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Annual Letter for 2008-09

Monmouthshire County Council

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Summary

1. This Annual letter (the Letter) sets out the key messages arising from audit and inspection work undertaken over the last 12 months. It draws on published reports of other inspectorates to provide an annual summary of findings and conclusions to Monmouthshire County Council (the Council).
2. The Appointed Auditor's conclusions on the Council's accounts are generally positive in that the Council has complied with financial and performance improvement reporting requirements. However, the Council faces significant financial challenges and there are financial risks associated with the administration of Housing Benefits as set out in paragraphs five to 31.
3. The Relationship Manager (RM) has concluded that reviews of services and corporate arrangements indicate that the Council is improving its services but that corporate arrangements require development and co-ordination in order to better support delivery of the Council's strategic objectives.
4. Appendix 1 sets out the roles of the Appointed Auditor and RM.

The Council has complied with financial and performance improvement reporting requirements

The Council had appropriate arrangements to administer and report financial matters and to secure value for money in its use of resources in 2008-09, but is facing significant financial pressures in delivering its budget and financial risks associated with the administration of Housing Benefits

5. 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;
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources; and
 - provides the Assembly Government/HM Treasury with information required for the production of the Whole of Government Accounts (WGA).
6. The Code of Audit and Inspection Practice (the Code) requires us 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.
7. In addition, we review and report upon grant claims and returns, including the WGA Return, prepared by the Council.
8. We issued a certificate confirming that the audit of the accounts has been completed on 29 September 2009.

The Statement of Accounts for 2008-09 was better supported than previous years, prepared in accordance with statutory requirements and presented fairly the financial position and transactions of the Council

9. The Statement of Accounts is an essential means by which the Council demonstrates stewardship of the resources at its disposal and its financial performance in the use of those resources.

10. Our audit has identified that, in all material respects, the Financial Statements for 2008-09 present fairly the financial position of the Council as at 31 March 2009 and on 29 September 2009 we issued an unqualified audit opinion on the accounting statements.
11. For 2008-09, we worked very closely with the Council and considerable time and effort were allocated by the Council to improve its working arrangements. Processes were put in place to address the issues raised in the previous year, allowing:
 - aspects of the accounts production processes to be delegated to other members of staff within finance;
 - the accounts project plan to incorporate the production of detailed working papers and the audit of the accounts;
 - sufficient time and resources being allocated to the accounts process; and
 - improved quality assurance arrangements being introduced to review both the supporting working papers and the accounts overall.
12. The implementation and impact of these revised arrangements were effective. The improvement in the working papers provided to us to support the draft accounts was of particular benefit in facilitating a much smoother audit process. We therefore able therefore to completed the audit in advance of the statutory deadline.
13. Whilst recognising the improvements made, there does remain further scope to refine these arrangements and we will work with officers over the coming months to assist in this development. A number of significant issues and adjustments were also identified during our audit, particularly in relation to Fixed Assets, and these will require further consideration and action by the Council prior to the production of the 2009-10 Financial Statements. These issues have been reported separately to the Council.
14. We have recently completed the audit of the WGA return, this was well compiled and we are satisfied with the arrangements that the council has in place.
15. New requirements for financial reporting will shortly be required under the International Financial Reporting Standards (IFRSs). This may impact on the accounting treatment of the Council's Monnow Vale private finance initiative (PFI) scheme. The Council has engaged with us at an early stage in preparation for this.

The Council had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2008-09 but is facing significant financial pressures which may impact on current service delivery levels and the achievement of future revenue and capital budgets

16. The criteria that we used to assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2008-09 are set out in Appendix 2. Our report is in Appendix 3. As part of this year's assessment of the arrangements for securing value for money, we have also

reviewed progress against the issues raised last year. Overall, we concluded that good progress has been made.

17. Our review of financial management concluded that the Council has appropriate arrangements in place for managing and delivering its revenue budget and its capital programme. The Medium Term Financial Planning (MTFP) process has improved the Council's ability to deliver Corporate Strategic Plan objectives by allocating appropriate financial resources across services. This has recently been updated as part of the ongoing financial management processes within the Council and identifies that the Council is facing significant financial pressures which may impact on current service delivery levels and the achievement of future revenue and capital budgets. Our work identified that:
 - the Council's budgetary control arrangements are becoming more embedded, allowing the 2008-09 budget to be effectively managed and delivered;
 - financial reporting arrangements are continuing to improve resulting in more accurate financial forecasting during 2008-09 but the Council needs to consider the role of Select Committees and Cabinet in this process;
 - the Council has effective systems in place to manage and monitor its capital programme with the majority of reported slippage in 2008-09 being outside of its control; and
 - the Council has a good track record of achieving its revenue budget and has been able to build up its level of reserve, but these will be utilised in future years as the costs materialise.
18. The Council set a balanced revenue budget for 2009-10 and current projections (as at September 2009) forecast that the Council will underspend by approximately £1 million for the full year. However, the budget is already exhibiting some strain in directorates and will need to be closely managed.
19. The Council is continuing to develop and refine its budgetary and financial management processes especially given the significant financial pressures that it faces during 2009-10 and future years. These include:
 - the potential liability arising from historical equal pay claims and new claims arising from the implementation of single status;
 - increasing energy and fuel costs;
 - accommodation needs of the Council, including Agile working and the relocation of the Archives and the School Library services;
 - national and local emphasis on increased waste diversion;
 - the uncertainty in financial markets and the recession leading to increased demand for some services and reduced income from others; and
 - the local government settlement for 2010-11.
20. All of these items will put a considerable financial strain on the Council and represent a significant challenge in respect of delivering an effective level of services, a balanced budget and managing its reserves. The MTFP identifies a potential shortfall in funding of over £3 million for 2010-11 rising to over £15 million by the financial year 2013-14.

