 2032 0500, email: [info@audit.wales](mailto:info@audit.wales), or see website [www.audit.wales](http://www.audit.wales)

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# Summary report

## Despite raising more money from charging, authorities are not pursuing all options to generate income because of weaknesses in their policies and in how they use data and information to support decision making

- 1 Whilst charging for services is a recognised feature of some local authority activities, many services have traditionally been provided at little or no direct charge to the user<sup>1</sup>. The provision of services at low, or no, charge has led to citizens often receiving heavily subsidised or free services in return for paying their council tax. The reductions in public funding and financial uncertainty created by 'Brexit' has brought charging into sharper focus for local authorities. Authorities are being encouraged by the Welsh Government to look to charges in a way that was not considered 10 years ago.
- 2 Local authorities set charges for their services. In this report, 'charges' refers to services provided by an authority on a discretionary or commercial basis. Charges are made for services which are not specifically regulated or legislated for and the authority is able to set the charge for an activity at a commercial rate. For example, the cost of someone using leisure services. In section one we refer to the authorities' ability to set 'fees'. Fees refer to services which are governed by specific regulations. Regulatory fees are those fees which have been regulated or legislated with the fee being set at the cost of performing or delivering that particular service. For example, issuing a Food License is a regulatory fee and an authority is only able to charge the cost to perform that service. For some regulatory fees, development control for example, an authority must act in accordance with the fee regime set by Welsh Government.
- 3 Whilst increasing or introducing charges for services offers scope for authorities to improve their financial position, there are a number of other important considerations. For example, an authority wide priority of encouraging healthy lifestyles and improving wellbeing of residents may be adversely affected by a decision to increase the rental cost of sports fields, pitches and swimming pools, if it deters continued use or increased take up; or by a decision to raise the charges for healthy eating options in schools.



- 4 Where and at what level charges are set therefore directly influences delivery of an authority's strategic priorities and raises questions such as:
- whether authorities should continue to provide some services;
  - how services are funded, whether they should be subsidised and, if so, at what levels;
  - who should be charged for using services, how much should they be charged and what impact will charging decisions have on both the demand for services and their viability; and
  - how best to meet the needs of disadvantaged groups and individuals who may not have the ability to pay more for using authority services and how will decisions to increase charges affect them.
- 5 Authorities cannot introduce or raise charges indiscriminately. Authorities need to carefully consider their legal position in setting charges and be clear that what they are doing is in accordance with their legal powers and duties. When considering whether to charge for services or increase charges, authorities also need to fully evaluate the potential impact on residents, service users and businesses. Done badly, the decision to raise more income through higher or new charges can be counterproductive and may result in less people using services because costs are considered by users to be too high.
- 6 During 2015-16, the Auditor General examined how local authorities use their powers to introduce and increase charges on services, how performance on generating income has changed in recent years, and how the process of consulting with users, and assessing the impact of charging decisions on users, is managed. Our study methods are set out in [Appendix 1](#). These included audit fieldwork at six local authorities, an online survey for chief finance officers on the approach of authorities to increasing or introducing charges, and a survey for citizens to tell us about their views on charging. Our methodology also included a detailed analysis of charges data in England, Scotland and Wales, and a review of key authority documentation.
- 7 Based on the findings of this audit, the Auditor General has concluded that **despite raising more money from charging, authorities are not pursuing all options to generate income because of weaknesses in their policies and in how they use data and information to support decision making.**

## The legal basis for setting and managing charges is complex and authorities are not always strategic in their approach to charging

- 8 Authorities generally have a good awareness of the legal restrictions that exist for many areas of operation, but few authorities have robust corporate wide frameworks or strategies that set out the full range of issues they need to consider when increasing or introducing charges. Just over a third of authorities have a corporate policy or strategy for setting charges covering all services. The remainder have a range of charging policies for individual services, but because of gaps and weaknesses these do not represent an authority wide strategic approach to charging. Whilst a number of authorities have engaged consultants to support them in reviewing charges to identify opportunities to increase income, progress in delivering change from these reviews has been slow.
- 9 Policy decisions taken by the Welsh Government, as well as the decisions taken by local authorities, determine the level of income that can be derived from charges for specific services. Such national directives set upper limits to the level of charge which may not be directly related to the cost of providing the services, and local authorities stated that the upper limits for charges do not always mirror the true cost of providing services – residential care fees for example.
- 10 The **Local Government Act 2003** provides some freedom for authorities to develop new streams of income by allowing authorities to trade through local authority companies where authorities have a statutory power to perform the service which is subject to trading. However, authorities' use of these powers to generate income has been limited.
- 11 The **Localism Act 2011** in England provides a clearer statement of authority powers which, coupled with financial pressures there, has supported a cultural shift in England resulting in more authorities identifying and taking opportunities to raise income. The same factors have not applied in Wales and there is no equivalent to a general power of competence at this time.
- 12 Authorities offer a wide range of payment choices and promote options that have the lowest transaction costs for customers and authorities, and are the cheapest to administer. There are opportunities to both increase the use of digital and smartphone applications as well as increase the use of external providers to improve efficiency further.
- 13 Few authorities consider how charges can support the delivery of corporate priorities, can better manage demand for services, or how strategically targeting how charges are used can support citizens to change their behaviour. **Figure 1** below summarises the key issues authorities should consider when setting charges. **Appendix 2** includes our full checklist for authorities to use when reviewing charging options.

Figure 1 – Key considerations for local authorities when setting charges



Source: Wales Audit Office

Approaches to generating income vary, and whilst there are opportunities to increase revenue, local authorities need to balance these aspirations with the ability of their communities to pay more

- 14 Our analysis of data published by the Welsh Government<sup>2</sup> found that the amount of money local authorities' raise from charges has risen in cash terms from £307.7 million in 2008-09 to £365.7 million in 2014-15, a rise of 18.9 per cent. However, in real terms – taking into account inflation – the change in income has been less sharp, rising by £18 million in real terms (5.2 per cent) between 2008-09 and 2014-15. There is a lack of consistency across Welsh local authorities around decisions on whether to charge for services, as well as the level of charging. In 15 of the 18 service areas we have analysed, there has been a net cost<sup>3</sup> improvement, income as a proportion of expenditure is growing, and services require less subsidy to operate. Despite this improving position, there are opportunities for authorities to increase how much income they raise from charges.
- 15 There are big differences in the charges set and the income collected by local authorities in England, Scotland and Wales. In only two of the nine local authority services where a comparison of data between the countries of Great Britain is possible, have Welsh authorities increased their income at a higher rate than their counterparts in England and/or Scotland. If Welsh local authorities were to generate the same level of income from charges per 1,000 economically active people aged 16-64<sup>4</sup> as is collected in England or Scotland, a potential extra income of £68.1 million could be generated.
- 16 However, the potential to generate more money has to be tempered. Economically, Wales has lower wages and the proportion of the population who are economically active is smaller than both England and Scotland. Consequently, Welsh citizens may be less able to pay more for goods and services and could be less able to accommodate sharper increases in charges than other parts of Great Britain<sup>5</sup>, although, the range of gross median wages in Welsh local authorities vary widely and some authorities are better placed to raise more from their community than others.

<sup>2</sup> StatsWales Outturn data

<sup>3</sup> Net cost is the bottom line of the income statement when revenues and gains are less than the aggregate operating expenses.

<sup>4</sup> Economically active people are those in work plus those seeking and available to work.

<sup>5</sup> Nomis - Labour Market Profile - England data

## Authorities do not effectively evaluate charges to fully understand their impact and inform appropriate responses

- 17 Accurate financial management information, which is a prerequisite for good decision making, is frequently lacking and local authorities often struggle to prepare sufficiently detailed and comprehensive business cases when reviewing options for increasing income from charges. Given the difficult decisions elected members have to make when considering to increase charges that they perceive as adversely impacting their communities, decisions to introduce or increase charges can take many months, in some cases years, to be approved.
- 18 Local authorities often wish to encourage usage and to ensure those on low incomes are given the opportunity to access and use particular services. However, the level at which locally determined charges are set is usually based on precedent and often bears little relation to the actual cost of providing the service. An accurate understanding of the true cost of providing a service is still absent in many areas. Because authorities do not know the full cost of providing services they are unable to assess what the right level of any subsidy should be.
- 19 Whilst authorities use impact assessments to judge the potential effect of decisions in respect of their equalities and Welsh language responsibilities, these assessments do not always provide sufficient detail to identify the likely cumulative economic impact of charges on residents and communities. Overall, we found little evidence that authorities co-ordinate increases in charges across all services to better understand the full potential impact of their decisions.
- 20 Most authorities do not monitor or scrutinise income from charges in sufficient detail and breadth. The range of services benchmarked is narrow, and few authorities are broadening their evaluation to consider a wider range of data, even where data is readily available. Only 10 authorities compare and benchmark how much income they are generating with an appropriate range of performance measures and compare their performance with a range of public and private sector bodies. Only five authorities forecast the likely levels of income generated from charges beyond a 12 month period. Whilst it is acknowledged that it is difficult to accurately predict take up of services once charges have changed, authorities are not using scenario planning and sensitivity analysis to more accurately identify the potential effect of their decisions to better understand and manage the impact of charging policies.

- 21 Most authorities use a wide range of approaches to consult residents on charges as part of their annual budget-setting processes including the potential opportunities for increasing charges. However, few authorities undertake consultation with key stakeholders – service users, businesses and the general public – on every occasion when they are planning to introduce or increase charges. Even where consultation takes place, only 15 of the 22 authorities consider and include consultation responses in the decision-making process for reviewing and setting charges.

## Recommendations

Recommendations	
R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the Medium Term Financial Plan and the Corporate Plan.	Local authorities
R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.	Local authorities
R3 Use the impact assessment checklist ( <a href="#">Appendix 2</a> ) whenever changes to charges are considered.	Local authorities
R4 Consider how best to support and encourage local authorities to act more commercially in generating income.	The Welsh Government and Welsh Local Government Association
R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.	Local authorities
R6 Review nationally set fee regimes to ensure the levels set, better reflect the actual cost of providing services, or explain the reasons why they are different.	The Welsh Government and Welsh Local Government Association
<p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> <li>• regularly reporting any changes to charges to scrutiny committee(s);</li> <li>• improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives;</li> <li>• benchmarking and comparing performance with others more rigorously; and</li> <li>• providing elected members with more comprehensive information to facilitate robust decision-making.</li> </ul>	Local authorities
R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.	Local authorities

## Part 1

The legal basis for setting and managing charges is complex and authorities are not always strategic in their approach to charging





- 1.1 In setting charges authorities need to consider a range of factors. Authorities' legal powers to charge for services are wide-ranging, but they are also complex and there are particular pitfalls around whether charges can be used to generate a surplus to support general revenue budgets or whether they can only seek to recover reasonably incurred costs in providing a service. Authorities should have a clear rationale for how much they charge and what they charge for. Authorities should also be clear as to how charges support them to deliver their corporate priorities. A strategic approach to setting fees and charge will take into account the impacts of setting charges, the views of citizens and service users, and the potential benefits and risks for the authority and its communities (see [Figure 8](#) below).
- 1.2 In this section of the report we consider the legislative basis for setting charges and the opportunities and risks these present to authorities. We also consider the systems in place to collect charges, and the impact nationally prescribed charging regimes have on authorities. We review the strategic approach of authorities to setting charges and conclude the section with a good practice checklist for local authorities on the key principles to be considered when setting, increasing or introducing charges.

### **Authorities are aware of the broad legal restrictions in place when reviewing charges, but many have not addressed these opportunities and risks in developing policies to generate income**

- 1.3 Local authorities are statutory bodies which have to act in accordance with their legal functions and can be challenged through the courts if they act outside of these functions (*ultra vires*). Authorities have a wide range of both general and specific functions which enable or require them to provide services and to incur expenditure in so doing. They also have 'incidental' powers which enable them to do things to facilitate the exercise of their statutory functions.
- 1.4 The existence of a power or duty to provide a service, and incur expenditure in doing so, does not automatically give rise to a power to set charges for the provision of the service. However, many of the statutes which give the powers to provide the service also include specific powers for charges to be levied – for example for taxi licences sections 53 and 70 of the **Local Government (Miscellaneous Provisions) Act 1976**, and for street parking section 45 of the **Road Traffic Regulation Act 1984**.

- 1.5 Most of these specific powers apply equally to England and Wales, although, following devolution, separate arrangements are beginning to develop in Wales. There are also examples such as development control where the primary legislation is common between England and Wales, but different fee scales are prescribed by regulations and are set independently by the respective UK and Welsh Governments.
- 1.6 Whilst authorities can set charges locally for services, authorities are often restricted to recovering no more than the costs of providing these services. Even where setting charge is entirely within the control of an authority to determine, there are significant variations in the level of charges set because of local discretion and choices. In addition, for some services, authorities can only charge for some aspects of a service but not others – for example, they can charge for lending audio-visual material from libraries, but not for books. In others, the fees are set by Welsh Government and there is no local discretion – for example, cost of adult social care, fees for planning applications and alcohol and entertainments licences. As a result, the extent of charging in different service areas and the income that can be generated varies enormously.
- 1.7 **Figure 2** summarises the different basis for charging and includes some examples of the services that fall within these different categories.

Figure 2 – Basis for local authorities setting charges and examples of the services that fall within each category

Basis for charging	Examples
Discretionary – there is no limit on the amounts that can be charged, but the authority must act reasonably (ie, in line with Wednesbury principles <sup>6</sup> ) and must set charges only for the purposes authorised by the statute granting the power to charge <sup>7</sup>	Leisure services Off-street parking On-street parking Library services other than book-lending Trade waste Cremation and burial fees
Charges set by the authority but the income from services cannot exceed the cost of providing the service	Taxi licensing (vehicle, driver, operator) Inter-authority charges for school transport Building control fees Local land charges Discretionary activities where the general charging power in S.93 of the Local Government Act 2003 applies
Nationally prescribed eligibility and/or charge levels with little or no local discretion	Development control Premises licence fees Home to school transport Social care charging
Charging is prohibited	School age education Library book provision and lending Children’s social care Household waste collection Access to waste disposal sites Registering of food premises Registration of births, deaths and marriages

Source: Wales Audit Office

6 Associated Provincial Picture Houses Ltd. v Wednesbury Corporation, 1948, is a case that sets out the standard of unreasonableness of public-body decisions that would make them liable to be quashed on judicial review, known as Wednesbury unreasonableness. A reasoning or decision is Wednesbury unreasonable (or irrational) if it is so unreasonable that no reasonable person acting reasonably could have made it. The test is a different (and stricter) test than merely showing that the decision was unreasonable.

7 Authorities’ desire to generate a surplus is not a relevant consideration that they may take into account when deciding whether to charge and the amount to charge in these areas. Such desire could only be taken into account if a purpose of the statute granting the power to charge is to grant taxation powers.

- 1.8 From our fieldwork we found that authorities generally have a good awareness of the legal restrictions that exist for many of their areas of operation, and they are very mindful of the need to act in accordance with the legislation or nationally prescribed fee scale when setting charges. Authority officers have a broad understanding of the legal framework in which they work and the potential constraints and opportunities that exist to either prohibit or develop further income streams. For instance, a number of authorities have developed commercial income policies which both identify the potential for generating income but also the process and planning needed to facilitate this. For example, the work of the Vale of Glamorgan Council's countryside service set out in [Figure 3](#) below.

### **Figure 3 – Income Generation in the Countryside Service – Vale of Glamorgan**

The Countryside Service has recently undergone a restructure, facilitating more integrated working across all sites, including Public Rights of Way maintenance. This restructure has led to substantial savings, which has released funding to allow the creation of a new Commercial Opportunities Officer post on a two year contract. The Commercial Opportunities Officer has been working with the private sector to investigate sustainable and feasible options that facilitate new tourism and leisure activities, primarily at Country Parks, such as: water based leisure activities, high ropes, zip wire courses, climbing walls, archery, cycling, field sports, environmental education, tourism based events, weddings, fayres, other innovative activities and retail opportunities.

An 'Invitation to Tender' was submitted to Sell2Wales – the public sector procurement portal for Welsh suppliers and buyers – seeking commercial partnerships for such activities. The Council will be entering into legal agreements with a number of third party service providers which will become operational by the end of the summer of 2016. This approach will enhance what is currently offered at Country Park and other sites, and help to increase footfall and tourism opportunities which could lead to a significant increase in income.

- 1.9 However, the responses to our survey of local authority chief finance officers found that only 11 of the 22 authority respondents stated that their authority had taken adequate legal advice on the opportunities that exist to optimise income from charges including pursuing commercial activity. For example, Gwynedd County Council following a review of the legislation introduced a commercial waste fee for holiday homes and fees for garden waste from residential properties. We found that other authorities are less clear about the extent to which the legislation can be used to enable a greater degree of risk and pursue commercial opportunity.
- 1.10 Local authorities primarily have to provide services and activities for which they have a specific statutory power or duty, and activities outside of statutory powers and duties could be considered ultra vires and open to challenge in court. The **Local Government Act 2003** widened opportunities for authorities to charge for discretionary services<sup>8</sup> with the inclusion of a general power in the 2003 Act. The 2003 Act covers both England and Wales<sup>9</sup> and allows authorities to trade through a local authority company, as long as they have a statutory power to perform the service which is subject to trading. Local authorities and their companies do however still need to act reasonably in setting charges, but their desire to generate a profit is a legitimate factor to take into account in trading activity.
- 1.11 We found some positive examples of initiatives and activates that authorities have developed using these powers. For example, the Radyr Weir Hydro Scheme developed by Cardiff Council provides a good example of initiatives of this nature - **Figure 4** below.

<sup>8</sup> Discretionary services are not statutory and authorities can choose to provide these services.

<sup>9</sup> This power allows authorities to charge for discretionary services, where there was no previous specific power to charge, nor any specific prohibition on doing so, at a level where 'taking one financial year with another, the income from charges....does not exceed the cost of provision' (Section 93(3)). Section 95 of the 2003 Act also explicitly allows authorities to trade (ie, generate profit) through a local authority company.

#### Figure 4 – Radyr Weir Hydro Scheme – Cardiff Council

As well as facing reducing budgets, Cardiff Council has committed to ambitious environmental standards through its One Planet Cardiff vision. This includes reducing CO<sub>2</sub> consumption by 60 per cent in its operations and reducing its annual energy spend. The presence of the River Taff flowing through the city provides opportunities to create renewable, clean sources of energy that would both meet its environmental standards and generate a profit in the long term.

