



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report: 2016-17 – City and County of Swansea

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Samantha Clements and Steve Barry under the direction of Jane Holownia.

**Huw Vaughan Thomas  
Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ**

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. 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. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

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

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

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

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

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# Summary report

## 2016-17 performance audit work

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

## The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.

## Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
  - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection, and publish a report and make recommendations; and
  - recommend to ministers of the Welsh Government that they intervene in some way.
- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

## Audit, regulatory and inspection work reported during 2016-17

### Exhibit 1: audit, regulatory and inspection work reported during 2016-17

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Governance</b>			
June 2017	<p><b>Good governance when determining service changes</b> Review of the Council's governance arrangements for determining service changes.</p>	<p>The Council has a clear governance framework for determining significant service change but needs to clarify how the impact of change for service users will be evaluated:</p> <ul style="list-style-type: none"> <li>the Council has a clear vision and framework to support decision making for significant service change;</li> <li>roles and responsibilities for service change decisions are clear and understood by members and officers;</li> <li>the Council's appraisal of service options are well supported by impact assessments and clear selection criteria; and</li> <li>commissioning reviews describe intended outcomes but have not consistently explained how the impact of change will be evaluated in the future.</li> </ul> <p>The Council has evaluated and refined the commissioning review process</p>	<p>P1 Improve public access to information about the Council's Commissioning Review activity and outcomes by linking together all the web site information about the overall programme and signposting its availability.</p> <p>P2 Whilst potential financial savings are consistently identified the Council should ensure that the process for concluding a review consistently identifies the intended impact for service users and the means by which that impact will be evaluated in the future.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Use of resources</b>			
November 2016	<p><b>Annual audit letter 2015-16</b> Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in <a href="#">Appendix 2</a> of this report.</p>	<ul style="list-style-type: none"> <li>The Council complied with its responsibilities relating to financial reporting and use of resources;</li> <li>The Auditor General is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and</li> <li>has issued a certificate confirming that the audit of the Financial Statements has been completed on 29 September 2016.</li> </ul>	None
March 2017	<p><b>Savings planning</b> Review of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience.</p>	<p>Whilst the Council has a sound financial planning framework it recognises the delay in delivering savings plans to required timescales presents risks to its financial resilience:</p> <ul style="list-style-type: none"> <li>the Council has reported achievement of 84% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered;</li> <li>whilst the Council has an effective financial planning framework and a proactive approach to income generation, future savings plans are underdeveloped; and</li> <li>the Council has an effective financial planning framework and a proactive approach to income generation, but future savings plans are underdeveloped; and</li> </ul>	<p>P1 Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> <li>ensuring that savings plans are sufficiently well developed and risk assessed before inclusion in the budget;</li> <li>assigning responsibility for the delivery of all planned savings to specific managers' services.</li> </ul>

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Local risk-based performance audit</b>			
<b>Improvement planning and reporting</b>			
May 2016	Wales Audit Office annual improvement plan audit Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	None.
November 2016	<b>Wales Audit Office annual assessment of performance audit</b> Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None.



Issue date	Brief description	Conclusions	Proposals for improvement
<b>Reviews by inspection and regulation bodies</b>			
July 2016	<a href="#"><u>CSSIW: National review of domiciliary care in Wales - City and County of Swansea</u></a>	<p>Areas for Consideration</p> <ul style="list-style-type: none"> <li>• the Council should consider carrying out a thorough evaluation of the in-house service in order to ensure service delivery is cost effective. To include an impact assessment to measure the effect of this service on both domiciliary care delivery, recruitment and retention of care staff in the sector and continued growth and development in the independent sector.</li> <li>• in offering packages of care to providers, the council must ensure information is provided in sufficient detail to enable holistic and person centred care to be delivered.</li> <li>• the Council need to further consider the impact of imposing a geographical model of commissioning in relation to user choice and the provider's ability to develop a sustainable business.</li> <li>• adult safeguarding processes must consider the position of the provider within the framework. Providers should be involved in the identification and investigation of poor practice and alleged abuse of vulnerable service users where this is appropriate.</li> <li>• the Council may wish to consider the development of a joint workforce strategy with the independent provider sector to include recruitment and retention, and training and development of the workforce.</li> <li>• a dialogue needs to take place with the whole independent sector to reach agreement on the definition of missed and late calls. A regional approach may assure consistency of understanding in relation to cross boundary working.</li> <li>• the Council should consider the impact and efficacy of 20 minute calls in delivering person centred care.</li> </ul>	See conclusions.