21. The Council is aware of these issues as they continue to be highlighted by the Responsible Financial Officer and they are currently identified in the MTFP process, to inform the 2010-11 budgetary process. However, robust financial management is going to be needed across the Council in the current year, together with some very difficult decisions having to be made, and as part of future budget processes, if the Council is going to effectively operate during this current economic climate.

The Council's general grant management arrangements have improved for 2008-09 but there are still significant risks associated with the administration of the Housing Benefit and Council Tax Subsidy

22. The Council has many grant claims that require certification for the various paying departments. Last year we reported considerable weaknesses in the Council's grants management arrangements. We have worked closely with the council and improvements have been made in terms of ensuring improved arrangements in including adhering to the joint working protocol. This has meant that the Council's process for recording grant claims improved significantly during the year which helped to ensure that:
- a comprehensive list has been compiled for the first time of the grant schemes that the Council delivers; and
 - the majority of grant claims have been provided by the deadlines set by the paying departments.
23. We are currently in the process of auditing these claims and the initial indications are that these improvements are also being demonstrated in terms of accuracy and completeness of the claims submitted for audit. We will continue to support the Council in this area and provide an overall report on the issues arising once all the grant claim audit work is complete.
24. We also raised specific concerns during 2008 regarding the accuracy of the Housing Benefit and Council Tax Subsidy grant claim and the apparent lack of widespread knowledge and experience within the department in the production of the claim. This resulted in a considerable number of 'qualifications' on the claim submitted to the Department for Work and Pensions (DWP) for 2007-08. These are still being resolved by the Council, the DWP and verified by the audit team as part of this year's audit. This has resulted in a considerable amount of additional officer and audit input to address these issues.
25. The work to date, on the 2008-09 grant claim, again identifies a significant number of issues in terms of errors and lack of knowledge in certain areas which will result in the majority of the claim again being qualified. These issues are currently being worked through with the Council and a detailed report will be provided when our audit work is complete.
26. We are also in the process of completing an all-Wales thematic piece of work looking at aspects of the Housing Benefit service. The emerging issues identify similar risks as those noted above. Initial findings have been shared, and are currently being discussed, with officers. Once completed a detailed report will be produced for the Council.

The Council's Improvement Plan 2009-10 meets statutory requirements and provides a balanced view of its performance in 2008-09

- 27.** The Council is required, by the Local Government Act 1999 and subsequent guidance issued by the Assembly Government, to publish its Improvement Plan by 31 October each year.
- 28.** We are required to consider whether the Improvement Plan is prepared and published in accordance with statutory requirements and guidance, and to report our findings, including those on the completion of the joint risk assessment, our audit of the Council's Performance Indicators (PIs) and on its performance measurement arrangements.
- 29.** Detailed responsibilities, the scope of our work and the audit certificate are set out in Appendix 4.
- 30.** We, as the external auditors, are required each year, by Section 7 of the Local Government Act 1999, in relation to the Council's improvement plan, to recommend whether the Auditor General should carry out an inspection of the Council under section 10A of the Act. We are also required each year to recommend whether the Welsh Ministers should give a direction under section 15 of the Act. Our recommendations are in Appendix 5.
- 31.** The 2009 Improvement Plan (IP) reports performance during 2008-09 against the National Strategic Indicators. Our work, based on the National Strategic Indicators that are included in the IP and subject to statutory audit, highlights that the Council has robust arrangements for the collection and validation of the performance indicators. Each department has a PI co-ordinator and Internal Audit complete a comprehensive check of the PIs and the process supporting them.