Radyr Weir was selected as the location for the project, which would install two Archimedes Screw turbines and generate 1.66GWh of energy annually. Using a Feed in Tariff (FiT) accreditation to guarantee a retail price index (RPI) linked cost per unit, the scheme, which had a budget of £3.9 million for completion, will achieve full payback of the capital costs within 12 years, and should generate a net profit of £5.5m over 20 years.

Additionally, the scheme will provide the following benefits:

- an improved fish pass has been incorporated into the design. Working collaboratively with Natural Resources Wales, the improved facility will increase fish stocks upstream of the weir;
- a reduced risk of flooding in the immediate area, due to the additional channel created by the turbines;
- improved understanding of the river's biodiversity, with the scheme's environmental monitoring; and
- lessons learnt to be implemented at two further potential sites on the river for additional hydro schemes

- 1.12 A number of authorities have also engaged consultants to support them in reviewing charges to identify opportunities to increase income. This support work often considers the legal basis for charging and the opportunities that exist to increase charges through alternative delivery models, particularly potential commercial ventures. Whilst consultant support provides an impetus to focus on the opportunities that exist to generate income, performance in progressing the recommendations of consultant's reviews varies. Whilst some local authorities in Wales have taken forward recommendations from these reviews and developed initiatives, others have been limited in their ambition and scope and have not fully pursued the benefits that can be derived from the opportunities presented by the **Local Government Act 2003**.

The Localism Act 2011 in England has encouraged authorities to develop commercial vehicles as a means of generating income, but this power does not exist in Wales which limits opportunities

- 1.13 The **Local Government Act 2003** has been superseded in England by the **Localism Act 2011** which introduces the general power of competence. In summary, the general power of competence enables local authorities to do things an individual may generally do but anywhere in the UK or elsewhere. The power also allows authorities to do things for a commercial purpose or otherwise, for a charge or without a charge and without the need to demonstrate that it will benefit the authority, its area or citizens of the area. The general power of competence has extended the range of services which a local authority can lawfully provide and therefore trade for, although, external trading still requires the setting up of a company<sup>10</sup>.
- 1.14 There are some limitations on the general power of competence, either because they are not things which an individual can do or because they are specifically excluded in the 2011 Act. The general power of competence does not provide new powers to raise tax or precepts or to borrow nor does the power enable authorities to set charges for mandatory services, impose fines or create offences or byelaws. Importantly, the power does not override existing legislation in place before the Localism Act 2011 and income from charges should not exceed the cost of provision. Notwithstanding, the general power of competence both increases local authority powers but also provides greater scope for authorities to decide on how best to provide existing and new services for their communities.
- 1.15 The Local Government Association in England has noted that “the general power of competence is also a challenge to the instinctive caution of some in local government, by clearly showing that just about anything is possible (unless specifically prohibited) and not constrained by the need to ensure that it is permitted by specific legislation”<sup>11</sup>. If used in the spirit intended, the general power of competence can encourage more managed risk taking. Consequently, the Local Government Association noted that use of the power is resulting in new, locally led approaches which deliver positive outcomes for residents and communities. For example, Ansa<sup>12</sup> Environmental Services in Cheshire East summarised in **Figure 5**.

<sup>10</sup> We have included in Appendix 3 more information on the issues needing to be considered in setting up local authority commercial trading companies. Whilst they will not all apply to every project or initiative, the information in Appendix 3 sets out some of the key issues needing to be considered in developing such approaches that we have identified from our fieldwork.

<sup>11</sup> **Local Government Association, The General Power of Competence: Empowering councils to make a difference**, July 2013.

<sup>12</sup> **Ansa Environmental Services**

### Figure 5 – Ansa Environmental Services Ltd – Cheshire East

Ansa Environmental Services was set up in April 2014. It is a wholly owned company of Cheshire East Council, but is run on a day-to-day basis by its own Board and management. It provides environmental services (bin collections, street cleaning, open spaces, etc.) to Cheshire East Council, Macclesfield Hospital and Congleton Hospital. The area has 370,000 residents and 160,000 properties, 2,800km of highways and 3,000 open spaces. By setting up a wholly owned company, opportunities to invest in the infrastructure of the service were created. The transition from an authority-run service to a wholly owned company was completed on time and on budget, with minimal impact to service users and over 400 staff being TUPE transferred to the new company. The new company, in its first year of operation, increased recycling rates, reduced the amount of waste being sent to landfill, reduced the number of missed bin collections and created an operating profit which was shared with the authority.

- 1.16 The Welsh Government published a **Draft Local Government (Wales) Bill** in February 2015 which included proposals to enact the power of general competence in Wales after the 2016 Assembly elections. Following the elections the timing and content of the Bill is unclear, and the First Minister's statement on the legislative programme<sup>13</sup> did not include the Bill in the programme for the first year of the Assembly. However, the Welsh Government informs us that if legislation proceeds, the provision of the general power of competence will continue to be included. The absence of a specific power of general competence means that Welsh authorities need to continue to rely on existing powers. As the Local Government Association report into the general power of competence cites, there has been notable examples of successful and innovative actions prior to the general power of competence. The lack of this power in Wales therefore, while it may contribute to an instinctive caution, should not be read as a reason for authorities not to explore more innovative approaches to income generation and commercial approaches through existing powers.

### National charging regimes often do not reflect the true cost of running services

- 1.17 The use that authorities make of charging is not just determined by local factors which authorities decide upon, but also by the decisions of the Welsh Government or, in some cases, the UK Government. While there are valid reasons for restrictions on the amount that can be charged – for example, keeping costs affordable for service users – they can create difficulties for authorities and have given rise to considerable debate between Government and local authorities on the advantages and disadvantages of Government setting charges nationally.

<sup>13</sup> First Minister's statement on the legislative programme



- 1.18 At the heart of the tension is the need to balance flexibility and local control for local services, with national concerns over quality and cost. However, it is often not clear to authorities or the public when national charging levels are set:
- a What the rationale is for applying charging restrictions to some services and not others. For example, why authorities cannot charge for lending printed materials from libraries, but can charge for lending audio-visual material.
  - b Why authorities have the power to set their own charges for services where a uniform approach to charging might be preferable. For example personal care services which can be charged for, and NHS provision, which must be provided free of charge.
  - c Whether the original rationale for controlling fee levels remains valid given changes in how services are provided. For example, authorities now provide building control services in competition with approved inspectors, reducing the monopoly position in the market which originally justified a price control.
- 1.19 The majority of respondents to our survey of local authority chief finance officers stated that they experienced considerable difficulties where the level of charges are set by the Welsh Government or the UK Government. Many respondents felt that charges are set too low and either did not reflect local circumstance, the complexities and costs of the service, and did not allow for full cost recovery.
- 1.20 For example, survey respondents noted that national set fees “do not always cover the cost of the service provided. The income quantum can vary significantly between Authorities and the funding formula should take both the cost and income capacity into account.” And another that, “in times of austerity greater flexibility should be provided to local authorities to aim for full cost recovery of services. This aim is currently being restricted by statutory thresholds”. Others noted that the fee set also did not allow for equitable contributions from service users, either reflecting the ‘amount’ of the service they use or their ability to pay (particularly relevant to the cap on care charges). One survey respondent noted that “Fairer Charging Policy - it is felt that the charging policy is too restrictive and the current £60 cap is not realistic... (The cap) stops full cost recovery and also hinders the equitable contribution towards the increasing cost of services and the service users who could contribute more to the services they receive.”

1.21 Many authorities are also unclear on how the level of charge has been determined by the Welsh or UK Government and what factors were used to influence or determine where the cap should be set. Even where nationally set fees are reviewed and revised periodically, for much of the time they may be out of step with rising costs. Where costs vary by area, reflecting differences in local labour markets, nationally set fees will either fail to meet some authority costs or provide a windfall to others, or both. Respondents to our survey noted that national restrictions on their ability to charge inhibit them from taking decisions that reflect local circumstances and some respondents who commented, wanted the freedom to set their own charges for services that are currently controlled by Government. This has to be balanced with concerns that full local discretion could result in wide variations in charges for social care and other nationally set services if these were to be devolved to authorities to decide on.

### **A wide range of payment options for collecting charges are available and are mostly offered**

1.22 As well as deciding whether and how much to charge for a service, authorities need to also consider how charges will be collected, what an acceptable cost for administering and collecting income is, and how easy it will be to collect the charge. It may also not be worthwhile to charge for services where the cost and complexities of collection cost more and take longer or are waived where large-scale concessions apply and continuing to subsidise activity may be a better financial and service outcome. There are also a range of direct and indirect costs involved in collecting a charge – for example administration, ticketing and equipment to collect charges, managing non-payment and arrears and bad debts.

1.23 Income is often harder to control, forecast and monitor than expenditure. Expenditure, once committed, is usually certain. Income, on the other hand, often involves a significant element of uncertainty. It is important therefore for authorities to have range of options in place for collecting charges. **Figure 6** captures the options and current usage for paying for authority services across the 22 local authorities and shows that authorities provide a wide range of options for service users to pay for services.

Figure 6 – Options offered by local authorities to collect income from charges



Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016

- 1.24 Authorities are also promoting payment options that have the lowest transaction costs and are the cheapest to administer and provide – payment by direct debit for example – as well as seeking payment in advance and not having to chase for non-payment and arrears. Technology can be put to good effect to improve payment security and reduce transaction costs. Innovative ways to pay for services include payment via authority websites, payment using mobile phones for example to pay for ticketless parking, and the cashless payment for services such as school meals using smartcards. Powys County Council introduced a cashless system for payment of meals in schools which has increased both take up of school meals and revenue by an additional £70,000 per annum for the authority.
- 1.25 The use of technology is beginning to increase, but not universally, and its roll out is often dependent on the new system not costing more than traditional methods of collecting income. Progress in using digital and smartphone applications to make payments, whilst widely acknowledged as a potential area for improvement and growth in the future, is in the early stages of being rolled out.

- 1.26 From our survey of chief finance officers we found that few authorities have outsourced the collection of charges. Four authorities use external providers to manage car parking provision on behalf of the authority. Only one authority uses an external agency to manage school meals, transport, arts and heritage, and for other activities such as development control and waste and refuse services. No authority has considered outsourcing management.
- 1.27 Authorities recognise there will be an increasing use of private sector companies to collect charges as authorities seek to introduce more efficient ways of collecting income. Authorities will need to ensure they have good systems and arrangements in place to monitor and evaluate performance to ensure collection levels at least meet, if not exceed, targets. Our survey of chief finance officers however found that current approaches are not as robust as they could be. Whilst most authorities receive monitoring reports from external agencies, not all authorities have agreed performance and income targets nor do they regularly meet with organisations to monitor performance.

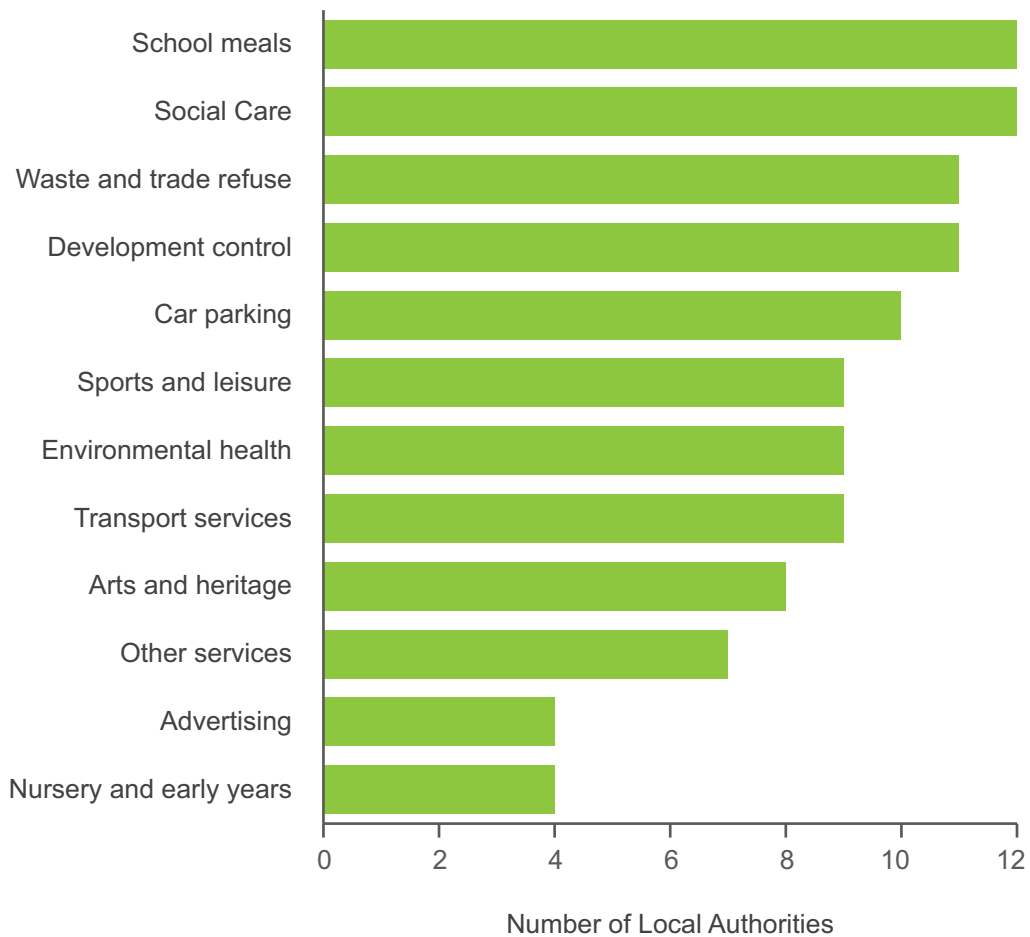
### Authorities are beginning to develop corporate wide strategies for managing charges, but progress has been slow

- 1.28 Whether an authority decides to introduce or increase a charge is a significant strategic policy decision. At its most basic, increasing or introducing charges will influence whether people use services. For example, a decision not to raise car parking charges can help bolster visitor numbers to town centres. Conversely, setting car parking prices high can reduce town centre traffic and congestion. Similarly, an authority wide priority of encouraging healthy lifestyles and improving wellbeing of residents will be adversely affected by a decision to increase the rental cost of sports fields, pitches and swimming pools, or raising the charges for healthy eating options in schools.
- 1.29 Where and at what level charges are set therefore directly affects the delivery of an authority's strategic priorities and, given the complexities of setting charges, it is important that authorities take a strategic approach. A truly strategic policy needs to be developed at a corporate level and cover all services to ensure decisions are fully understood and deliver the intended benefits with no or few unintended consequences.

- 1.30 From our fieldwork we found that it is often unclear how charging contributes to the achievement of wider strategic objectives. Authorities use a number of approaches when setting charges, but these are mostly not underpinned by a clear set of strategic principles that cover the full range of issues to be considered. For example, our review of documents provided by authorities found that only half of the 22 authorities have a corporate authority-wide policy in place for setting charges. Monmouthshire County Council has recently adopted an authority wide 'Income Optimisation Strategy', a wide ranging strategy that covers all services and even discusses the potential to develop commercial models and public-private joint ventures. The 'Income Optimisation Strategy' now needs to include an action plan of what income generation activities the authority is planning to introduce or could develop, as currently it sets out the principles to consider in setting charges.
- 1.31 We also found that some authorities – Merthyr Tydfil County Borough Council and Powys County Council – are in the process of finalising and approving policies that set out a strategic approach to setting charges. At the time of our fieldwork both had draft policies progressing through cabinet/executive for approval. In comparison, other authorities in which we undertook fieldwork are yet to develop corporate income strategies.
- 1.32 In the absence of an authority-wide policy for setting charges, many authorities have developed specific service charging or income generation policies. For example, [Figure 7](#) summarises the findings from our survey of chief finance officers and highlights where authorities have developed specific charging policies for services. However, these findings show that in many service areas less than half of authorities have developed specific policies for setting charges for services.

Figure 7 – The number of authorities that have developed and adopted policies for setting charges in specific services

**Services where local authorities have a charging policy**

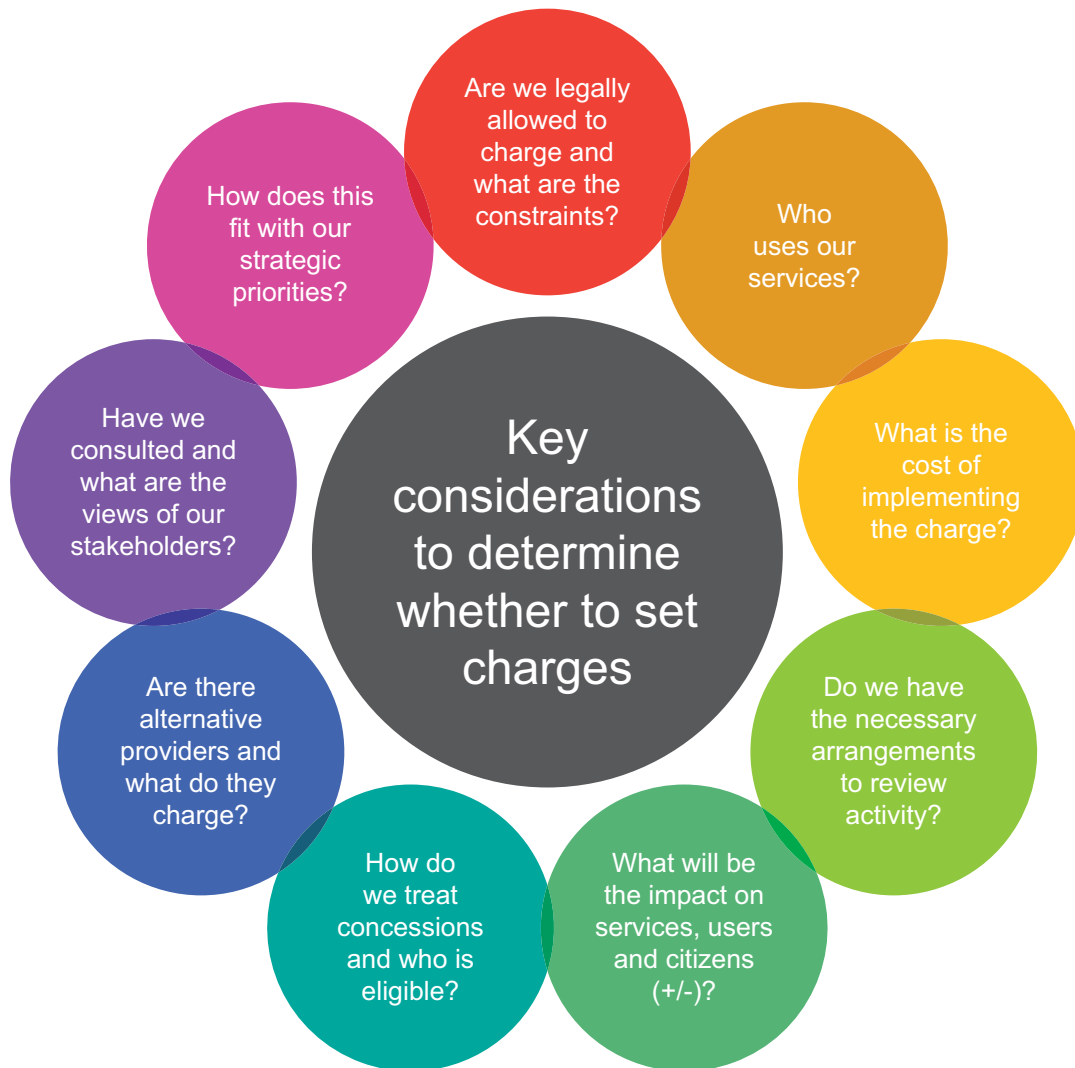


Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016

- 1.33 Some authorities continue to use their Constitution<sup>14</sup> as the main vehicle for setting charges. The Constitution covers all services and sets out the process to be followed when planning an increase/introduction of a fee or charge for a service. The Constitution does not however provide a framework of the strategic issues and priorities for the authority and how setting charges supports their delivery. Nor does the Constitution provide a consistent and integrated basis for setting charges as it often lacks detail on key issues.
- 1.34 We also found that authority documentation often does not focus on or link how the setting of charges supports delivery of corporate priorities, identify how charges can better manage demand for services, or how their targeting can support changes in behaviour in how citizens access and use services. Documents we reviewed also lacked detail on the legal constraints on charging for services or did not identify how to 'treat' surpluses raised. If authorities are to maximise the benefit from setting charges then a robust consideration of the legal basis for charging is a prerequisite.
- 1.35 We have summarised in [Figure 8](#) the key factors we have identified from our review that should be considered in setting charges. The full range of information is set out in [Appendix 2](#) on [page 62](#). This list is not exhaustive nor does it replace the need for authorities to take their own legal advice on how, where and what charges to set for different services. Rather, the information summarised in [Figure 8](#) and set out in full detail in [Appendix 2](#) provides a summary of the key issues and questions needing to be considered when reviewing and setting charges.