# Appendix 1

## Status of this report

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

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

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

# Appendix 2

## Annual Audit Letter

Councillor Rob Stewart  
Leader  
City & County of Swansea  
The Guildhall  
Swansea  
SA1 4PE

**Reference:** 631A2016

**Date issued:** November 2016

Dear Councillor Stewart,

## Annual Audit Letter – City & County of Swansea and Pension Fund 2015-16

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

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

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare Financial Statements 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 29 September 2016 I issued an unqualified audit opinion on the Financial Statements confirming that they present a true and fair view of the Council's and Pension Fund's financial position and transactions. My report is contained within the Financial Statements. The key matters arising from the audit of the Financial Statements were reported to Members at the Council Meeting on 22 September 2016, in my Audit of Financial Statements report.

Overall, the Financial Statements and associated working papers provided for audit were of a good standard. Your officers were helpful and supplied us with all the information we requested. I reported to you the more significant issues arising from our audit, which are summarised below:

- **C&CS Financial Statements** – further work is required to improve the Council's arrangements for accounting for fixed assets including the accounting treatment of non-enhancing capital expenditure, investment assets and council house land. The Council also needs to review its journal authorisation controls and limits and ensure that authorised signatory lists are up to date.
- **C&CS Pension Fund Financial Statements** – a number of amendments were made to the draft Financial Statements which increased the value of investments by £1,513,000. Controls over manual journals, the recording of pensioner numbers, year-end reconciliations between payroll and the pensions systems and compliance with the Statement of Investment Principles also need to be improved.

Since completion of the audit we have held a joint Post Project Learning exercise with your Finance officers. We have identified areas where we can both learn from this year, and make improvements for the future. We have set up regular meetings to take these issues forward and to start preparations for the challenges that will be brought about by future requirements to bring forward the accounts preparation and audit.

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

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

## **I issued a certificate confirming that the audit of the Financial Statements has been completed on 29 September 2016**

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 financial statements or key financial systems.

A more detailed report on my grant certification work will follow early in 2017 once this year's programme of certification work is complete.

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

Yours sincerely,

**John Herniman**

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

cc. Phil Roberts, Chief Executive

Mike Hawes, Head of Finance & Delivery

# Appendix 3

## National report recommendations 2016-17

### Exhibit 2: national report recommendations 2016-17

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

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

Date of report	Title of review	Recommendation
November 2016	<a href="#"><u>Charging for Services and Generating Income by Local Authorities</u></a>	<p>This report made eight recommendations, of which six required action from local authorities. Recommendations R4 and R6 required action from the Welsh Government and Welsh Local Government Association:</p> <p>R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the Medium Term Financial Plan and the Corporate Plan.</p> <p>R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</p> <p>R3 Use the impact assessment checklist whenever changes to charges are considered.</p> <p>R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</p> <p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> <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> <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p>



Date of report	Title of review	Recommendation
January 2017	<a href="#">Local Authority Funding of Third Sector Services</a>	<p>This report made three recommendations, of which two required action from local authorities. Recommendation R3 required action from the Welsh Government:</p> <p>R1 To get the best from funding decisions, local authorities and third sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third sector bodies in developing their working practices, we recommend that local authority and third sector officers use the <a href="#">Checklist for local authorities effectively engaging and working with the third sector</a> to:</p> <ul style="list-style-type: none"> <li>• self-evaluate current third sector engagement, management, performance and practice;</li> <li>• identify where improvements in joint working is required; and</li> <li>• jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation.</li> </ul> <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p>

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)