Reviews of services and corporate arrangements indicate that the Council is improving its services but that corporate arrangements require development and co-ordination in order to better support delivery of the Council's strategic objectives

32. The Wales Audit Office and the Council agreed the Wales Audit Office's regulatory plan based on a joint assessment of risks that could adversely affect delivery of the Council's priorities. The work of Estyn and the Care and Social Services Inspectorate Wales (CSSIW) at Monmouthshire forms part of a planned programme of work and was co-ordinated with Wales Audit Office activity.
33. The statutory requirement for the joint risk assessment will be removed from April 2010, and this is the last year that we will agree a risk assessment with the Council. However, the Council may wish to continue to use risk assessment as a useful tool for identification of improvement objectives as required under the new Local Government (Wales) Measure.
34. Inspections and reviews of the Council's services and corporate arrangements found an overall picture of continuing improvement although there is a tendency for services to work on their own and lack corporate direction. There are examples of good practice but these are not harnessed and shared throughout the Council or used to develop a more corporate approach.
35. This was the first year in which all local authorities entered into an improvement agreement with the Assembly Government. The Council set itself specific targets to achieve improvement in certain services and agreed these with the Assembly Government. The Wales Audit Office evaluated information provided by the Council to evidence achievement of the targets. We concluded that the Council has either achieved or made progress towards achieving the majority of its targets as set out in each of the outcomes included in the Improvement Agreements. However, there are a number of targets that the Council has not fully met.

Reviews indicate that the Council is improving its services and responds well to recommendations for further improvements

36. At the end of 2008, Estyn inspected the local authority education services and since November 2008, CSSIW has inspected fostering services, the safeguarding of children, the Local Safeguarding Children Board (LSCB), and adoption in the context of permanency planning. The Youth Offending Team was subject to a joint inspection that reported in March 2009. The inspection team was led by HM Inspectorate of Probation and involved CSSIW, Health Inspectorate Wales and Estyn.

The Estyn review of the local authority education services identified good features with some shortcomings but good prospects for improvement and no major barriers

37. In November 2008 Estyn reviewed the local authority education services, which included strategic management, support for school improvement, promotion of social inclusion and wellbeing, additional learning need, access and school organisation and support services. Estyn concluded that four of these six areas had good features and no important shortcomings. They judged strategic management and promoting social inclusion and wellbeing as having good features which outweigh shortcomings. However, Estyn concluded that the improvement prospects for all six services areas are good, with no major barriers.
38. Following finalisation of the report, Estyn received the post inspection action plan within the agreed timescale. Estyn have judged that the Local Education Authority is currently making good progress with the plan and is working well with a wide variety of other groups to plan future improvements.

The CSSIW review of the effectiveness of the Council's arrangements to safeguard and protect children identified strengths in the service but improvement measures are required to make the service more than satisfactory

39. This report provides an overview of the effectiveness of arrangements to safeguard and protect children within the Council. The CSSIW concluded that the Council's self audit was well developed, setting out an assessment of strengths and areas for development.
40. The fieldwork carried out by the review team supported the Council's own findings. Senior managers agreed with the review team that improvement measures in respect of managerial and practice arrangements are needed to take Children's Services beyond being just satisfactory or good enough.
41. The review identified a number of strengths:
- There is good political and corporate support for safeguarding children with established scrutiny arrangements in place. Senior elected members are undertaking a review of the effectiveness of safeguarding partnership and practice arrangements.
 - There are sound working relationships between the Director of Social Services, the Head of Children's Services and the Corporate Director of Lifelong Learning and Leisure who has the Lead Director role for children.
 - There are appropriate systems for responding to and managing risk, including the investigation of potential harm to children.
 - There are well-established partnership arrangements that assist joint working, with good attendance of appropriate partner agency staff at strategy meetings, case conferences and reviews.
 - Care management is child focused and there were some good examples of direct work with children. There are a range of in-house and partner agency

services to assist vulnerable children and their families, including provision by the voluntary sector.

42. However, the review also identified that the Council needs to make some improvements. These include:
- improving the timeliness and quality of initial and core assessments, particularly in respect of analysis and care planning;
 - strengthening arrangements for managing contacts, referrals and case allocation;
 - improving management oversight, input into decision making and supervision arrangements;
 - managing morale during a period of change, which although generally good remains fragile; and
 - the continuing development of performance management information and improvement of ICS and in-house IT systems.
43. The CSSIW concluded that managers need to more fully engage the workforce in helping shape and take forward the improvement agenda. The Council will monitor and evaluate such improvement measures over the coming year to assess their effectiveness to deliver what managers described as a significant and necessary cultural shift in children's services.