<sup>14</sup> The local authority Constitution sets out how the authority operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the authority to choose. The Constitution sets out the basic rules governing an authority's business, including charges for services provided by the authority.

Figure 8 – Key considerations for local authorities when setting charges



Source: Wales Audit Office



## Part 2

Approaches to generating income vary and whilst there are opportunities to increase revenue, local authorities need to balance these aspirations with the ability of their communities to pay more



2.1 Given the current need for local authorities to reduce their net expenditure in line with reductions in central funding, many authorities are reviewing charges to ensure that, where appropriate, they are making the most of opportunities to maximise income. In this section of the report we consider how well Welsh authorities perform in raising income from charges comparing performance between authorities in Wales but also globally with authorities in England and Scotland.

## There is a mixed picture in how well Welsh authorities generate income from charges

2.2 In reviewing income from charges, we have analysed Revenue Outturn data submitted by authorities to the Welsh Government<sup>15</sup>. For our review we have focussed primarily on the following areas of activity:

- a Home to school transport and Home to college transport
- b Parking of vehicles, concessionary fares and airports, harbours and toll facilities
- c Meals
- d Total cultural and related services (includes leisure)
- e Cemetery, cremation and mortuary services, Environmental health – food safety and Total Waste services
- f Building control and development control
- g Local land charges and registration of births, deaths and charges

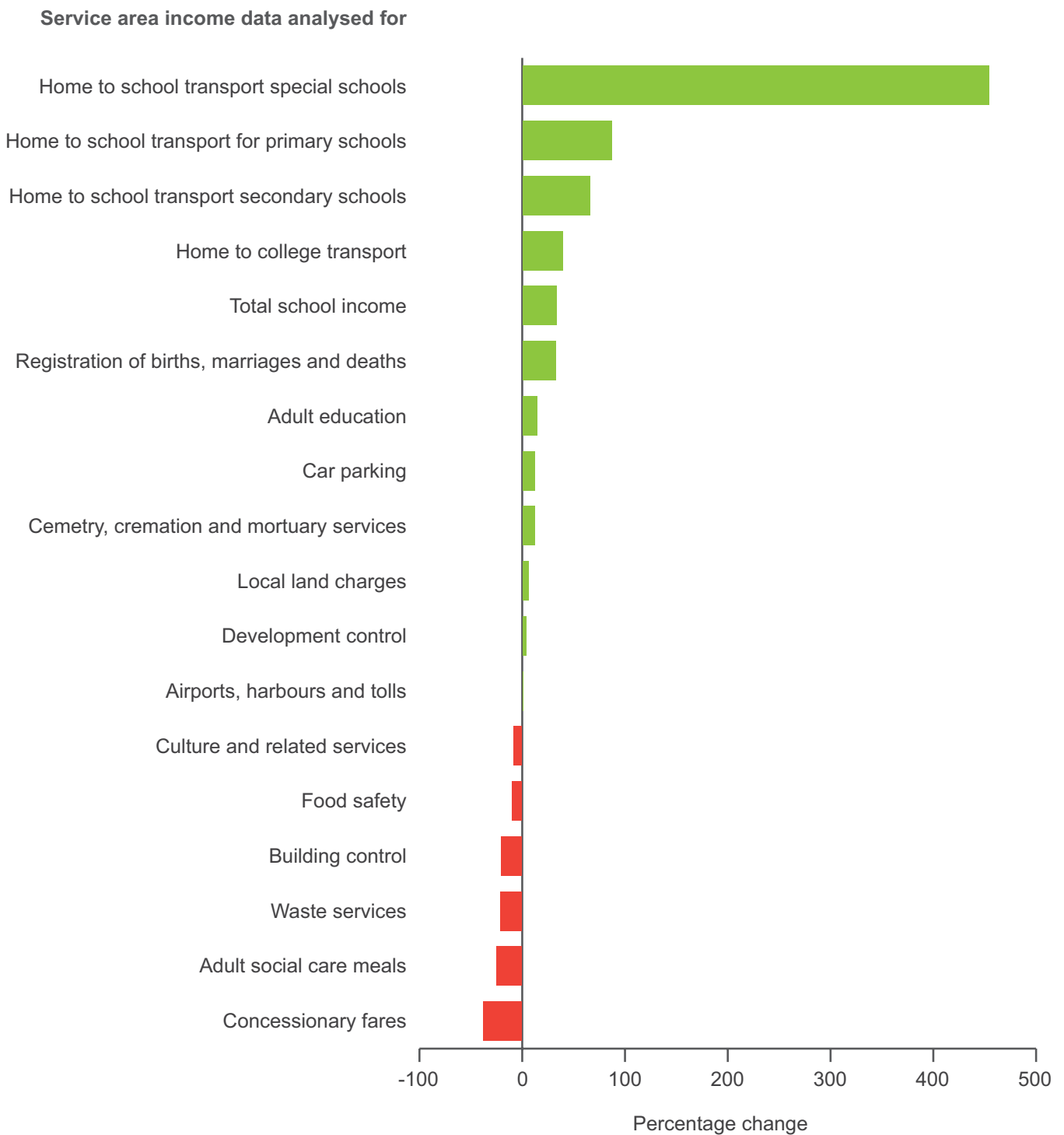
2.3 Analysing Revenue Outturn data, we found that the amount of money local authorities' raise from charges for the activities listed above (Paragraph 2.2 a-to-g) has risen in cash terms from £307.7 million in 2008-09 to £365.7 million in 2014-15, a rise of 18.9 per cent. However, in real terms<sup>16</sup> – taking into account inflation – the change in income has been less sharp, rising by £18 million (5.2 per cent) between 2008-09 and 2014-15.

<sup>15</sup> We used the financial data as collected within the RO framework to avoid placing any further administrative burden upon authorities. The financial data within this document uses the income data recorded as 'sales, charges'. We reviewed the contents of returns to StatsWales with authorities and identified approximately 5 per cent of the individual records as inaccurate. The areas for review selected were agreed in discussion with the Society of Welsh Treasurers and represent the main service areas (excluding Housing Revenue Account activities) where authorities charge for and collect income.

<sup>16</sup> The level of income taking into consideration the effects of inflation on purchasing power. Real term income refers to the amount of goods and services you can buy today compared to the price of the same goods and services you could have purchased in an earlier period.

2.4 **Figure 9** summarises the percentage change in income in real terms from charges between 2008-09 and 2014-15 for the 22 Welsh authorities for individual services. **Figure 9** shows that in two-thirds of the areas we have reviewed, authorities have increased how much income they raise from charges, some by significant amounts. The remaining third of services we have reviewed, where income has not increased in real terms, are a mix of activities which are either influenced by national policy charging directives and fee regimes (building control, adult social care and concessionary fares); services which are barometers of prosperity and driven by market conditions (development control and food safety); or discretionary services (culture and related services) which, whilst being in the gift of authorities to determine what charges and fees are set, are also activities where there is often alternative providers and authorities are in competition. Getting pricing right to maintain if not increase service users is, for these services, as important as the drive to generate income.

Figure 9 – The percentage change in income in real terms from charges by individual service between 2008-09 and 2014-15<sup>17</sup>



Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2008-09 and 2014-15 as amended following independent audit of the returns by the Wales Audit Office.

<sup>17</sup> Whilst the proportional increase for home to school transport for special schools income is significant, this has to be balanced with income as a proportion of total gross expenditure which has risen marginally in this period, from 0.7 per cent to 3.8 per cent.

2.5 Whilst income from charges has increased since 2008-09, there is wide variation in what and how much authorities collect. **Figure 10** shows that of the 18 service areas we have analysed, in only seven are all 22 authorities recording income from charges. In addition, in 11 of the 18 services analysed, some authorities record receiving no income, and the range of income generated varies widely.

**Figure 10 – The level of income raised from charges for individual services by Welsh authorities in 2014-15**

Area to raise income from charges <sup>18</sup>	Number of authorities collecting income in 2014-15	Lowest amount collected by an authority in 2014-15	Highest amount collected by an authority in 2014-15
Income from Home to school transport – Primary Schools	10	£0	£265,000
Income from Home to school transport – Secondary Schools	15	£0	£269,527
Income from Home to school transport – Special Schools	8	£0	£482,072
Income from Home to college transport	10	£0	£710,827
Income from Adult Education	16	£0	£1,496,000
Total school income	22	£241,000	£28,148,510
Income from Parking of vehicles	22	£12,000	£6,900,000
Income from Concessionary Fares	13	£0	£156,122
Income from Airports, harbours and toll facilities	6	£0	£3,425,000
Income from Adult Social Care, Meals	15	£0	£1,265,954
Total income from cultural and related services	22	£588,000	£24,335,000
Income from Cemetery, cremation and mortuary services	21	£0	£2,604,000
Income from Environmental Health – food safety	21	£0	£69,000

<sup>18</sup> The headings used are taken directly from the Revenue Outturn returns and coverage is as defined in Welsh Government forms.

Figure 10 – The level of income raised from charges for individual services by Welsh authorities in 2014-15 (cont.)

Area to raise income from charges	Number of authorities collecting income in 2014-15	Lowest amount collected by an authority in 2014-15	Highest amount collected by an authority in 2014-15
Total income for Waste Services	22	£385,495	£7,506,000
Income from Building Control	22	£133,000	£790,000
Income from Development Control services	22	£180,986	£1,981,000
Income from Local Land Charges	21	£0	£323,000
Income from births, marriages and deaths	22	£66,621	£685,000

Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2014-15 as amended following independent audit of the returns by the Wales Audit Office.

2.6 With the current financial challenges facing the public sector, fiscal responsibility is ever more important and authorities recognise that they need become even more financially disciplined when it comes to delivery of services. Subsidising services is often driven by a desire to maximise take-up and to support delivery of the wider strategic priorities. However, authorities need to consider their operating environment in a different way and reducing the level of subsidy that is provided to support services can improve financial sustainability. **Figure 11** (below) summarises changes in income as a proportion of expenditure in 2008-09 and 2014-15 (the detailed information is set out in **Appendix 4**). We found that:

- In 15 of the 18 service areas analysed there has been a net cost<sup>19</sup> improvement. In other words, income as a proportion of expenditure is growing and services require less subsidy to operate;
- In one service – car parking – the income raised is greater than the cost of providing the service and a surplus continues to be generated; and
- For some activities, the level of subsidy continues to be significant. For example home to school transport and environmental health food safety where income as a proportion of expenditure is less than 5 per cent of the cost of providing the service.

<sup>19</sup> Net cost is the bottom line of the income statement when revenues and gains are less than the aggregate operating expenses.

Figure 11 – The level of income raised from charges for individual services by Welsh authorities in 2014-15

Area financial data analysed	Income as a proportion of gross expenditure 2008-09	Income as a proportion of gross expenditure 2014-15	Change in proportion of income collected over the period
Home to school transport – Primary Schools	0.7%	1.5%	0.80%
Home to school transport – Secondary Schools	1%	1.7%	0.70%
Home to school transport – Special Schools	0.7%	3.8%	3.10%
Home to college transport	9.4%	14.2%	4.80%
Adult Education	18.5%	21.2%	2.70%
Total school	2.9%	4.4%	1.50%
Parking of vehicles	122.8%	152%	29.20%
Concessionary Fares	0.5%	0.3%	-0.20%
Airports, harbours and toll facilities	26.7%	51.5%	24.80%
Adult Social Care, Meals	34.1%	43.4%	9.30%
Cultural and related services	20.5%	28.5%	8.00%
Cemetery, cremation and mortuary services	56.7%	94.1%	37.40%
Environmental Health food safety	3.8%	3.3%	-0.50%
Waste Services	15.4%	13.2%	-2.20%
Building Control	60%	66.4%	6.40%
Development Control services	43.7%	58.2%	14.50%
Local Land Charges	96.7%	107%	10.30%
Births, marriages and deaths	49.5%	70.2%	20.70%

Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2008-09 and 2014-15 as amended following independent audit of the returns by the Wales Audit Office.

- 2.7 Some of the differences in income relate to what services local authorities have available and how these services are provided. For instance, some local authorities are unable to generate income from certain services because they do not provide any service – those related to airports, harbours and toll facilities for example. Some authorities have also transferred their major leisure facilities to other providers and consequently have seen a reduction in their levels of income compared to those who continue to provide these services in house.
- 2.8 For other services, the level of income is a reflection on the size of the population that can pay the fee or charge – home to school transport for example – which limits the potential to increase revenue. Conversely in other areas the resident population are not the only ones who pay for the service – services such as car parking – and the ability to generate income is not specific to the local community but wider economic and market considerations<sup>20</sup>. Nonetheless, taken as a whole, the findings in **Figures 10** and **11** highlight that there is scope in some authorities to reconsider how much revenue they wish to generate from certain services.
- 2.9 For example, by using burial and cremation services as a tracer, we have reviewed the current level of charges for different activities. Under the **Open Spaces Act 1906, Parish Councils and Burials Authorities (Misc. Provisions) Act 1970** and the **Local Government Act 1972**, authorities have the right to acquire, maintain and provide services for burial grounds, cemeteries and crematoria. Other organisations and companies also have the legal right to provide burial, cemetery and crematoria services. Because there are fewer restrictions on the charges that can be set by authorities for these services, this has led to a variation in charges applied across Wales.
- 2.10 Using data gathered from authority websites and requests to authorities, **Figure 12** below shows the range of charges for 11 different burial and cremation services provided by authorities. The range in price between the cheapest and most expensive charge levied by authorities for these services varies from 4.1 for exclusive right of burial and the erection and inscription of a headstone (eg, the cost in the most expensive authority is 4.1 times higher than the cost in the cheapest authority) to 11.2 for the scattering of ashes (eg, the cost in the most expensive authority is 11.2 times higher than the cost in the cheapest authority). Even when consideration is given to local factors and the possible differences in provision and quality of service, the scale and range of costs is very broad.

<sup>20</sup> An example of pricing strategies is the opening of the National Lido in Pontypridd where Rhondda Cynon Taf local authority took the decision to allow free admission as part of a regeneration effort for the Pontypridd Town Centre. Visitor numbers exceeded expectations and is having a very positive response from traders who have seen an increased footfall in the town centre. It's also received a very positive response from service users and has complimented a general increase in sports and leisure take up within Rhondda Cynon Taf.



Figure 12 – Cost of authority-run burial and cremation services

Item	Lowest	Average	Highest	Range	Base <sup>21</sup>
Exclusive right of burial	£355	£678	£1,455	4.1	16
Headstone	£76	£174	£315	4.1	17
New grave for 1	£427	£853	£1,920	4.5	18
New grave for 3	£490	£1,258	£2,240	4.6	14
New grave for 2	£457	£1,064	£2,120	4.6	19
Cremated remains burial	£160	£349	£777	4.9	17
Cremated remains purchase	£139	£409	£833	6.0	14
Woodland plot for 1	£300	£904	£1,920	6.4	7
Inscription on headstone	£30	£83	£200	6.7	19
Interment of ashes	£75	£233	£504	6.7	12
Scattering of ashes	£20	£99	£223	11.2	14

Source: Wales Audit Office data collection from authorities

2.11 Another factor concerning services with discretionary charging is the freedom for authorities to raise their prices on a frequent basis. A **Freedom of Information Act 2000** request carried out by the BBC<sup>22</sup> in August 2015 found that, across 169 local authorities in the United Kingdom, the average cost of a basic cremation at a local authority facility had risen from £475 in 2010-11 to £640 in 2015-16, an increase of 35 per cent. In the five Welsh local authorities that responded (Cardiff, Conwy, Rhondda Cynon Taff, Swansea and Wrexham), the cost had risen from £434 to £583, an increase of 34 per cent over the same time period. Local authorities responded stating that changes to emissions targets, the use of larger coffins and rising energy costs had resulted in a sharp increase in costs. Some authorities also noted that their prices were low compared to neighbouring authorities and that rises merely brought them in line with others.