Monmouthshire Local Safeguarding Children Board has made satisfactory progress in co-ordinating the activities of each person and agency on the board and has improved the effectiveness of delivering its work

44. The CSSIW reported in October 2009 on the effectiveness of the Monmouthshire Local Safeguarding Children Board (MLSCB) arrangements to safeguard and protect children within its area.
45. The review concluded that there had been a satisfactory transition from the previous Area Child Protection Committee (ACPC) to the MLSCB. Local Safeguarding Children Boards are required to co-ordinate the activities of each person or body represented on the Board in relation to safeguarding and promoting the welfare of children in their area and to ensure the effectiveness of those activities. Each Board partner retains their own existing lines of accountability for safeguarding and promoting the welfare of children by their services. The LSCB does not have power to direct other organisations.
46. The review identified strengths in co-ordination of the MLSCB and the effectiveness of its arrangements. These include:
- strategic coherence and agreed accountabilities with other partnership bodies to deliver the safeguarding agenda;
 - effective partnership working by MLSCB in delivering its remit;
 - members of the MLSCB are senior agency representatives and provide appropriate expertise;
 - the business plan has been updated and informed following the self audit;
 - the Board is improving its quality assurance and business processes;
 - key Board members are engaged appropriately on sub-groups; and

- the Board is developing an increasingly outcome-focused approach on its work to safeguard children.
47. The review however, did identify some risk areas and areas for improvement:
- sustaining the engagement of appropriate health and police agency representatives during times of reorganisation for both services;
 - communication and information sharing to underpin effective interagency management;
 - improving frontline safeguarding practice; and
 - developing an effective range of multi-agency safeguarding training and professional development for practitioners and managers.

The Council has made progress in the implementation of the Adoption and Children Act 2002 and its accompanying regulations but some work needs to be undertaken before all the requirements are fully implemented

48. During the year, the CSSIW inspected the Council's adoption agency and its arrangements for securing permanence, including arrangements for assessment, care planning, placements and adoption services.
49. The Council's adoption service was last inspected in September 2005 and since that time the Adoption and Children Act 2002 and accompanying regulations have come into force. The implementation of the new legislation has posed significant challenges for all local authorities because the services had to review and update all existing policies and procedures, and train staff and key stakeholders about the changes.
50. Since the last inspection the Council, in conjunction with Torfaen County Borough Council, has set up a joint adoption agency that is managed by an experienced and knowledgeable adoption practitioner. The authorities have jointly funded a specialist team with qualified and experienced social workers and this includes an Adoption Support Services Advisor (ASSA). The Council has made a positive contribution to the development of the adoption agency and there is a commitment from senior managers to ensure this service is developed effectively and in the best interests of children.
51. The joint service will provide more opportunity for the development of a service that can focus on improving outcomes for children, through the provision of specialist training and shared resources, for example, a greater choice in the selection of adoptive families. Inspectors found that social workers were clearly seeking the best possible outcome for the child, and managers and social workers were positive about the specialist knowledge and expertise of this experienced team.
52. This inspection considered the progress made by the Council in implementing the Adoption and Children Act 2002 and its accompanying regulations, and concluded that whilst progress has been made services need to do further work to implement all the requirements. The major recommendations include:
- further development of policies and procedures to meet requirements of the legislative framework and for achieving permanency for looked after children through routes other than adoption;

- providing more provision and systematic access to a full range of adoption support services;
- putting in place adoption support plans in order that the ongoing needs of children are addressed and that these are subject to review;
- further work to ensure permanency planning is fully embedded in practice;
- ensuring staff are trained and equipped with the skills and knowledge to ensure that the work undertaken with children demonstrates that all decisions are made in their best interests;
- ensuring case records reflect the child's history and 'story';
- drafting of a business plan that sets out clearly the service priorities agreed resources and the collective responsibilities for the local authorities and the adoption agency;
- developing a joint strategy to ensure the adoption agency develops to meet the needs of children requiring permanence within the authority and its neighbouring authorities;
- developing and strengthening internal processes for monitoring care plans and introducing more effective quality assurance mechanisms; and
- reviewing the policy on file management to ensure a record is available for access in the future by those affected by adoption.

The Council is making improvements to its fostering service

- 53.** In February 2008, CSSIW inspected the Council's fostering service. The inspection covered policies, procedures and information, management and staffing of the service (including premises and finance), provision of foster carers (including fostering panel), quality of care and safety for children placed, placement of children, records, short-term placements and family and friends as carers.
- 54.** During 2008, the fostering and adoption services were separated and the Council established a separate fostering service. However, at this time of organisational change there were significant staffing changes at the service and management level.
- 55.** The inspection found that the new manager is putting improvements in place, for example:
- the fostering service is now fully staffed and indicators were that the service is beginning to settle;
 - a number of positive developments were in progress with individual staff taking a lead role in each of them and staff all spoke very positively of the new manager;
 - the fostering service has clear processes for support of carers although the training strategy for carers and staff would benefit from revision and the support groups are currently being re-established;
 - the new manager is addressing the lateness of carer reviews and has scheduled action in the coming year to ensure all carer reviews are completed in a timely way to deliver compliance with regulations; and

- the foster panel generally works well with panel members preparing carefully for panel meetings.