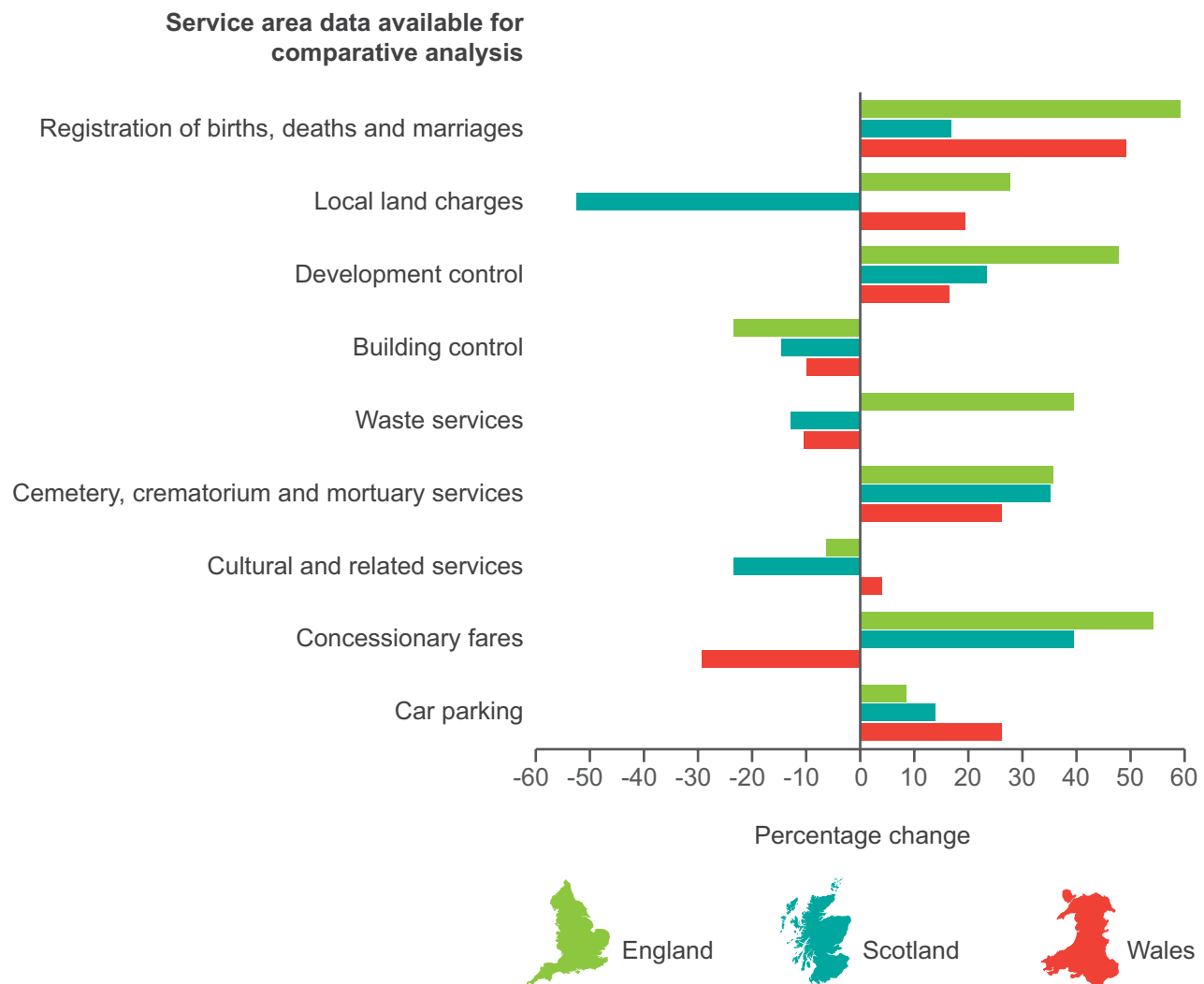
<sup>21</sup> Number of local authorities providing a cost for each service

<sup>22</sup> BBC News - Local authority cremation costs

## Welsh authorities are not generating as much income from charges as counterparts in England and Scotland

2.12 There are big differences between how local authorities in England, Scotland and Wales perform in raising income from charges. Using data published by the UK, Scottish and Welsh Governments, **Figure 13** summarises the areas where comparison between the three countries is possible and shows that only in respect of car parking and cultural and related services has the income for Welsh authorities increased by a larger percentage than English and Scottish authorities.

**Figure 13 – Percentage change in income collected from charges in 2008-09 and 2014-15 in England, Scotland and Wales**

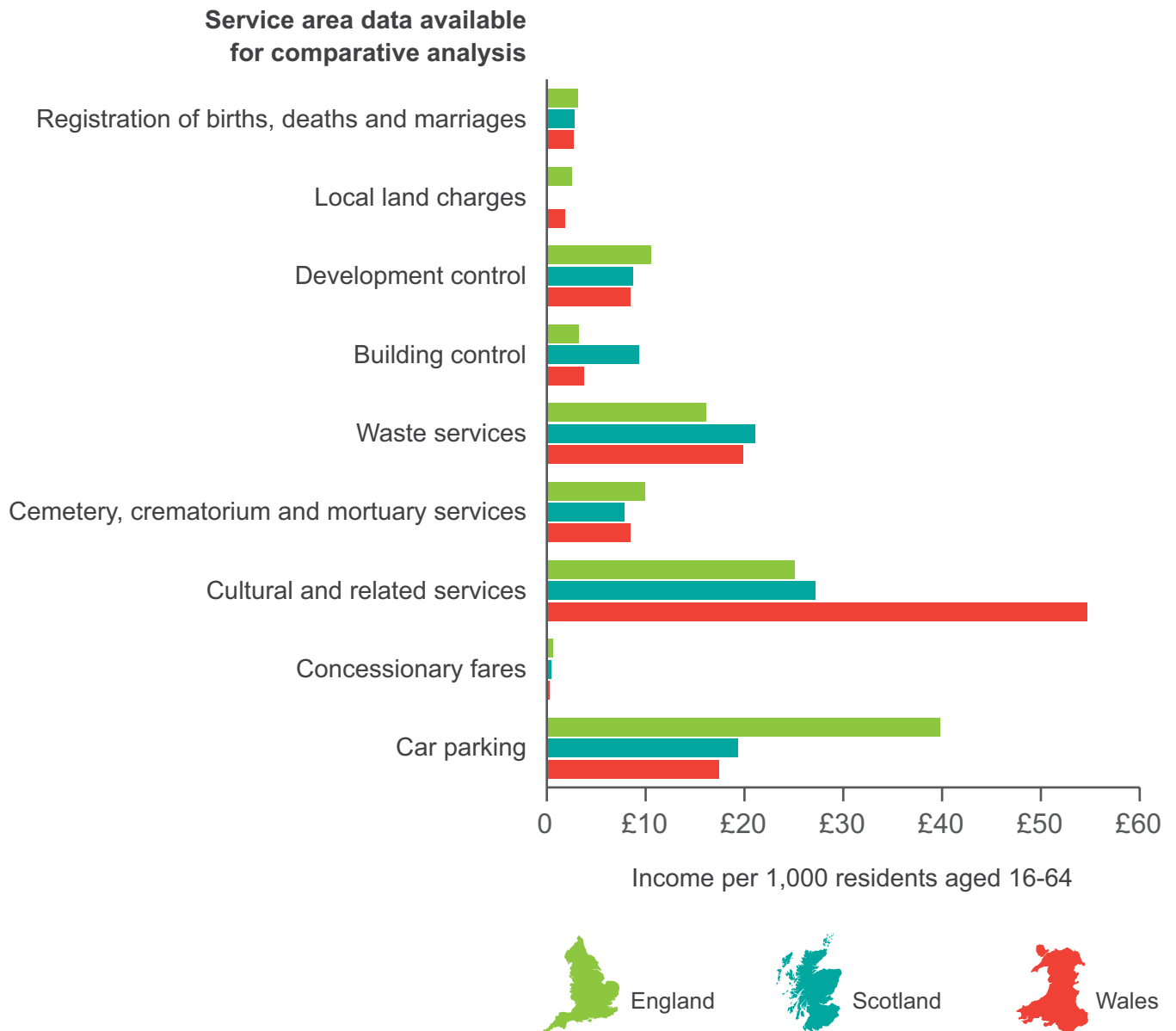


Source: Wales Audit Office, analysis of income and fees.

- 2.13 Whilst our findings suggests that there is scope to increase charges further in Wales in the service areas we have analysed, making a like for like comparison is not straightforward. Each authority and country in Great Britain has its own unique social, economic, environmental and population characteristics. These will influence how services are provided, who consumes services, whether realistic alternatives to authority provision exist, whether charges are controlled or influenced by the respective government and what charges communities can afford. Whilst comparing percentage change in charges for services between England, Scotland and Wales provides a useful starting point, some understanding of the actual level of charge being levied in a community is also required.
- 2.14 However, no register of charges by authority is collated and it is not possible to easily compare what each charges for the services they provide. Consequently, we have examined the average level of income derived from each service per 1,000 resident population aged between 16-64 years of age (economically active age) in each country in Great Britain<sup>23</sup>. By measuring performance using economically active people we are only looking at those who will potentially have to pay for a service and would not be affected by any concessions that are applied. Our analysis provides a broad illustration only but taken with the other data in **Figure 13** above, does nonetheless contribute to the debate on the differences in income levels and provide an illustration of the potential opportunities that may exist to review charges.
- 2.15 **Figure 14** summarises the amount of income raised in England, Scotland and Wales per 1,000 resident population aged 16-64 and shows that in the nine areas where a comparative analysis is possible, in only one – cultural and related services – are Welsh authorities raising more income from services than counterparts in England and Scotland. In all other areas, Welsh authorities lag behind counterparts in either England, or Scotland, or both.

<sup>23</sup> The mid-year estimates refer to the population on 30 June of the reference year and are published annually. They are the official set of population estimates for the UK and its constituent countries.

Figure 14 – A comparison of the average level of income for named authority services per resident 1,000 population aged 16-64 in England, Scotland and Wales in 2014-15



Source: Wales Audit Office, analysis of income and fees.

- 2.16 Some of the differences between the UK, Scottish and Welsh Government will be a result of policy decisions (such as concessionary fares) as well as an individual authority's choice on how it wishes to deliver a service. In addition, the socio economic position of some communities – London, for example, where the population and economy has grown at greater rates than the rest of the United Kingdom in recent years<sup>24</sup> – can disproportionately skew findings. Notwithstanding, by analysing the difference between the average income per 1,000 population aged 16 – 64 in Wales with the higher level in either England or Scotland, we are able to determine the potential extra income authorities could raise in Wales.
- 2.17 In **Figure 15** we set out our analysis which shows that in seven of the 18 local authority services where a comparison of performance is possible with England, Scotland or both, Welsh authorities are generating income per 1,000 residents at higher levels than authorities in either England or Scotland. Our analysis in **Figure 15** also highlights that if Welsh authorities raised charges to reflect the higher equivalent income per resident 1,000 population aged 16-64 in either England or Scotland for the remaining 11 areas, then a potential extra income of approximately £68.1 million could be generated.

**Figure 15 – The potential level of income if Welsh authorities increased charges to mirror the higher average level of income per resident 1,000 population aged 16-64 in England or Scotland**

Area to raise income from charges (taken from lines in Revenue Outturn returns or equivalent)	Income per resident 1,000 population aged 16-64 in England	Income per resident 1,000 population aged 16-64 in Scotland	Income per resident 1,000 population aged 16-64 in Wales	Potential extra income for Wales based on increasing to the highest average in England or Scotland
Income from Home to school transport - Primary Schools	£0.55	N/A	£0.21	£652,000
Income from Home to school transport - Secondary Schools	N/A	N/A	£0.52	£0
Income from Home to school transport - Special Schools	£0.35	N/A	£0.61	£0
Income from Home to college transport	£0.41	N/A	£0.81	£0
Income from Adult Education	£0.77	£4.68	£3.81	£1,673,000

Figure 15 – The potential level of income if Welsh authorities increased charges to mirror the higher average level of income per resident 1,000 population aged 16-64 in England or Scotland (cont.)

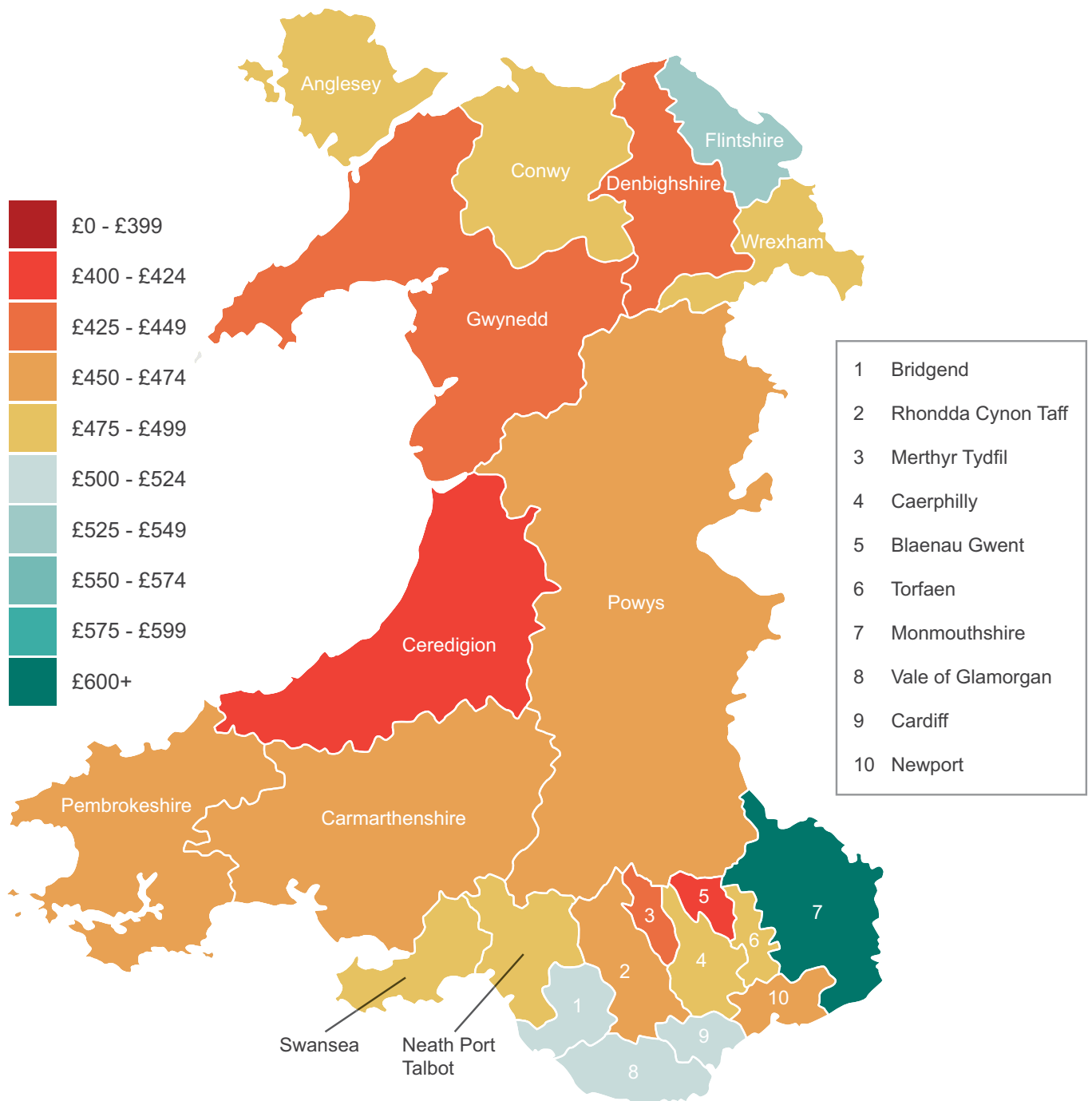
Area to raise income from charges (taken from lines in Revenue Outturn returns or equivalent)	Income per resident 1,000 population aged 16-64 in England	Income per resident 1,000 population aged 16-64 in Scotland	Income per resident 1,000 population aged 16-64 in Wales	Potential extra income for Wales based on increasing to the highest average in England or Scotland
Total school income	£52.61	£52.54	£63.24	£0
Income from Parking of vehicles	£39.65	£19.22	£17.31	£42,947,000
Income from Concessionary Fares	£0.48	£0.31	£0.12	£694,000
Income from Airports, harbours and toll facilities	£1.06	N/A	£2.81	£0
Income from Adult Social Care, Meals	N/A	N/A	£1.74	£0
Total income from cultural and related services	£24.96	£27.03	£54.55	£0
Income from Cemetery, cremation and mortuary services	£7.72	£9.81	£8.35	£2,799,000
Income from Environmental Health – food safety	£0.21	N/A	£0.22	£0
Total income for Waste Services	£15.98	£20.97	£19.70	£2,443,000
Income from Building Control	£3.12	£9.24	£3.67	£10,717,000
Income from Development Control services	£10.42	£8.57	£8.33	£4,016,000
Income from Local Land Charges	£2.38	£0.01	£1.69	£1,328,000
Income from births, marriages and deaths	£3.00	£2.67	£2.55	£859,000
<b>Total</b>				<b>£68,128,000</b>

Source: Wales Audit Office analysis of income and fees

## Local authorities need to consider how best to balance generating income with the communities' ability to pay more for services

- 2.18 As local authorities are constantly challenged by the need to balance fiscal, social, economic, and environmental goals, they also need to decide how much and what types of new levels of charges the community can accommodate without compromising the day-to-day quality of life for residents. Assessing the 'elasticity of demand' – the potential socio-economic impacts of increasing or introducing charges – is therefore a careful balancing act. Increasing the fee or charge for a service will potentially increase income and safeguard the service. However, it also potentially reduces demand by making the service unaffordable which then raises a question mark on its viability.
- 2.19 Local authorities need to therefore take into account local socio-demographic factors, such as the level of social deprivation, because users' ability to pay is an important consideration in setting charges. Considering the socio economic impact on communities is critical because in many communities in Wales the level of average earnings are lower than in either England or Scotland. For example, Official labour market statistics published by the Office for National Statistics<sup>25</sup> show that average gross weekly pay in 2014-15 in England was £527.70 and in Scotland £527 compared to £484.40 in Wales, a difference of roughly 10 per cent or £43.
- 2.20 Coupled with the proportion of the working population who are economically active – 78 per cent in England, 79.2 per cent in Scotland and 75.2 per cent in Wales – there is potentially less capacity for Welsh citizens to be able to pay more for goods and services. Increasing fees in Wales could therefore be more challenging than in either England or Scotland with many Welsh communities being less likely to be able to accommodate sharper increases than other parts of Great Britain, although, the range of average incomes across Welsh local authorities suggests that some are better placed than others to increase charges.
- 2.21 **Figure 16** shows that the range of gross weekly pay in 2014-15 ranged from £403 in Blaenau Gwent to £610 in Monmouthshire. Authorities where earnings are higher will therefore be better placed to charge and raise more income than those where income levels remain low. When reviewing charges, local authorities need to therefore consider both the options for reducing the level of subsidy they provide to services, but also the socio-economic circumstances of their local community. To aid authorities in responding to this challenge we have set out in **Appendix 2** some of the key issues needing to be considered when they set, increase or introduce charges for services.