The Youth Offending Team is performing well in many areas of its practice

56. The Youth Offending Team (YOT) provides services to the two local authorities of Monmouthshire County and Torfaen County Borough and is based in the Children's Services Division of the Social and Housing Services Directorate of Monmouthshire County Council.
57. The joint inspection team concluded that the YOT is beginning to contribute effectively to the broader strategic framework for children's services in both authorities. The YOT is performing well in many areas of its practice through some good quality work delivered by committed, motivated and well-managed staff. A range of interventions is available, both for children and young people at risk of offending and those who have offended. Good quality services are also provided to parents/carers and victims of crime.
58. The process for assessing and managing risk of harm to others and vulnerability requires further attention as does the provision of a bilingual service. The inspection report contains a number of recommendations to assist the team in consolidating its existing work and continuing to make progress.

Wales Audit Office reviews of the Council's corporate arrangements identified scope for their further development and co-ordination so that they better support the Council in working to deliver its strategic objectives

The Medium Term Financial Planning process has improved the Council's ability to deliver Corporate Strategic Plan objectives by allocating appropriate financial resources across services, but it needs to mature further

59. Over several years, the Council has developed and adopted different approaches to identify priorities and non-priorities and ensure resources are targeted effectively. The approaches included analysis techniques and a prioritising model which gave objective weightings to elements that influence political decisions on priority. These initiatives achieved only partial success.
60. In response to budget forecasts that indicate significant and challenging resource issues, and also to Wales Audit Office recommendations, the Council has adopted a Medium Term Financial Plan (MTFP) which is intended to:
- move the Council from a short-term to a medium-term planning cycle;
 - direct resources towards priorities;
 - address identified risks;
 - quantify the budget deficit to 2011-12; and
 - engage stakeholders in key decisions relating to plan implementation.

61. The Wales Audit Office and the Council agreed that it was appropriate to evaluate the impact of the MTFP because:
- 2008-09 was the first year of the MTFP;
 - other systems of prioritisation have not worked, but have provided a foundation for the development of the MTFP process and plan; and
 - assurance is needed that the MTFP has resulted in affordable priorities.
62. We concluded that the MTFP process has improved the Council's ability to deliver Corporate Strategic Plan objectives by allocating appropriate financial resources across services, but it needs to mature further. We reached this conclusion because:
- the MTFP process has improved the Council's ability to plan over a longer timescale to support its role in the community and to achieve corporate objectives;
 - the MTFP process is comprehensive, challenging and links prioritisation of pressures upon services with available resources, is supported by sound evidence and clear assumptions but needs further development; and
 - the MTFP provides a dynamic framework that the Council is using to manage expectations and influence corporate and service-level decision making, but needs to mature further.

Scrutiny is becoming more effective and further development of the support arrangements will help to improve it

63. The Wales Audit Office undertook a review of the Council's scrutiny arrangements in 2006 and found that the scrutiny function was ineffective and lacked impact. We identified issues around:
- conduct and behaviour;
 - a lack of understanding of roles and responsibilities;
 - a lack of clear and concise information;
 - no dedicated officer support; a lack of commitment to member training and development;
 - ineffective links between scrutiny and Cabinet, Area Committees and the Co-ordinating Board; and
 - an absence of effective engagement with the public and other external agencies.
64. The Council appointed a Scrutiny Co-ordinator in 2007. During 2008, she introduced a series of changes to address the identified shortcomings in scrutiny as conducted by the cross-cutting select committees.
65. This year we followed up our work in this area and concluded that scrutiny is becoming more effective and that further development of the support arrangements will help to improve it. We came to this conclusion for two main reasons relating to the component elements of scrutiny and the supporting arrangements.

66. Developing the component elements of scrutiny has started to have a positive impact on the business of the Council, although there is potential for some behaviour of members to undermine its work. There is evidence that:
- the understanding by Select Committee Chairs and members of their roles and responsibilities is improving the quality of scrutiny;
 - the role of the Select Committees on the Co-ordinating Board is contributing to the status of scrutiny, but their role in relation to the Area Committees remains unclear;
 - Select Committee members are developing their understanding of service issues and are beginning to contribute to policy development;
 - Scrutiny is beginning to provide a more robust challenge to Cabinet through its more focused work programme;
 - engagement by the Select Committees with the public and other public sector organisations is developing and improving; and
 - there is some behaviour that has the potential to undermine effective scrutiny.
67. The Council has established robust arrangements to support scrutiny but further impact within the Council could be achieved by increasing awareness of scrutiny, increasing direct support and targeting member training and development. There is evidence that:
- there is dedicated and effective scrutiny support but capacity issues could limit further development of scrutiny;
 - the structured approach to scrutiny is helping officers to provide the right level of information to the Select Committees but the difficulties they experience in accessing information indicates that understanding of scrutiny is not yet widespread; and
 - the Council wants to progress training and development of members to increase their effectiveness.

Good governance principles are demonstrated in the way the Council works, although further work is needed corporately to embed them and harness their benefits to achieve better outcomes for citizens and service users

68. Good governance in the public sector leads to sustainable, better outcomes for citizens. It is about organisations doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.