Figure 16 – Gross Weekly Median Pay by Welsh local authority in 2014-15



Source: NOMIS, annual survey of hours and earnings - resident analysis, 2014-15



## Part 3

Authorities do not effectively evaluate charges to fully understand their impact



- 3.1 Monitoring and evaluating performance in setting and collecting income from charges will help local authority Members and officers to understand how well they are performing and the opportunities that exist to improve performance further. At a time when local authorities are having to manage the impact of reductions in funding from Welsh Government, evaluating and forecasting income from charges is essential to maximising the benefit derived from income in maintaining and growing services. In this final part of the report we provide an analysis of how effective authorities are at forecasting, monitoring and evaluating income. We also consider how well authorities engage with citizens when considering the performance of their authority and how they use these views to decide on changes to services.

### Long established governance and accountability systems are not always agile or robust enough to support good decision making when reviewing charges

- 3.2 Members need to lead on introducing and reviewing charges. Decisions should be considered and ratified by the executive and subject to scrutiny and oversight. The impact of charges on individual services should be subject to careful examination and Members, as the representative for their communities, need to balance the competing requirements of raising income to improve the financial position of authorities, to representing constituents and highlighting the potential impact of decisions, particularly usage and take up.
- 3.3 To make informed decisions, Members need to have good quality advice from officers, particularly on the cost of providing services and the level of subsidisation taking place. Without good quality and robust information, there is a risk that authorities will continue to either charge too much for services that need to be subsidised or do not charge enough for a service. It is therefore right for Members to debate and influence the setting of charges but their review must balance the strategic need for generating income with the case-by-case implication of the potential local impact on local residents.
- 3.4 Typically, we found that Member engagement is very strong when authorities consider charges as part of the annual budget setting process. Where issues of increasing charges are presented as part of the global budget, Members have generally been involved in the development of options and the consideration of recommendations that are being proposed. Some authorities have also sought to strengthen engagement with Members and accountability for setting charges. These approaches range from the delegation of decisions on charges to individual portfolio holders and senior managers within specific services, as in Caerphilly County Borough Council, to the creation of corporate wide boards of senior elected Members who set the strategic direction on charges - for example the 'Income Generation and Cost Improvement Board' set up by Powys County Council in January 2016. Where these arrangements work well they can provide impetus to better decision making and strengthen accountability.

- 3.5 However, we also found that whilst authorities are clear on the need to speed up and make better informed decisions when setting charges, these delegated arrangements are not always delivering what was envisaged when they were created. We found that some portfolio holders are reluctant to deal with potentially controversial issues and will not approve increasing or introducing charges, even where the evidence for the increase or introduction is compelling.
- 3.6 Whilst Members are aware of the financial benefits that charges bring in raising revenue for their authority, some Members are also keenly aware of the potential impact of charges and seek to ensure that any increase or introduction is both justifiable and does not impact unfavourably on service users. Whilst delaying decisions can result in the fee or charge being set low and access to the service remaining affordable, the decision to delay, put off or avoid increasing charges can also result in some services becoming financially unsustainable.
- 3.7 In addition, we found that income generating options are often not put forward in draft budget proposals to Members simply because officers believe the case will not be endorsed or supported. Whilst some we spoke to argued that Member's reluctance to consider increases in charges is ultimately a reflection of Members 'pastoral' community leadership role and reflects a positive attitude to protecting service users, failing to address budget pressures and consider options, however unpalatable, slows down the process of Member and public education and the shifting of expectations that is needed with reductions in public finances.
- 3.8 We also found that authorities often struggle to prepare sufficiently detailed and comprehensive business cases on the potential for generating income from charges. Some of these difficulties are a reflection of capacity and capability within services to collate sufficient information to underpin business cases, quantify potential costs, and a reluctance from officers to 'own' findings from external consultants. In other authorities we found that reports seeking decisions often lack the key information required to enable Members to make an informed decision. For example, business cases often:
- lack adequate information to justify the proposed charge increase recommended by officers;
  - do not indicate whether an increase in fees or charges will influence how many people use services and the impact of anticipated changes on the level of income generated; or
  - do not highlight how the decision to change fees or charges will impact on the authority's medium term financial plan.

## Limitations in the quality, detail and range of information used by authorities affects their ability to maximise the benefits of increasing or introducing charges

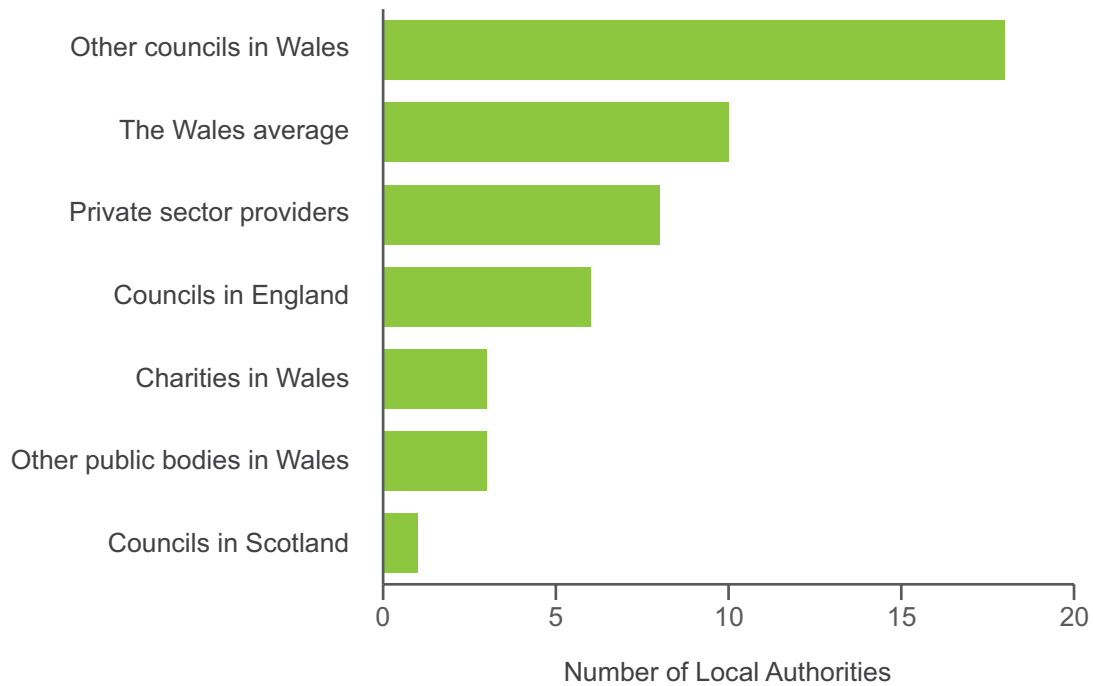
Authorities do not hold sufficiently detailed or accurate information to understand the true cost of providing services

- 3.9 Setting, introducing or increasing charges is a complex exercise and needs to take into account many factors. Most crucially, authorities need to understand the full costs involved in delivering the service, including overhead costs – the ongoing expense of the corporate support services and activities such as legal advice, finance or ICT support as well as office and accommodation costs. Knowing the full cost of delivering a service is the starting point for building a case to approve whether to set, increase or introduce charges.
- 3.10 For many services, charges are based on precedents and do not reflect the actual cost of providing the service. Keeping charges low is often influenced by a conscious decision to support and encourage usage and to ensure those on low incomes are given the opportunity to access and use services. However, only by fully understanding how much it costs to deliver a service can an authority consider what fee or charge it should set, what the strategic impact of its decision is likely to be on the service and those that use it, and what level of subsidy is appropriate to provide for the service.
- 3.11 How much charges for services are increased by can vary widely. A number of authorities continue to apply a standard percentage increase in charges across all services, whilst others review and agree changes on an individual service by service basis. Treating all services exactly the same and setting flat rates increases in charges has the benefit of being easier to administer. However, such an approach does not provide adequate assurance that the authority has considered the potential impact of its decision strategically.
- 3.12 Different services have different clients groups and the decision to increase or introduce charges will have very different impacts, both positive and negative. For example, a number of authorities set the rate of increase in charges in line with inflation which means that unless there is a beneficial change in how many people use the service or a reduction in running costs, the authority will derive little financial benefit from setting a higher fee or charge in line with inflation.

- 3.13 Management information is inconsistent and many services are often unable to provide accurate and up to date information on the true costs of provision. We found that authorities have well established systems for reviewing and monitoring service budget performance but are only now beginning to focus on analysing the full cost of services. From our fieldwork we found that authorities do not always calculate unit costs nor consider how much it cost to collect charges. Similarly, authorities often do not apportion the cost of providing services until year end which makes it impossible to accurately identify how well a service is performing financially at any point within the year.
- 3.14 We also found the range and quality of measures used by authorities to judge performance on collecting charges to be variable. The main focus for the majority of authorities is on recovering income from those in debt or arrears rather than understanding the costs of providing the whole service and the contribution of income in the overall funding envelope. These weaknesses make it difficult for authorities to effectively evaluate performance in-year and address the impact of cost pressures, low or higher usage, or reductions in income.
- 3.15 When reviewing and considering options to increase or introduce charges, authorities need to make better use of data and benchmarking to support members to make informed and evidence-based policy and operational choices. Our analysis shows that at present, using data to support decision making is limited. **Figure 17** summarises the findings of our survey of chief finance officers and shows that whilst 18 of the 22 authorities compare their level of charges for services with those levied by other local authorities in Wales, there are opportunities for many authorities to strengthen benchmarking activity. Only 10 authorities consider their performance against the Welsh average and are benchmarking their performance with a wide range of public and private sector bodies.

Figure 17 – Who and what information local authorities in Wales compare and benchmark their performance on income against

**The information performance is benchmarked against**



Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016

3.16 We also found that whilst 16 authorities monitor and evaluate how effectively they collect charges to ensure systems are as efficient and as cost effective as possible, only nine authorities compare their systems and collection costs with other authorities. The most frequently cited sources of data used by authorities to evaluate charges costs with others is CIPFA<sup>26</sup> (12 authorities); StatsWales and APSE<sup>27</sup> (seven authorities); and the Local Government Data Unit Benchmarking Hub (six authorities).

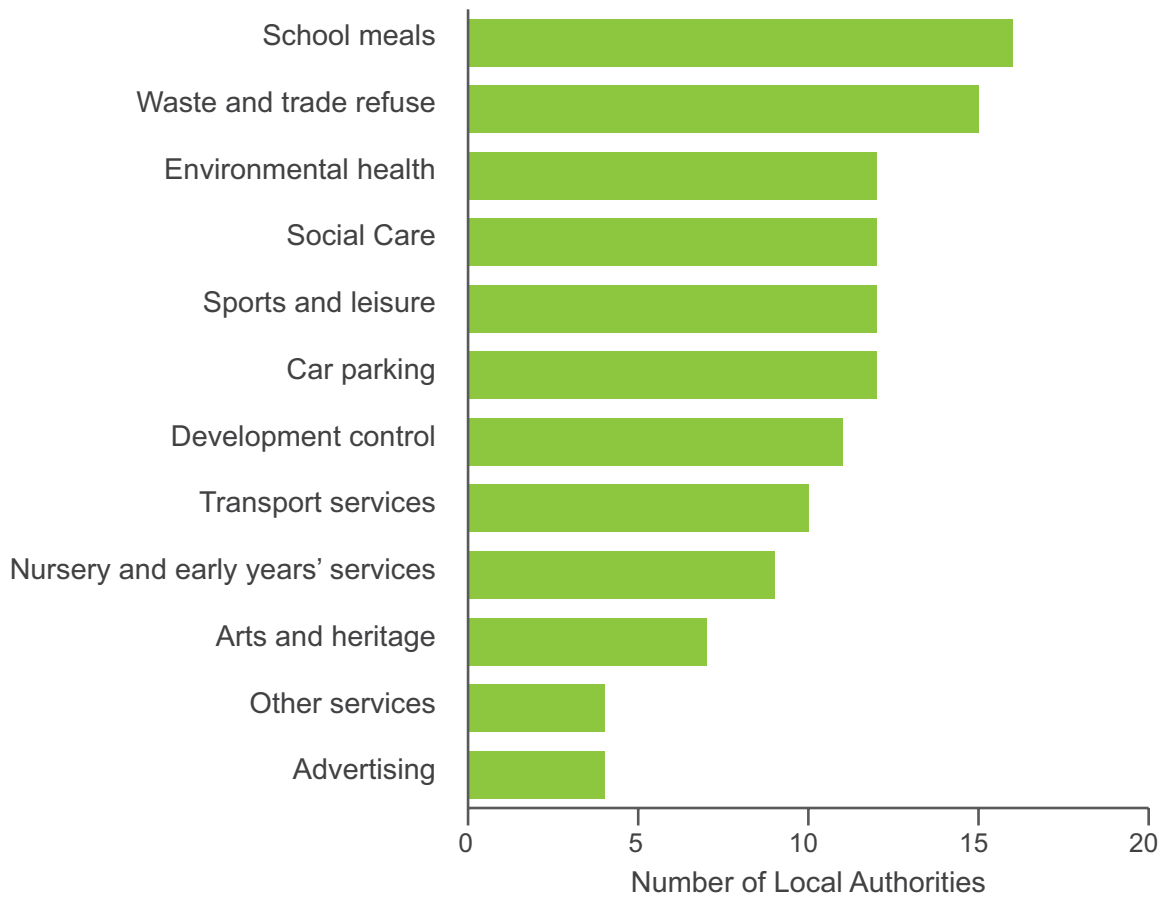
<sup>26</sup> Chartered Institute of Public Finance and Accountancy is the leading accountancy body for public services providing education and training in accountancy and financial management.

<sup>27</sup> Association for Public Service Excellence is a networking community that assists local authorities who are striving to improve their frontline services.

3.17 **Figure 18** reports which services authorities are comparing their performance on collecting income and managing charges with others. The scope of authority performance management information ranges from only four authorities comparing performance on charges for advertising, to 18 authorities benchmarking costs associated with the provision of school meals. There is scope for many authorities to improve how they monitor and evaluate performance to enable Members to make smarter charging choices.

**Figure 18 – The service areas where local authorities in Wales compare and benchmark their performance on collecting income**

**The areas subject to performance is benchmarking**



Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016.



## Forecasting the likely level of income from changing charges is inconsistent

- 3.18 It is nearly impossible to predict annual revenues precisely – particularly when introducing charges or setting fees for the first time – because of the way citizens use services and the choices that are open to them. Nonetheless, forecasting income is an important planning tool which helps an authority to manage and understand its performance.
- 3.19 Seven respondents to our survey of chief finance officers stated that their authority forecast their anticipated income from the introduction and/or increase in charges for one or more years. Of the remaining 15 authorities, eight stated that they forecast income within year only and seven that they do not forecast the potential income for services at all. Our review of documentation provided by authorities and our onsite fieldwork suggests that many authorities have some gaps in financial forecasting data and are not consistently forecasting their anticipated income for all activities.
- 3.20 Forecasting income is guesswork and it is impossible to know exactly what performance will be for a given period, especially many months or years into the future. One way to address this uncertainty is to use sensitivity analysis<sup>28</sup> to develop a range of possibilities under different assumptions which provide alternative estimates of income. From our review we found that whilst some authorities apply an expected or desired growth rate or return, these are often not underpinned by a robust analysis of current performance, reliable trend information or patterns of past customer usage. These are key sensitivity drivers which influence revenue growth. With better quality forecasting, officers will be able to better inform Members on the potential impact of decisions and what is possible based on an evaluation of pertinent information regarding the potential income that could, and should, be realised.

<sup>28</sup> Sensitivity analysis is a technique used to determine how projected performance is affected by changes in the assumptions that those projections are based upon. Sensitivity analysis is often used to compare different scenarios and their potential outcomes based on changing conditions.