69. The Assembly Government has developed seven citizen-centred governance principles and gave a One Wales commitment to review the governance arrangements of public service organisations in Wales. The seven principles are:
- Putting the Citizen First
 - Knowing Who Does What and Why
 - Living Public Service Values
 - Fostering Innovative Delivery
 - Being a Learning Organisation
 - Engaging with Others
 - Achieving Value for Money
70. The Wales Audit Office review was designed to help the Council evaluate governance arrangements in the context of these seven principles and to identify the potential for further development of arrangements.
71. We concluded that the good governance principles are demonstrated in the way the Council works, although further work is needed corporately to embed them and harness their benefits to achieve better outcomes for citizens and service users.
72. We came to this conclusion based on our conclusions about how the Council has embedded the seven good governance principles. These are:
- the Council is committed to putting the citizen first and many services demonstrate a clear user focus, but service development is not always underpinned by good quality information on service quality and stakeholder feedback;
 - whilst those involved in delivering services understand who does what and why and some service areas are working together to improve outcomes, corporate arrangements could be strengthened to encourage more cross service area working and improve accountability to stakeholders;
 - members and officers actively demonstrate and promote public sector values although there is potential for the behaviour of a minority of members and staff to undermine the Council's reputation;
 - the Council recognises the need to challenge existing service models and examples of innovation in service delivery are emerging, but decision-making can be difficult and time-consuming and resources are a constraint;
 - the Council is demonstrably a learning organisation but corporate arrangements could be improved to ensure better co-ordination and use of learning to improve service design and delivery;
 - the Council has a good track record of consulting with service users and has developed a strategy for engaging with others but key actions remain to be implemented and the current level and quality of engagement are not sufficient to improve outcomes; and
 - the Council has a strong focus on achieving value for money but members are not sufficiently involved in monitoring financial performance and have yet to identify and prioritise the Council's improvement objectives.

The development of a Council-wide approach to information governance is being hampered by a lack of high-level leadership and strategy

73. Organisations use information (ie, electronic, paper or any other form of media relating to person identifiable and corporate information) to support strategic, tactical and operational decision-making and adherence to legislation and regulatory standards. Information governance is how an organisation ensures that it deals with information legally, securely, efficiently and effectively.
74. In 2008, we identified information governance as a high risk for the Council and undertook to review the Council's arrangements, particularly as these are important to the Council's plans for agile working.
75. We concluded that the development of a Council-wide approach to information governance is being hampered by a lack of high-level leadership and strategy. There is a growing commitment to a holistic approach to information governance at operational level, and it is evident that this commitment is working well and is continuing to develop. However, there is a gap at Corporate Management Team and Cabinet level for delivering the information agenda, and the officer information governance group has been disbanded.
76. There are some policies and local arrangements in place to support information governance but these require updating, and other policies need to be developed. However, even where policies exist, there is not a consistent approach to using them which puts the Council at risk of failing to comply with legislation.
77. The Council has appointed key staff to support the information governance agenda, but there is no project manager responsible for information governance, and the roles and responsibilities of some key players are unclear.
78. There is no Council strategy to provide direction for information governance. Consequently, there is no agreed plan on how the Council is going to develop and deliver a good information governance agenda and how this fits in with corporate objectives and priorities.
79. There is limited reporting of the overall picture of information governance issues. Information management issues are reported on an exception basis to the Corporate Management Team, but there is no overall report on these issues to Cabinet or Scrutiny Committees.

The Council's strategy for managing its property portfolio is currently being revised, and until this is fully developed the Council cannot demonstrate that its management arrangements for property are securing improvements in efficiency and service delivery

80. During 2009 the Wales Audit Office completed an all-Wales review of the arrangements in place within all audited bodies regarding the management of land and buildings. The work at the Council identified that:
- The overall effectiveness of the Council's property management arrangements is hampered by an out of date Asset Management Plan (AMP). The AMP is currently being redrafted, and once written it will feed into departmental delivery and development plans.
 - The Council needs to develop the new AMP so that it has close links to other key corporate strategies to ensure that the property portfolio is managed effectively and is considered strategically by the Council.
 - The Council manages an ageing building stock and restrictions exist concerning the amount of funding available for repairing and maintaining this stock. However, as much of this funding is allocated to essential health and safety works it is likely that the Council's backlog maintenance costs will increase.
 - Areas of good practice exist in respect of framework agreements and project management, although improvements are needed in using performance indicators and benchmarking within the Council.

Performance management arrangements are inconsistent and do not link the performance of services to the overall achievement of corporate objectives, and there is no corporate system for monitoring service and financial performance throughout the year

81. The Council has developed a process for performance management and our review of its various elements led us to conclude that arrangements are overly complex and there is scope to improve upon them.
82. At the highest level of performance measurement, the Council uses the national strategic performance indicators to provide a picture of the Council's performance and progress against the Council's six strategic aims. However, these indicators are not linked to the actions the Council has taken, and wants to take, to achieve its strategic aims.
83. In addition, the Council has developed a strategic staircase that identifies the 'change journey', by building up the capacity and competencies needed to achieve its strategic aims. For each year, there is a balanced scorecard that includes a set of indicators that change each year with the focus of the strategic staircase. They have been set to measure change but are only collected within one year, not all directorates collect evidence of achievement of the indicators and therefore they provide no clear measure of progress or improvement.