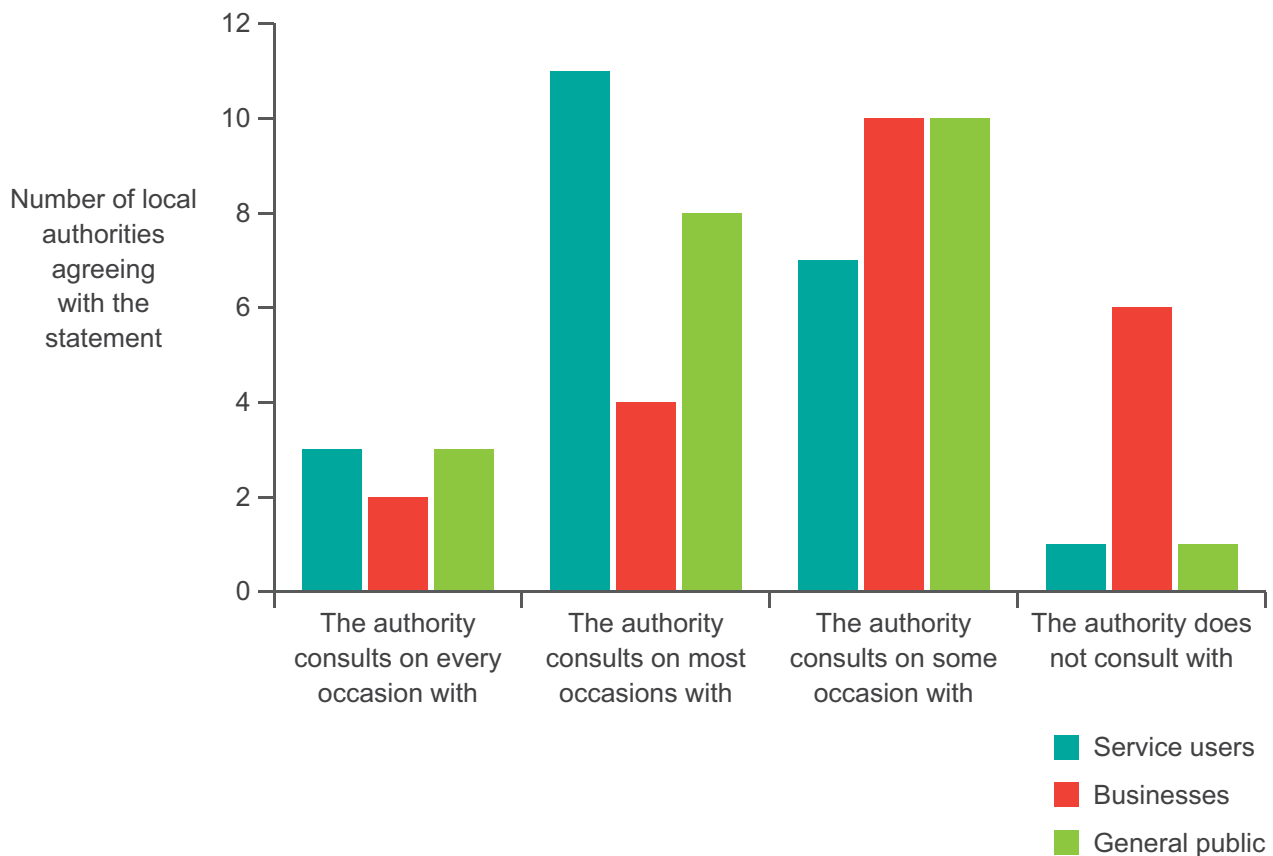
## Identifying the potential impact of increasing or introducing charges is not robust

- 3.21 Because of the wide variation in the range of services provided and the reasons for providing them, there are a number of key legal considerations that authorities must take into account in exercising their discretion to set a charge. These are the:
- a **Equality Act 2010** – Section 149, known as the ‘public sector equality duty’, sets out requirements for local authorities to specifically consider the impact of proposed changes (including implementation or variation of charges) on people disadvantaged by race, disability etc. Changing services, including increasing charges, is likely, in appropriate circumstances, to require consultation with these groups;
  - b **Welsh Language (Wales) Measure 2011** and standards set under it through the **Welsh Language Standards (No.1) Regulations 2015 (SI 2015/996)** - these require authorities and other public bodies to consider the impact of their service provision and policy and operational decisions on promoting or facilitating the use of the Welsh language; and
  - c **Well-being of Future Generations (Wales) Act 2015** – the Act requires public bodies to plan and deliver their services structured around the five themes of long term, prevention, integration, collaboration and involvement. In setting charges, Welsh local authorities will need to be mindful of these requirements and in particular the objectives set by their local Public Service Boards.
- 3.22 Authorities have introduced processes to judge the potential impact of decisions in respect of their equalities and Welsh language responsibilities, usually through an impact assessment that accompanies reports to cabinet or full Council seeking either to increase or introduce a charge. The quality of the evidence contained in impact assessments however varies widely. Assessments do not always provide sufficient detail to either identify the impact of changes or equip Members to make informed decisions. For example, forms are often partially completed and lack important information, do not provide adequate information on the expectations and views of service users or citizens, or do not include specific timescales for review.
- 3.23 It is pleasing to note that a few authorities have adapted existing impact assessment processes to accommodate the five ways of working set out in the Well-being of Future Generations Act 2015, but much work remains to be done. Whilst the Act only came into force on 1 April 2016, the principles of making decisions that consider the long-term impact and are focused on prevention, integration, collaboration and involvement are fundamental issues that underpin good decision making<sup>29</sup>. The five ways of working principles, together with the authority’s well-being objectives, need to be considered when authorities are setting, increasing or introducing charges and impact assessments, and business case processes need to be revised to ensure they are given adequate coverage.

<sup>29</sup> Authorities need to make sure that when making their decisions they take into account the impact they could have on people living their lives in Wales in the future. There are five things that public bodies need to think about to show that they have applied the sustainable development principle. The Welsh Government believes that following these ways of working will help authorities to work together better, avoid repeating past mistakes and tackle some of the long-term challenges the country faces.

- 3.24 Authorities generally do not consider the cumulative likely economic impact on residents and communities for all their charges, and do not report, monitor or scrutinise decisions with this wider impact in mind. Understanding the impact on service users and citizens is not easy. Whilst authorities undertake equality impact assessments when making policy decisions, these are rarely revisited in light of policy implementation to assess whether unintended consequences that impact on service users are considered post implementation.
- 3.25 Public bodies recognise the importance of engaging with and consulting service users and other stakeholders such as citizens, businesses and council tax payers on the decisions that can affect them. Involving stakeholders in helping to shape and decide on changes to services including setting, introducing or increasing charges can result in outcomes that are more relevant and useful. Effective engagement can also lead to a better quality decision and ultimately result in a much stronger commitment to use services or lose them.
- 3.26 We found that most authorities are consulting residents over charges as part of their annual budget-setting processes where the authority sets out all the revenue raising proposals including issues around charges and income generation. Authorities use a wide range of options to undertake this consultation activity including authority wide newsletters, specific surveys, public meetings and provision of information via social media. Authorities also use annual residents' surveys to consult on and decide a course of action. For example, both Powys County and Caerphilly County Borough Councils have used their resident surveys in recent years to engage with and better understand citizens' views in reviewing and identifying options for income generation from charges to support decision making. Overall, budget setting consultation is more wide ranging and is often based upon an ongoing dialogue over a longer period of time.
- 3.27 However, engagement and consultation over increasing or introducing specific fees or charges is not always carried out or consistently applied. Our survey of chief finance officers, noted in **Figure 19** below, found that few authorities undertake consultation with key stakeholders – service users, businesses and the general public – on every occasion when they are planning to introduce or increase charges. These findings are echoed by citizens, with 50 per cent of those who responded to our on line survey confirming that their authority did not consult with them when introducing or increasing charges.

Figure 19 – Who and how often the local authority consults with when deciding to increase or introduce charges



Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016

- 3.28 There is a reluctance amongst some Members to engage with service users and local communities on planned changes, especially where there are particular political sensitivities and a perception of difficulties around the introduction of charges. Authorities which have experienced a negative public or media reaction to new or increased charges are often reluctant to tackle the issue again, and consequently choose not to introduce or increase charges. However, an authority that fails to review and revise charges is often delaying the inevitable and continuing to fail to address the issue could result in far worse outcomes such as service closure or greater price rises in the future.
- 3.29 Generally, citizens are well aware that authorities have to make savings and reduce expenditure, but are less informed on the impact of savings on them and the services they use. Citizens who responded to our survey were mostly critical of consultation practices adopted by authorities. One noted that “consultation not publicised well enough (if at all)”, another that “I’m not aware of any consultation that has ever taken place” and another “if there was a consultation, I didn’t hear about it”.

- 3.30 Authorities' caution about public opinion can lead to an unwillingness to confront issues openly and discourages consideration of how local services are to be funded. Authorities need to therefore emphasise how increasing or introducing charges will not only safeguard services but also improve the quality of current provision as a means of justifying increases and making the decision more palatable. We found from our chief finance officers' survey that only two authorities always seek the views of service users on the quality of the services provided and a further five stated that they mostly seek such feedback. Providing service users with the opportunity to feedback on current performance is essential where authorities are seeking to justify increasing charges.
- 3.31 When deciding to introduce or increase a fee or a charge only 15 respondents to our chief finance officers' survey agreed that their authority explores options to phase the introduction of increased charges on service users to mitigate the potential impact. Of these 15, only nine consider the use of concessions or discounted rates when setting charges and only four stated that they provide advice and assistance to service users to secure alternative funds to be able to pay for and continue to use the service.
- 3.32 Where consultation takes place, only 15 of the 22 authorities stated that they consider and include consultation responses in the decision-making process for changing fees. However, 95 per cent of citizens who responded to our survey stated that when consultation has been undertaken they are not aware of the outcome of engagement activity and their authority did not feedback the findings or decision taken as a result of the consultation activity. There remains a disconnect between authorities' perception of how well they consult and the experience of service users.
- 3.33 Consulting on whether to introduce or increase a charge is only one dimension that authorities need to appreciate and consider in deciding what they should do. Equally important is to understand the likely impact of charges on current and potential service users. As we noted above, authorities need to consider whether service users can afford the charge being levied; whether service users consider a charge provides value for money for the level of service provided; or whether better alternatives to direct local authority provision are available from other public, private or voluntary sector providers.

- 3.34 From our public survey we found that citizens choose to use and pay for authority services for a range of positive reasons – the service is well located, is of a better quality or provides a wider range of choice. However, most citizens who responded to our survey also highlighted that the main driver for choosing an authority service over others is cost, particularly where there are discounted charges or no fees currently in place. We found that some citizens have consequently stopped using authority services in the last 12 months with the reasons most often cited for decisions relating to the service costing too much; cheaper alternatives being available; poor quality facilities and equipment; and difficulties with accessing the service (hours of operation and location).
- 3.35 Even when citizens continue to use authority services several noted that this decision is because there is “usually no other choice” and “the next nearest alternative... involves travelling for over an hour each way”. Others commented that whilst “I haven’t actually stopped using the service, I have reduced the number of times I use it, due to the increased cost and worse service. Now they are complaining that the courts are under-used!” Others noted that “the council could do more consultation with ratepayers. I’m ok with some charges so long as facilities are available to suit working people”.
- 3.36 Balancing how to raise more income to sustain services whilst ensuring those who depend on such provision can continue to afford to use them will continue to be a challenge for authorities. To address this difficult balancing act will require a readiness from authorities to take careful and well managed risk to ensure services that Welsh citizens depend on continue to be available to them. If authorities do not rise to the challenge, then we are likely to see an increasing number of services becoming unviable and at risk of closure, which will have a deeper negative impact on communities and citizens.

## Appendices

Appendix 1 – Study methodology

Appendix 2 – The key principles to a strategic approach to setting, increasing or introducing charges for local authority services

Appendix 3 – Local Authority Trading Companies: key issues to consider

Appendix 4 – Gross expenditure, income and net cost of providing individual services by Welsh authorities in 2008-09 and 2014-15



# Appendix 1 – Study methodology

## Review of literature

We have reviewed a wide range of documents and media, including:

- Welsh Government policy and guidance documents;
- local authority plans and strategies for income generation in all 22 local authorities; and
- other relevant research and guidance from government, local authorities, CIPFA, and research bodies.

## Data and statistical analysis

We have collated and analysed a wide range of performance indicator returns and budget data available online at the Office for National Statistics, StatsWales, the UK and Scottish Governments.

## Local authority fieldwork

We visited six local authorities in Wales in 2015-16. The local authorities selected represented a mix of city, urban, rural and valleys authorities which are geographically spread across Wales. These were:

- Caerphilly County Borough Council
- Gwynedd County Council
- Merthyr Tydfil County Borough Council
- Monmouthshire County Council
- Newport City Council
- Powys County Council

During the visits, we interviewed a range of local authority staff and Members.

## Surveys

We undertook a range of online surveys and we surveyed:

- Chief Finance Officers and received 22 responses (100 per cent).
- Citizens and received 44 responses. The survey was made available online and promoted through our communications team. The approach taken does not necessarily guarantee a representative response. For example, we received no responses in some local authority areas. Given the low response rate, we have only used the findings of the survey in a limited way and to report views at an all Wales level.



# Appendix 2 – The key principles to a strategic approach to setting, increasing or introducing charges for local authority services

Key considerations	Key questions needing to be answered
<p><b>How does it fit with our strategic priorities?</b></p>	<ol style="list-style-type: none"> <li>1 Does the authority understand actual and potential income streams and the opportunities that exist?</li> <li>2 Is there a clear rationale for the local authority setting, introducing or increasing a fee or charge: <ul style="list-style-type: none"> <li>• reduce or increase demand?</li> <li>• influence behaviour?</li> <li>• better quality?</li> <li>• quicker response?</li> <li>• more potential users?</li> <li>• wider geographical coverage?</li> </ul> </li> <li>3 Will the setting, introduction or increase in a fee or charge impact adversely on delivering the authority's strategic priorities?</li> <li>4 Will the setting, introduction or increase in a fee or charge impact adversely any authority commercial or arm's length trading companies?</li> <li>5 Will the setting, introduction or increase in a fee or charge impact adversely on delivering the department's strategic priorities?</li> </ol>
<p><b>Are we legally allowed to charge for this service?</b></p>	<ol style="list-style-type: none"> <li>1 Is the local authority legally allowed to set, increase or introduce charges for this service?</li> <li>2 If yes, what is it reasonable for the local authority to do (Wednesbury principle)?</li> <li>3 Is this a statutory service that the local authority has to provide?</li> <li>4 Will the decision to set, increase or introduce charges adversely: <ul style="list-style-type: none"> <li>• affect those with a protected characteristic under the equality duty;</li> <li>• impact on the provision of services in Welsh; or</li> <li>• impact on the authority's ability to meet its responsibilities under the Wellbeing of Future Generations Act.</li> </ul> </li> <li>5 Does the local authority know whether it can make a surplus?</li> <li>6 Has the local authority considered how surpluses will be dealt with?</li> </ol>
<p><b>Have we engaged and consulted, and what are the views of our stakeholders?</b></p>	<ol style="list-style-type: none"> <li>1 Has the local authority engaged with protected characteristics regarding whether to: <ul style="list-style-type: none"> <li>• provide this service?</li> <li>• increase charges?</li> <li>• change eligibility criteria?</li> </ul> </li> <li>2 Has the local authority consulted with Members, community councils, users, residents, third sector partners and businesses within the area on the above matters?</li> </ol>



Key considerations	Key questions needing to be answered
<b>Are there alternative providers to us and what do they charge?</b>	<ol style="list-style-type: none"> <li>1 Is there a commercial competitive advantage for the authority providing this service?</li> <li>2 Is there potential to deliver services jointly with another authority or provider to reduce overheads?</li> <li>3 Has the local authority benchmarked costs to determine scope for increasing charges?</li> <li>4 Are there competitors/alternatives to the local authority who could provide the service?</li> <li>5 Could the authority stop providing the service without this decision impacting adversely on its statutory responsibilities?</li> </ol>
<b>How do we treat concessions and who is eligible?</b>	<ol style="list-style-type: none"> <li>1 Has the local authority considered use of concessions?</li> <li>2 Has the local authority considered how to treat non-residents?</li> <li>3 Does the local authority need to change eligibility?</li> <li>4 Has the local authority communicated eligibility criteria to service users?</li> </ol>
<b>What will be the impact on services, users and citizens (+/-)?</b>	<ol style="list-style-type: none"> <li>1 Does the local authority know what the likely impact of the decision to introduce or increase charges will be on services, stakeholders, businesses and the authority in the medium to long term? <ul style="list-style-type: none"> <li>• Has the local authority considered the likely impact on low income households?</li> <li>• Has the local authority considered the likely impact on businesses?</li> <li>• Has the local authority considered the likely impact on the local economy?</li> </ul> </li> <li>2 Do residents of the local authority have the economic capacity to absorb an introduction or increase in charges?</li> <li>3 Is the local authority decision likely to result in unintended consequences?</li> <li>4 Has the authority considered the political risks?</li> <li>5 Has the local authority considered the cumulative impact of setting, introducing or increasing fees for different services on: <ul style="list-style-type: none"> <li>• service users;</li> <li>• citizens;</li> <li>• tourists/visitors;</li> <li>• businesses;</li> <li>• the local economy; and</li> <li>• third sector organisations.</li> </ul> </li> <li>6 Has the local authority benchmarked the likely impact of increasing or introducing charges?</li> </ol>

Key considerations	Key questions needing to be answered
<b>Who uses our services?</b>	<ol style="list-style-type: none"> <li>1 Will the decision result in an increase in usage?</li> <li>2 Will the decision result in a fall in the numbers using services?</li> <li>3 Will the decision have a positive impact on service user's behaviour?</li> <li>4 Will the decision deter usage (penalty)?</li> <li>5 Will the decision result in the service improving with; <ul style="list-style-type: none"> <li>• reduced or increased demand?</li> <li>• positive behaviour change?</li> <li>• improvement in quality?</li> <li>• quicker response to service users?</li> <li>• more potential users?</li> <li>• provision in a wider geographical area?</li> </ul> </li> </ol>
<b>What is the cost of implementing the charge?</b>	<ol style="list-style-type: none"> <li>1 Is there sufficient capacity and/or resources to implement the fee or charge?</li> <li>2 Does the authority have the ability (technology, systems, human and financial resources) to implement and manage charges in areas not previously charged for?</li> <li>3 Does the cost of implementing collection systems outweigh the potential income that will be raised?</li> <li>4 Does the local authority know how much it currently costs to deliver the service in full?</li> <li>5 Does the local authority know how much it currently subsidises the service by?</li> <li>6 Is the authority seeking full-cost recovery?</li> <li>7 Does the authority know what the current demand for the service is and the potential to increase usage?</li> <li>8 Has the authority clearly set out its expected standards and outcomes of services?</li> </ol>
<b>Do we have the necessary arrangements to review activity?</b>	<ol style="list-style-type: none"> <li>1 Can we collect the information we need to review activity?</li> <li>2 Has the local authority agreed an appropriate timescale (at least annually) to review its decision to introduce or increase a fee or charge and is this happening?</li> <li>3 Has the authority agreed an appropriate range of measures to be able to understand the impact of setting, introducing or increasing charges?</li> <li>4 Can we benchmark performance with other organisations?</li> </ol>

# Appendix 3 – Local Authority Trading Companies: key issues to consider

Local authority trading companies (LATCs) are wholly owned by local authorities; usually they are owned by one authority who is the sole shareholder. When setting up a company, consideration is important for the following:

- Obtain the right professional advice
- Company registration
- Trading
- People and pensions
- Governance
- Finance and taxation
- Transfer of assets and support services costs
- Performance management and contracting

A robust business case and the business plan are essential to developing a successful commercial entity. It is vital to ensure that the business plan is robust – including the assessment of market demand for the services, pricing, the investment requirement, the cash-flow forecast and the governance arrangements. Ideally the business case would warrant independent review and expert advice particularly on the legal and tax implications. But it is also necessary to pay close attention to the assumptions being made about future performance and consider what the outcome would be if, for example, there was an economic downturn. It is also important that local government is clear about the levels of subsidy and service before transfer as it is difficult to make these changes afterwards.

Authorities need to establish reporting, accountability and control mechanisms at the start of any new commercial vehicle so they are aware of the risk profile of each delivery model, and the actions being taken to mitigate the risks. Members need to have a good understanding of the risks associated with group companies or accountable body status, especially as commercial vehicles do not come without risk and can often be a hard concept to overcome.

Key to success is putting the right leadership in place and creating the right culture in how the new service will operate. Underpinning the new arrangements will be the need to ensure adequate consideration of reward, a clearer focus on the needs of customers and a clear vision for the future. Once a company has been set up, it will be critical for local government bodies to commission and manage contracts efficiently if they are to realise the benefits fully, and the overview and scrutiny focus must be maintained through the lifetime of a contract.

While many companies are technically limited by guarantee, it is rarely in an authority's interest to simply allow these companies to fail. Failure would certainly endanger service provision in the short term and, therefore potentially, the discharge of statutory responsibilities, and it is unlikely that an alternative means of delivering the service would be immediately available in most cases. In reality, authorities are underwriting the financial risk (formally or informally), with the burden of failure falling ultimately on local tax payers.

The most common outcome in these cases, is that the service provision including staff and assets, are brought back under the direct control of the authority when it becomes apparent that the business plan is starting to fail. The additional cost of bringing service back in-house could be significant. Similarly there are often reputational and political consequences to the failure of a commercial entity, but again these need not be as destructive as might be imagined which highlights the need for effective risk management for local authorities considering this way forward.

There is also an implied loss of control over the development of these commercial organisations, to a greater or lesser degree depending on the type of entity. The loss of control is around the operational running of the company and therefore service; the authority does however retain control as the sole shareholder of the company through the governance structure.

Generally the more commercial freedom an entity has to grow the business, the less control the authority is able to exercise over the form growth takes. The consequences of less control could affect the authority in a number of ways – from a rising cost of services over time diminishing the initial benefit to consequences for local employment, or exposure to a level of reputational risk that the authority may not be comfortable with, which emphasises the importance of selecting the right vehicle for the new body.

When considering commercial income generating opportunities in particular, authorities must have a clear understanding of the market in which they are to compete, and the comparative advantage they have that would enable them to compete with other commercial bodies. Not all local authorities can establish companies with the same ambitions for cross border selling and growth into neighbouring markets, and close attention must be paid to what alternative options potential buyers of the service would have. Where new companies are established, they also need to overcome the hurdles of staff consultations and terms and conditions, and the identification of hidden costs such as contributions to authority overheads.

In setting up local authority trading companies to generate income from commercial activity, authorities need to specifically consider the following:

Key Stages	Issues to consider
<b>Starting point</b>	<p><b>Asset management</b></p> <p>Do you know what land and property you own?</p> <p>Does your authority have a Property Investment strategy or an Asset Investment strategy?</p> <p>Buildings and land are the biggest asset an authority owns. These can be key to any income generation plans, whether they be by one-off sales of unwanted or unneeded assets, or development opportunities. Having a clear inventory of all your physical assets is the best starting point.</p>
	<p><b>Make the most of what you've already got</b></p> <p>It makes sense to utilise your own assets rather than having to purchase land or buildings to develop schemes. Using your own assets reduces cost and can speed up the development and implementation of schemes.</p> <p>This may include an analysis of how best to invest cash reserves. Whilst they act as a safety net for authorities, they can provide investment opportunities, supporting commercial schemes.</p>
<b>Strategic position and resources</b>	<p><b>Produce a strategic plan for commercial work</b></p> <p>Plans for developing income generation opportunities need to be covered by a corporate-wide strategy. They need to be linked to the overall financial plans of the authority and have clear direction and objectives. This can be done within the framework of a Medium Term Financial Plan, or within a stand-alone document.</p>
	<p><b>Align work to the Wellbeing of Future Generations Act</b></p> <p>Wellbeing Plans provide the ideal opportunity for authorities to align the development of commercial schemes to corporate strategies. Within the Act, the sustainable development principles include long term planning, integration and collaboration, all of which are key components for developing commercial schemes. Many schemes will require support and collaboration with external partners, some of whom may already be members of your Public Service Board.</p>

Key Stages	Issues to consider
<b>Strategic position and resources (cont.)</b>	<p><b>Internal skills, knowledge and resources</b></p> <p>Whilst authorities are likely to already have procurement and legal teams and staff experienced in project management, the experience from authorities that manage commercial schemes is that to work successfully requires a full time appointment to the role and specialist knowledge.</p> <p>The full process requires experienced project management skills, starting with writing the business case, tendering for contractual work and then the development and ongoing management of the scheme.</p> <p>Some schemes may involve work for which the authority has now previous experience, or may be of a complexity or size that is beyond their capacity to manage.</p> <p>If authorities want to maximise their potential income from commercial schemes, they have to invest in new staff (or teams of staff) or up skill existing staff and release them from their previous responsibilities, to create the knowledge and resource required to manage commercial schemes.</p>
<b>Mindset of organisation</b>	<p>Risk management is an important part of the design and management of local authority services. It equally applies to the development of commercial schemes. And whilst risk can never be completely eliminated from a scheme it can be mitigated and reduced to an acceptable level by good planning.</p> <p>When developing commercial schemes, one of the most important factors is the mindset of the authority. Looking at the experience of authorities that have developed commercial schemes, a vital component of successful schemes has been the support of members and senior officers from the very beginning.</p> <p>Committing what can be large amounts of money, whether from reserves or in the form of loans, for schemes that will not realise a profit for many years, will be anathema to many. Gaining the support of those people needs to be one of the first aims for officers designing commercial schemes.</p>
<b>Long term</b>	<p>Many commercial schemes are long term, and do not provide a surplus for many years. Committing to such schemes, and tying up large amounts of cash in up front, capital costs in the current financial climate, can be a difficult position to accept. Authorities have to accept the upfront costs, and be able to explain their decision to invest in non-core authority activity to the public and others emphasising the long term benefits.</p> <p>Members also need to understand that they will be agreeing to schemes that will only turn a profit after they are no longer around to take the plaudits for their decisions; a difficult concept for some Members to accept.</p> <p>Additionally, authorities may find themselves operating in new areas when developing commercial schemes. They have to realise that, as new players, it can take some time to build a reputation with private sector organisations</p>

# Appendix 4 – Gross expenditure, income and net cost of providing individual services by Welsh authorities in 2008-09 and 2014-15

Area financial data analysed – 2008-09	Gross expenditure	Income	Net cost of the service	Income as a proportion of expenditure
Home to school transport – Primary Schools	£24,653,300	£191,770	£24,461,530	0.7%
Home to school transport – Secondary Schools	£55,485,400	£537,593	£54,947,807	1.0%
Home to school transport – Special Schools	£27,492,900	£187,250	£27,305,650	0.7%
Home to college transport	£10,492,100	£986,912	£9,505,188	9.4%
Adult Education	£30,727,800	£5,683,642	£25,044,158	18.5%
Total school	£2,797,900,700	£80,966,263	£2,716,934,437	2.9%
Parking of vehicles	£21,462,200	£26,369,645	-£4,907,445	122.8%
Concessionary Fares	£66,142,700	£323,660	£65,819,040	0.5%
Airports, harbours and toll facilities	£17,780,000	£4,744,321	£13,035,679	26.7%
Adult Social Care, Meals	£11,502,200	£3,928,236	£7,573,964	34.1%
Cultural and related services	£491,923,000	£100,858,376	£391,064,624	20.5%
Cemetery, cremation and mortuary services	£22,419,000	£12,727,421	£9,691,579	56.7%
Environmental Health food safety	£10,727,200	£405,621	£10,321,579	3.8%
Waste Services	£275,310,100	£42,285,428	£233,024,672	15.4%
Building Control	£13,019,900	£7,821,587	£5,198,313	60.0%
Development Control services	£31,428,100	£13,747,920	£17,680,180	43.7%
Local Land Charges	£2,810,100	£2,718,867	£91,233	96.7%
Births, marriages and deaths	£6,639,400	£3,289,641	£3,349,759	49.5%

Area financial data analysed – 2014-15	Gross expenditure	Income	Net cost of the service	Income as a proportion of expenditure
Home to school transport – Primary Schools	£26,649,700	£406,000	£26,243,700	1.5%
Home to school transport – Secondary Schools	£58,900,500	£1,005,000	£57,895,500	1.7%
Home to school transport – Special Schools	£30,654,500	£1,171,079	£29,483,421	3.8%
Home to college transport	£10,907,700	£1,551,193	£9,356,507	14.2%
Adult Education	£34,504,000	£7,324,377	£27,179,623	21.2%
Total school	£2,753,187,000	£121,584,210	£2,631,602,790	4.4%
Parking of vehicles	£21,815,800	£33,278,462	-£11,462,662	152.0%
Concessionary Fares	£70,721,000	£228,741	£70,492,259	0.3%
Airports, harbours and toll facilities	£10,472,400	£5,397,824	£5,074,576	51.5%
Adult Social Care, Meals	£7,728,900	£3,353,717	£4,375,183	43.4%
Cultural and related services	£367,682,200	£104,872,510	£262,809,690	28.5%
Cemetery, cremation and mortuary services	£17,060,500	£16,060,636	£999,864	94.1%
Environmental Health food safety	£12,560,300	£415,108	£12,145,192	3.3%
Waste Services	£287,056,500	£37,871,039	£249,185,461	13.2%
Building Control	£10,604,800	£7,046,580	£3,558,220	66.4%
Development Control services	£27,517,900	£16,016,265	£11,501,635	58.2%
Local Land Charges	£3,033,500	£3,247,332	-£213,832	107.0%
Births, marriages and deaths	£6,987,900	£4,907,654	£2,080,246	70.2%

Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2008-09 and 2014-15 as amended following independent audit of the returns by the Wales Audit Office.





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# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Minutes of working groups relevant to the Audit Committee

**Recommendations / key decisions required:**

- That the Committee receives the minutes.

**Reasons:**

- To inform Committee members.
- The Audit Committee's Terms of Reference stipulate that it receives the minutes of the Risk Management Steering Group along with information regarding Corporate Governance and Financial arrangements.

<b>Relevant scrutiny committee consulted:</b>	NOT APPLICABLE
<b>Executive Board decision required:</b>	NOT APPLICABLE
<b>Council Decision required:</b>	NOT APPLICABLE

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Head of Service:</b> Phil Sexton</p> <p><b>Report Author:</b> Helen Pugh</p>	<p><b>Designations:</b></p> <p>Head of Audit, Risk &amp; Procurement</p> <p>Audit &amp; Risk Manager</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 246217 <a href="mailto:psexton@cararthenshire.gov.uk">psexton@cararthenshire.gov.uk</a></p> <p>01267 246223 <a href="mailto:hpugh@cararthenshire.gov.uk">hpugh@cararthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# AUDIT COMMITTEE

## 6<sup>th</sup> JANUARY 2017

### Minutes of working groups relevant to the Audit Committee

This item provides members with recent minutes of supporting Governance Groups, for information

The following minutes are attached:

1. Risk Management Steering Group – 14th September 2016
2. Grants Panel – 13th September 2016

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

**Signed: Phil Sexton      Head of Audit, Risk & Procurement**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

**1. Policy, Crime & Disorder and Equalities** – In accordance with the Committee’s Terms of Reference.

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

**Signed: Phil Sexton      Head of Audit, Risk & Procurement**

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW:**

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Strategic Audit Plan 2016-19	AC 28-03-16 Internal Audit Unit
Audit Committee Terms of Reference	Internal Audit Unit

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## RISK MANAGEMENT STEERING GROUP

### Minutes of Meeting held at Conservatory East, Building 8, Parc Dewi Sant Wednesday, 14<sup>th</sup> September 2016.

<b>Members Present:</b>			
Phil Sexton (Chair)	Corporate Services	Head of Audit, Risk & Procurement	PS
Cllr David Jenkins	Executive Board Member (Corporate Services)	Executive Board Risk Champion	DJ
Jonathan Fearn	Environment	Chair of Property & Liability Risks Working Group	JF
Stephen Pilliner	Environment	Chair of Transport Risks Working Group	SP
Helen Pugh	Corporate Services	Risk Champion	HLP
Stephanie R Williams	Education & Children	Risk Champion	SRW
Richard Davies	Communities	Principal Officer	RD
Adryan Jones	Chief Executive's	Health & Safety Advisor	AJ
Jenna Smith	Marsh UK Ltd	External Risk Partner	JS
Julie Standeven	Corporate Services	Principal Risk Officer	EJS

<b>Item No</b>	<b>Subject</b>	<b>Action</b>
<b>1.</b>	<b>Apologies</b> Lyn Walters – Communities Risk Champion Heidi Font – Chief Executive's Risk Champion Richard Stradling – Communities (Leisure) Risk Champion Alan Howells – Environment Risk Champion	
<b>2.</b>	<b>Minutes of Last Meeting</b> The Minutes of the Risk Management Steering Group Meeting held at Parc Dewi Sant on Wednesday, 13th April 2016, were confirmed as a true record.	
<b>3.</b>	<b>Matters arising from Risk Management Steering Group Minutes.</b>	
<b>3.1</b>	<b>Risk Management &amp; Business Continuity Strategy</b> PS advised that a new strategy is being developed for 2017-2020. A review of the Council's Risk Management processes is to be completed by its Liability Insurers and the outcomes will be reflected in the new strategy.	

<b>4.</b>	<b>Minutes of Property &amp; Liability Risks Working Group Meeting – 31<sup>st</sup> August 2016</b> The Minutes were noted.	
<b>4.1</b>	<b>Matters arising from Property &amp; Liability Risks Working Group Minutes</b>	
<b>4.1.1</b>	<b>Security &amp; Fire Alarms</b> JF advised that an Alarm Monitoring Review is underway and following actions agreed :- <ul style="list-style-type: none"> <li>• Risk Matrix Exercise to be completed</li> <li>• Discuss with the Council’s Property Insurers the minimum specification required for approved alarm receiving centres</li> </ul>	
<b>4.1.2</b>	<b>School Fencing</b> JF advised that a Fencing Framework is being developed by Property.	
<b>5</b>	<b>Minutes of Transport Risks Working Group Meeting – 6<sup>th</sup> September 2016</b> The minutes were noted.	
<b>5.1</b>	<b>Matters arising from Transport Risks Working Group Minutes</b>	
<b>5.1.1</b>	<b>Managing Approach to Alcohol &amp; Substance Misuse</b> AJ advised that the Council’s Alcohol and Substance Misuse Policy is under review. Update to be provided at next meeting.	<b>AJ</b>
<b>5.1.2</b>	<b>MV Statistics – Claims &amp; Complaints</b> SP advised that the new refuse fleet to be introduced soon and training is underway to upskill drivers.	
<b>6.</b>	<b>The Insurance Act 2015</b> JS advised that The Insurance Act 2015 came into force in August 2016 and replaced a law that had been in place since 1906. A key change for the Council will be the imposition of a new duty to change how information is verified by Senior Officers prior to it being passed on to Insurers.	
<b>7.</b>	<b>Bids for Financial Assistance</b>	
<b>7.1</b>	<b>E&amp;C – Old Road School</b> This bid related to the provision of a secure foyer to the main school building. It was agreed that the Departmental Bid for £8,250 (50% of the estimated gross cost of £16,500) be approved, subject to confirmation of the costs by the Area Senior Inspector – Property Division (Environment).	
<b>7.2</b>	<b>E&amp;C – Pwll C P School</b> This bid related to the provision of boundary fencing and gate access at Pwll C P School. It was agreed that the Departmental Bid for £9,000 (50% of the estimated gross cost of £18,000) be approved.	
<b>7.3</b>	<b>E&amp;C – Ysgol Y Castell, Kidwelly</b> This bid related to the provision of electronic, fob-controlled door security system at Ysgol Y Castell. It was agreed that the Departmental Bid for £1,593 (50% of the estimated gross cost of £3,185) be approved.	



7.4	<p><b>E&amp;C – St John Lloyd</b>  This bid related to the provision of security fencing on the south eastern boundary of the School.  Areas for concern had also been identified at the neighbouring school site – St Mary’s Primary School.  It was agreed that a decision in relation to this bid be deferred subject to investigating the possibility of submitting a joint bid with St Mary’s School to ensure best value for money.</p>	
7.5	<p><b>E&amp;C – Dafen Primary School</b>  This bid related to the provision of fencing and gate access at Dafen Primary School.  It was agreed that the Group were unable to approve or reject this bid based on the information provided to date.  The Council’s Health &amp; Safety Officer to liaise with the Area Senior Inspector (Property) to investigate and report back to the Group.</p>	
7.6	<p><b>E&amp;C – Johnstown Primary School</b>  This bid related to the provision of safeguarding and security measures to include :-  Boundary fencing and gate access  External doors incorporating electronic fob controlled access  Signage  It was agreed that the Departmental Bid for £11,750 (50% of the estimated gross cost of £23,500) be approved.</p>	
7.7	<p><b>ENV – Highways Depot, Unit 10, Trostre</b>  This bid related to the provision of security improvements to the Highways Depot at Unit 10, Trostre.  It was agreed that the Departmental Bid for £900 (50% of the estimated gross cost of £1,800) be approved, subject to clarification that the works comply with the Council’s CCTV Policy.</p>	<b>PS</b>
8.	<p><b>Any Other Business</b>  It was agreed that a financial report be provided at the next Risk Management Steering Group, detailing the bids approved to date for the financial year 2016/17</p>	
9.	<p><b>Next Meeting</b>  Date to be advised</p>	

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**MINUTES OF THE GRANTS PANEL MEETING HELD ON  
13<sup>th</sup> SEPTEMBER 2016 IN THE COMMITTEE ROOM 2, 3 SPILMAN  
STREET**

**DATE: 14<sup>th</sup> September 2016**

**PRESENT:** Owen Bowen, Interim Head of Financial Services  
Helen Pugh, Audit & Risk Manager  
Rhian Phillips, European Programmes Manager  
Delyth Thomas, Grants Compliance Officer (GCO)  
Simon Davies, Chair of PWG, Education & Children’s Services  
Les James, Chair of PWG, Community Services  
Julie Owens, Financial Audit Team Leader, Wales Audit Office (WAO)

**APOLOGIES:** Stuart Walters, Interim Economic Development Manager  
Helen Morgan, Interim Economic Development Manager  
Alan Howells, Chair of PWG, Environment

	<b>SUBJECT</b>	<b>ACTION</b>
1.0	<p><b><u>Minutes of the last meeting</u></b></p> <ul style="list-style-type: none"> <li>The minutes were agreed.</li> </ul>	
2.0	<p><b><u>Matters Arising</u></b></p> <ul style="list-style-type: none"> <li>Responses are still outstanding from the chairpersons of the PWGs to the detailed report provided by WAO for the Certification of Grants &amp; Returns 2014/15. DT to follow up initially and refer any non-responses to OB</li> <li>Advice has been provided by the Legal Section on how the Authority should manage document retention in order to meet both the WG and the Authority’s retention requirements. Each project will need to be considered on a case-by-case basis. When the Authority’s deadline for document retention has been reached then there is a requirement to contact WG for approval to destroy them. Email to be sent to the chairpersons of the PWGs and the Group Accountants to take to their respective DMT meetings.</li> <li>WAO to arrange a meeting with the GCO to review the Joint Protocol for the Certification of Grant Claims and Returns. It is intended that the protocol be streamlined before final agreement by the Authority.</li> </ul>	<p>OB/DT/ SW/AH</p> <p>DT</p> <p>JO/OB</p>
3.0	<p><b><u>Wales Audit Office - Update</u></b></p> <ul style="list-style-type: none"> <li>An update was received from WAO on the audits of grants/returns for the financial year 2015/2016:</li> </ul>	