84. Linked to the achievement of the strategic aims and outcomes are development and delivery plans for the 22 council business units. The plans vary in quality and focus and in some the links between the plan and the higher-level strategies are unclear, there are imprecise targets and future financial pressures are not highlighted. Some plans focus on risk, some on improvement and most do not refer to the continuing day-to-day business of the unit.
85. There is no corporate system for monitoring and reporting of performance and so this varies between the directorates. Each directorate has its own system for collecting performance information. Both management teams and service level team meetings discuss performance information.
86. Within the last year, the directorates have started to provide Select Committees with quarterly information reports. However, neither the Corporate Management Team nor Cabinet currently evaluates service performance as the Council does not consider this the remit of these strategic, decision-making groups. Cabinet sets and approves the Council's annual budget. However, whilst Cabinet members have sight of in-year budget monitoring reports, these do not feature on the Cabinet agenda. Financial and performance information is not routinely reported together, or to the same committees.
87. Accordingly, there is no holistic, high-level view of service and financial performance compared to the milestones and objectives set by the Council available to senior managers or Members in-year.
88. The 2009 Improvement Plan reports performance during 2008-09 against the National Strategic Indicators (NSIs). It reports that the Council met or exceeded its target for 44 per cent of the NSIs, compared with 67 per cent in 2007-08 and 33 per cent of NSIs indicate that performance has deteriorated compared to 21 per cent in 2007-08.

There is no corporate system for monitoring response to challenge from the Wales Audit Office

89. As part of our procedures for clearing and publishing our reports, we ask the appropriate managers to discuss with us the key messages and possible recommendations arising from our investigations. Although we have agreed reports with the Council, we have concluded that the Council does not have a corporate system or clear expectations of how the Council will respond to our reports and recommendations. As a result the Council has not discussed or implemented some of our recommendations.

Appendix 1

Role of the Appointed Auditor and Relationship Manager and fees estimate

This Letter has been written by:

- the Engagement Partner on behalf of the Appointed Auditor, Anthony Barrett; and
- the RM on behalf of the Auditor General.

Statute and the Code require the Appointed Auditor to:

- provide an audit opinion on the accounting statements;
- review arrangements to secure economy, efficiency and effectiveness in the use of resources; and
- report whether the Improvement Plan complies with legislative requirements.

In addition, the Appointed Auditor reviews and reports upon grant claims and returns, including the WGA Return, prepared by the Council.

The RM works for the Auditor General to seek to ensure that the studies and inspection functions of the Auditor General are co-ordinated with the work of relevant regulators.

The audit and inspection work planned for the year was set out in the Regulatory Plan 2008-09. More detail on specific aspects of the work undertaken can be found in the separate reports that have been issued during the year.

The fees for 2008-09 are currently expected to be in line with those set out in your Regulatory Plan. Work to certify your grant claims and returns is not complete but at this stage is expected to cost approximately £100,000 plus VAT, this is lower than the fee set out in the Regulatory Plan given the reduction in the number of claims audited in 2008-09.

Appendix 2

Criteria for assessing the Council's arrangements during 2008-09 for securing economy, efficiency and effectiveness in its use of resources

Corporate performance management and financial management arrangements	Questions on arrangements
Establishing objectives, determining policy and making decisions	Has the Council put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
Meeting needs of users and taxpayers	Has the Council put in place channels of communication with users and taxpayers, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
Compliance with established policies	Has the Council put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
Managing operational and financial risks	Has the Council put in place arrangements to manage its significant business risks?
Managing financial and other resources	Has the Council put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	Has the Council put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities?
	Has the Council put in place arrangements to ensure that its spending matches its available resources?
	Has the Council reviewed and made changes where appropriate to its treasury management procedures in the light of the economic downturn and the fragility in the banking system?
	Has the Council put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Council?
	Has the Council put in place arrangements for the management of its asset base?

Corporate performance management and financial management arrangements	Questions on arrangements
Monitoring and reviewing performance	Has the Council put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to the Council?
	Has the Council put in place arrangements to monitor the quality of its published performance information, and to report the results to Council members?
Proper standards of conduct etc	Has the Council put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business?

Appendix 3

Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2008-09

Conclusion on the Council's arrangements for the year ended 31 March 2009 for securing economy, efficiency and effectiveness in its use of resources	
The Council's responsibilities	
The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance. The Council is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements.	
Auditor's responsibilities	
<p>I have a responsibility under section 17(2)(d) of the Public Audit Wales Act 2004, to satisfy myself from my examination of the Council's annual accounts and otherwise whether it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of my work in this area, I have assessed 'proper arrangements' as principally comprising an organisation's corporate performance management and financial management arrangements, significant elements of which are defined in paragraph 48 of the Auditor General's Code.</p> <p>I report if significant matters have come to my attention that prevent me from concluding that the Council has made such proper arrangements. In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered as part of this aspect of my work, the effectiveness of the arrangements in place in securing value for money during the year under review.</p>	
Conclusion	
The following conclusion is based on, and limited to, work carried out as part of my audit of the 2008-09 accounts, together with examination of other information that I have considered relevant. I am satisfied that the Council had proper arrangements in place during the year for securing economy, efficiency and effectiveness in its use of resources. I have also raised various issues with the Council, and made recommendations to improve its arrangements. These matters are further discussed and explained in the Annual Letter.	
Anthony Barrett Appointed Auditor November 2009	Wales Audit Office 24 Cathedral Road Cardiff CF11 9LJ

Appendix 4

Audit of the 2009-10 Improvement Plan

Certificate

I certify that I have audited Monmouthshire County Council's Improvement Plan in accordance with section 7 of the 1999 Act and the Auditor General's Code.

Respective responsibilities of the Council and the auditors

Under the 1999 Act and statutory guidance, the Council is required to prepare and publish a Best Value Performance Plan summarising:

- its long-term strategic objectives;
- its assessments of performance in the previous year;
- the key issues for improvement to be delivered in future years; and
- details of where to find further information, including information concerning business planning.

Under the Assembly Government's guidance, the statutory Best Value Performance Plan is called the Improvement Plan. The guidance requires the Plan to be published no later than 31 October of the financial year to which it relates.

The Council is responsible for preparing the Plan and for the information and assessments set out within it. The Council's future work programme set out in the Plan should connect to the outcomes of the updated risk assessment.

The Council is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its Plan are derived, and for ensuring that it provides sufficient capabilities and capacity needed to manage change and improvement. The form and content of the Plan are prescribed by the Assembly Government's guidance.

As the Council's appointed auditor, I am required under section 7 of the 1999 Act to carry out an audit of the Plan, to certify that I have done so, and to report whether I believe that the Plan has been prepared and published in accordance with statutory requirements set out in section 6 of the 1999 Act and statutory guidance. Where appropriate, I am required to recommend:

- how the Plan should be amended so as to accord with statutory requirements; and
- procedures to be followed in relation to the Plan.

I am also required to recommend:

- Whether the Auditor General should carry out an inspection of the Council under section 10A of the 1999 Act.
- Whether the Assembly Government should give a direction under section 15 of the 1999 Act – for example, directing the Council to amend its Plan, carry out a review of a specific function or hold a local inquiry. Details of all possible directions can be found in the 1999 Act.

Scope of the Improvement Plan audit

I planned and performed my work to obtain all the information and explanations that I considered necessary in order to report and make recommendations in accordance with section 7 of the 1999 Act.

For the purposes of my report, I have interpreted compliance with the statutory guidance issued by the Assembly Government in the document, *Wales Programme for Improvement: Guidance for Local Authorities*, as being sufficient to meet the statutory requirements under section 6 of the 1999 Act.

I am not required to form a view on the completeness or accuracy of the information, or realism and achievement, of the Plan published by the Council. My work therefore comprised a review and assessment of the Plan and, where appropriate, an examination on a test basis of relevant evidence, sufficient to satisfy myself that the Plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the Plan complied with the requirements of the legislation and statutory guidance.

For the purpose of determining whether or not to make recommendations on procedures to be followed in relation to the Plan, my work included:

- a review and assessment and, where appropriate, examination on a test basis of evidence relevant to the adequacy of the systems set in place by the Council for collecting and recording specified performance information; and
- the testing of specific National Service Performance Indicators selected on the basis of criteria set out by the Auditor General.

The work I have carried out in order to report and make recommendations in accordance with section 7 of the 1999 Act cannot be relied upon to identify all weaknesses or opportunities for improvement.

I planned my work so as to collect sufficient evidence to satisfy myself that the Plan includes those matters prescribed in legislation and statutory guidance, and the arrangements for publishing the Plan, complied with the requirements of legislation and statutory guidance.

Other recommendations under the Local Government Act 1999

I have not identified a need for any statutory recommendations in 2008-09.

Appendix 5

Recommendations to the Auditor General and to Welsh Ministers

I, as Appointed Auditor, am required each year, by Section 7 of the Local Government Act 1999, in relation to the Council's improvement plan, to recommend whether the Auditor General should carry out an inspection of the Council under section 10A of the Act. I am also required each year to recommend whether the Welsh Ministers should give a direction under section 15 of the Act.

I have not identified a need for any statutory inspections in 2008-09, and I therefore recommend that the Auditor General should not carry out any inspections of the Council. I also recommend that the Welsh Ministers should not give any direction under section 15 of the Act at this time.



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