	<b>SUBJECT</b>	<b>ACTION</b>
	<ul style="list-style-type: none"> <li>○ The audit of the Pooled Budgets Return to be reviewed and signed off by end of September</li> <li>○ Audit work has started on the Housing Benefit Return and NNDR Return</li> <li>○ The audit of the Teachers Pension Return and the Communities First Grant Claim is due to commence in October.</li> <li>• All other grants &amp; returns for 2015/2016 are due to be submitted by the end of September 2016. WAO to compile a timetable for the audit of each grant/return with an aim to complete all audits by the beginning of December 2016.</li> <li>• The Certification Instructions that detail the testing requirements for each grant and return have been forwarded by WAO to the GCO. These have been forwarded to the respective Project Managers.</li> </ul>	JO
4.0	<p><b><u>Internal Audit (IA) - Update</u></b></p> <ul style="list-style-type: none"> <li>• Pembrokeshire County Council (PCC), as the lead Authority on ERW, has not required an audited claim for the Education Improvement Grant (EIG) for the 1<sup>st</sup> quarter of 2016/2017. Audited claims are required for the other quarters.</li> <li>• The audit of the Pupil Deprivation Grant for 2015/16 is due to be completed by end of November 2016. However, the Authority is still waiting for testing instruction from PCC, being the lead Authority on ERW.</li> <li>• The audit of the grant for the Regional Co-ordinator for Supporting People is currently with IA. A meeting is due to be undertaken to start the audit process on the main Supporting People Grant, which is due to be completed by the end of September.</li> <li>• Final audit reports are still to be issued for the following grants: <ul style="list-style-type: none"> <li>○ Pooled Budgets</li> <li>○ Major Repairs Allowance</li> <li>○ NRW Grants – Wales Coastal Path, Rights of Way Improvement Programme &amp; Joint Working Programme</li> <li>○ Building our Heritage</li> </ul> </li> </ul>	

	<b>SUBJECT</b>	<b>ACTION</b>
	<ul style="list-style-type: none"> <li>Financial Procedures Rules are currently being redrafted. Revised draft version to be forwarded to Grants Panel members to provide feedback on any grant related issues.</li> <li>Revised Procurement Rules are due to be submitted to CMT and Audit Committee for final sign off.</li> </ul>	HP
5.0	<p><b><u>Project Working Groups – Update</u></b></p> <ul style="list-style-type: none"> <li>Minutes of PWG meeting were circulated to Grants Panel members for : <ul style="list-style-type: none"> <li>Community Services – 5/8/16</li> <li>Chief Executives &amp; Corporate Services – 21/3/16</li> </ul> </li> <li>Chairpersons of each of the PWGs to ensure that all projects are covered within the remit of the PWG meetings with a reminder that feedback to the meetings are made on both revenue and capital projects and cover not only financial information but project progress and output information, where applicable.</li> <li>The Grants Register, which records the grant funded projects per service area, for 2016/17 is to be circulated to the chairpersons of the PWGs.</li> </ul>	<p>Chair persons of PWGs</p> <p>DT</p>
6.0	<p><b><u>Action Plan following LSB Review</u></b></p> <ul style="list-style-type: none"> <li>Following the report on the lessons learnt exercise undertaken for the Carmarthenshire Local Service Board (LSB) funded projects an action plan is to be presented in the next meeting</li> </ul>	RP
7.0	<p><b><u>Approval process for the award of grants to Third Parties</u></b></p> <ul style="list-style-type: none"> <li>A request to be made to the Assistant Chief Executive to present a report to CMT for consideration, in relation to the approval process of grants awarded to Third Parties in conjunction with the current Third Party Grant TIC Review.</li> </ul>	OB

	<b>SUBJECT</b>	<b>ACTION</b>
8.0	<p><b><u>Update re projects under New Funding Programmes</u></b></p> <ul style="list-style-type: none"> <li>• The Authority has submitted applications to the WG Building for the Future Programme. Approval is not expected until April 2017.</li> <li>• The application to Visit Wales for the Pendine Visitor Attractor Project is not expected to be approved until April 2017.</li> <li>• The application to the WG's Sustainable Management Scheme for the Tywi Valley Cycle way was not successful.</li> <li>• The first stage of the Business Plan is currently being developed for the Celtic Routes project under the Ireland/Wales Co-operation Programme. Total project costs are estimated at £1.6m. The Authority is the lead with three partners in Ireland, Ceredigion and Pembrokeshire Coast National Park. The submission needs to be made in Euros and as CCC is the lead, there could be a risk due to possible exchange rate variations when reimbursing the Welsh partners.</li> </ul>	
9.0	<p><b><u>Grant Income Outstanding (Convergence)</u></b></p> <ul style="list-style-type: none"> <li>• An email has been sent to PCC in respect of the final grant balance of £7.5k for Materials Efficiency. The Authority is waiting for a response.</li> <li>• The Authority is currently in discussion with WEFO in respect of the final grant payment by WEFO for the Property Development Fund project. The Authority has calculated an underpayment of £11k</li> <li>• There are outstanding issues that need to be finalised in respect of the Coastal project. Head of Financial Services to review the outstanding issues with the Services manager and the GCO.</li> </ul>	<p>SW</p> <p>OB</p>

	<b><u>SUBJECT</u></b>	
10.0	<p><b><u>AOB</u></b></p> <ul style="list-style-type: none"> <li>• The Grants Register for 2016/2017 was circulated to members of Grants Panel.</li> <li>• Themes that have arisen in recent audits are to be quantified for discussion at the next Grants Panel meeting: <ul style="list-style-type: none"> <li>○ Method of Property Services Charges</li> <li>○ Coding Structure in line with grants</li> <li>○ Signing of contracts/agreements with delivery partners following award of grant</li> </ul> </li> </ul>	All
11.0	<ul style="list-style-type: none"> <li>• Date of next meeting – 16<sup>th</sup> November 2016 2:00pm in the Resources Conference Room, County Hall</li> </ul>	

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## **AUDIT COMMITTEE**

### **Friday 30 September 2016**

**PRESENT:** Councillor C.P. Higgins (Chair)

**Councillors:**

J.S. Edmunds (In place of W.G. Thomas), H.A.L. Evans, J. James, J.D. James, E.G. Thomas and D.E. Williams

**The following Officers were in attendance:**

C. Moore, Director of Corporate Services;  
I. Jones, Head of Leisure;  
P. Sexton, Head of Audit, Risk and Procurement;  
C. Daniels, Senior Sports and Leisure Manager;  
J. Gravelle, Revenue Services Manager;  
H. Pugh, Audit & Risk Manager;  
O Bowen, Chief Accountant;  
S. Murphy, Senior Solicitor;  
L. Walters, Senior Business Support Manager (Social Care);  
C. Jones, Principal Procurement Officer;  
M.S. Davies, Democratic Services Officer.

**Chamber, County Hall, Carmarthen - 10.00 am - 12.20 pm.**

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors A.G. Morgan, G.B. Thomas and W.G. Thomas.

**2. DECLARATIONS OF PERSONAL INTERESTS**

There were no declarations of personal interest.

**3. INTERNAL AUDIT PLAN 2016/17 UPDATE**

The Committee considered a report providing an update on progress made on the implementation of the Internal Audit Plan 2016/17. Part A of the report provided a progress report on the Audit Plan 2016/17 and a recommendations scoring matrix whilst Part B provided a summary of completed final reports for 2015/16 relating to key financial systems (April 2015 to date).

**RESOLVED that, for monitoring purposes, the 2016/17 Internal Audit Plan update be received.**

#### **4. INTERNAL AUDIT CHARTER 2016/19 UPDATE**

The Committee considered an Internal Audit Charter 2016/19 which had been developed by the Internal Audit Unit and which detailed the framework within which the Unit operated.

**RESOLVED to approve the Internal Audit Charter 2016/2019.**

#### **5. REVIEW OF AUDIT COMMITTEE**

The Committee considered a report which summarised the outcomes of a recent review session for members of the Audit Committee which had convened to 'review the remit of Audit Committee to make sure it is delivering what is expected of it' in line with the Welsh Audit Office's 'Proposal for Improvement' arising from its last Corporate Assessment. [It was noted that Mrs. Julie James, External Voting Member, had also attended the session.

**RESOLVED to note the agreed outcomes.**

#### **6. AUDIT COMMITTEE FORWARD WORK PROGRAMME**

The Committee considered the Annual Forward Work Programme which detailed expected Agenda Items for the 2016/17 Audit Committee Cycle.

**RESOLVED that the Forward Work Programme be received.**

#### **7. COASTAL FACILITIES ACTION PLAN UPDATE**

The Committee received for consideration a progress report on the operation of the Coastal Facilities Action Plan. The report summarised the work undertaken to date by the Coastal Facilities team to continue to improve its processes as identified by the Audit and Risk Manager at the meeting held on 22<sup>nd</sup> March, 2016.

The following issues were raised on the report:-

- The Head of Leisure, in response to a query, stated that the need to invest in the Park was well recognised and the Masterplan had been supported by the Executive Board;
- The Head of Leisure outlined the measures being taken to resolve the catering issues at the Park which included an extended café at the ski shop for an interim period whilst refurbishment work was being undertaken;
- The Committee was reassured that appropriate measures and procedures were being put in place to address the increased cash flow at the park since the establishment of the caravan site.

**RESOLVED that progress on the Coastal Facilities Action Plan be noted and that the Committee be kept apprised of developments.**

## 8. REVISED CONTRACT PROCEDURE RULES

The Committee considered revised Contract Procedure Rules which took into account a number of changes in procurement regulations and procurement arrangements. The revisions followed detailed consultations with key stakeholders, including legal and audit, to bring them up to date and to reflect changes introduced by the Public Contracts Regulations, transposed into UK Law in February 2015.

The Director of Corporate Services commented that there would be a move towards electronic tendering accessed via the central procurement unit which would ensure increased monitoring.

Members welcomed the strengthening of the contract procedures.

**RESOLVED to approve the revised Contract Procedure Rules and thank all staff involved.**

## 9. WALES AUDIT OFFICE REPORTS

The Chair welcomed to the meeting Messrs. Richard Stradling and Jason Garcia of the Wales Audit Office (WAO).

### 9.1. CARMARTHENSHIRE COUNTY COUNCIL AUDIT OF FINANCIAL STATEMENTS REPORT

The Committee was reminded that at its meeting held on the 8<sup>th</sup> July, 2016 members had received the Authority's Statement of Accounts for 2015/16. Subsequent thereto the Wales Audit Office was required to undertake an audit and to give an opinion as to the accuracy and fairness of the Statement.

The Committee's attention was drawn to the detailed report where the Wales Audit Office found that there were no misstatements identified in the financial statements which remained uncorrected. The report detailed the more significant issues arising from the audit which had already been discussed with the Director of Corporate Services. As a result the Wales Audit Office intended to issue an unqualified audit report which would be issued as soon as the Letter of Representation had been received.

In terms of previously raised concerns over the need to introduce improved internal quality assurance checks in the Authority's valuation processes the Director of Corporate Services commented that revised procedures were now in place.

The Committee expressed its thanks to the Director of Corporate Services and his staff for their hard work and commitment in the preparation of the County Council's accounts.

**RESOLVED that the report be received.**

### 9.2. DYFED PENSION FUND AUDIT OF FINANCIAL STATEMENTS REPORT.

The Committee received for consideration the report of the Wales Audit Office on the audit undertaken of the Dyfed Pension Fund Accounts which considered whether the financial statement gave a true and fair view of the financial position of

the Dyfed Pension Fund at 31<sup>st</sup> March, 2016 and its income and expenditure during that year.

The Committee's attention was drawn to the detailed report where the Wales Audit Office found that there were no misstatements identified in the financial statements which remained uncorrected. A number of minor misstatements had been corrected by management. As a result the Wales Audit Office intended to issue an unqualified audit report on the Dyfed Pension Fund financial statements as soon as the Letter of had been received.

**RESOLVED that the report be received.**

### **9.3. AUDIT COMMITTEE UPDATE - SEPTEMBER 2016**

The Committee considered a report providing an update on the audit work undertaken/to be undertaken on the Authority by the Wales Audit Office since the last meeting.

**RESOLVED, that the report be received.**

### **9.4. BURRY PORT HARBOUR - LIMITED ASSURANCE REVIEW CONCLUSIONS**

The Committee considered a letter from the Auditor General for Wales which stated that he had completed his responsibilities in respect of the annual statement of accounts relating to harbour activities for Burry Port Harbour Authority for the year ending 31 March 2016 under the requirements of Harbours Act 1964 and the Public Audit (Wales) Act 2004.

**RESOLVED that the letter be received.**

### **9.5. CERTIFICATE OF COMPLIANCE - AUDIT OF CARMARTHENSHIRE COUNTY COUNCIL'S COMBINED 2016-17 IMPROVEMENT PLAN AND ASSESSMENT OF 2015-16 PERFORMANCE**

**RESOLVED to note the Certificate of Compliance issued by the Auditor General for Wales following the Audit of the Council's Combined 2016-17 Improvement Plan and Assessment of 2015-16 Performance.**

### **9.6. NATIONAL FRAUD INITIATIVE 2014-15**

The Committee had been circulated with the above report produced by the Auditor General for Wales for presentation to the National Assembly under the Public Audit (Wales) Act 2004.

It was suggested that it might be beneficial for the Committee to receive a biannual report on any fraud investigations conducted in Carmarthenshire linked to the services it provided.

**RESOLVED that the report be noted.**

**10. LETTER OF REPRESENTATION 2015/16 TO WALES AUDIT OFFICE - CARMARTHENSHIRE COUNTY COUNCIL**

The Committee was advised that in accordance with the Statement of Auditing Standards (SAS440 – Management Representations), the Wales Audit Office required a Letter of Representation to be prepared on an annual basis by the Authority's Section 151 Officer and signed by the aforesaid Officer and the Chair of the Audit Committee. In addition, the Wales Audit Office required the Committee responsible for approving the accounts under Regulation 8 of the Accounts and Audit Regulations to formally acknowledge the response of the Section 151 Officer.

**RESOLVED that the Letter of Representation to the Wales Audit Office prepared by the Section 151 Officer be acknowledged.**

**11. AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT - CARMARTHENSHIRE COUNTY COUNCIL**

The Committee had been circulated with a report detailing responses to requests made by the Wales Audit Office [WAO] of both management and the Audit Committee in order for the WAO to meet the requirements set out in International Standards on Auditing (ISAs) to formally seek the Authority's documented consideration and understanding on a number of governance areas that impact on the audit of the financial statements. These considerations were relevant to both the Council's management and 'those charged with governance' (the Audit Committee). The information provided informed the WAO's understanding of the Council and its business processes and supported the WAO's work in providing an audit opinion on the 2015-16 financial statements.

**RESOLVED to approve the responses to the requests made by the Wales Audit Office of both management and the Audit Committee as detailed in the report.**

**12. LETTER OF REPRESENTATION 2015/16 TO WALES AUDIT OFFICE - DYFED PENSION FUND**

The Committee was advised that in accordance with the Statement of Auditing Standards (SAS440 – Management Representations) the Wales Audit Office required a Letter of Representation to be prepared on an annual basis by the Authority's Section 151 officer and signed by the by the aforesaid Officer and the Chair of the Audit Committee In addition, the Wales Audit Office required the Committee responsible for approving the accounts under Regulation 8 of the Accounts and Audit Regulations to formally acknowledge the response.

**RESOLVED that the Letter of Representation to the Wales Audit Office prepared by the Section 151 Officer be acknowledged.**

**13. AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT - DYFED PENSION FUND**

The Committee had been circulated with the Authority's responses to the Welsh Audit Office on a number of governance areas that impacted on the audit of the financial statements. These considerations were relevant to both the Dyfed Pension Fund's management and 'those charged with governance' (the Audit Committee). The information provided informed the WAO's understanding of the Dyfed Pension Fund and its business processes and supported its work in providing an audit opinion on the 2015-16 financial statements.

**RESOLVED to approve the responses to the requests made of both management and the Audit Committee.**

**14. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2015/16**

In accordance with the provisions of the Accounts and Audit (Wales) Regulations 2014, the Committee received for approval the post-audit Statement of Accounts 2015/16 in respect of Carmarthenshire County Council and the Dyfed Pension Fund. The Statement brought together all the financial transactions of the Authority and the Pension Fund for the year, and also detailed both the Authority's and its Pension Fund's assets and liabilities as at 31<sup>st</sup> March, 2016.

The Committee again expressed its appreciation to all the officers involved in the production of an excellent set of accounts.

**RESOLVED that the Statement of Accounts for 2015/16 (Carmarthenshire County Council and the Dyfed Pension Fund) post audit be approved.**

**15. BURRY PORT HARBOUR FINANCIAL STATEMENT 2015/16**

In accordance with the provisions of the Accounts and Audit (Wales) Regulations 2014, the Committee received for approval the post-audit Statement of Accounts 2015/16 in respect of Burry Port Harbour.

**RESOLVED that the accounting statement for burry port harbour for 2015-16 post audit be approved.**

**16. SUMMARY REPORT ON THE COMPLETION OF EU FUNDED SCHEMES UNDER THE CONVERGENCE PROGRAMME (2007-2013)**

The Committee considered a report which provided a summary of completed externally funded schemes within Carmarthenshire funded by Wales European Funding Office (WEFO) under the European Convergence Funding Programme (2007-2013), together with the results of audits and any amendments during 2014-15 and 2015-16.

**RESOLVED that the report be received.**

**17. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE**

**17.1. CORPORATE GOVERNANCE GROUP - 10TH JUNE 2016**

**RESOLVED** that the minutes of the meeting of the Corporate Governance Group held on the 10<sup>th</sup> June, 2016 be received.

**17.2. GRANTS PANEL - 27th JULY 2016**

**RESOLVED** that the minutes of the meeting of the Grants Panel held on the 27<sup>th</sup> July, 2016 be received.

**18. MINUTES**

**RESOLVED** that the minutes of the Audit Committee held on the 8<sup>th</sup> July, 2016 be signed as a correct record.

\_\_\_\_\_  
**CHAIR**

\_\_\_\_\_  
**DATE**

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