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Authors: Ceri Stradling and Geraint Norman

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Annual Letter

**Brecon Beacons National Park Authority**

## Contents

|   |    |
|---|----|
| <b>Summary</b>  | 5  |
| <b>Detailed Report</b>  |    |
| <b>The Appointed Auditor's report</b>   | 6  |
| <b>The Authority's resources were, in all material respects, properly used and accounted for</b>  | 6  |
| The Authority's 2006/2007 Financial Statements presented fairly and were properly prepared. The Authority needs to review the ownership for all of its assets   | 6  |
| The Authority has a good record of achieving its Revenue Budget. The level of revenue reserves is high. The impact of the £3.8 million Pension Fund deficit needs continued monitoring particularly in light of future cost pressures | 7  |
| The Authority needs to make further progress in achieving, measuring and demonstrating efficiency gains   | 9  |
| The Authority has appropriate internal control and financial management arrangements in place although we have identified some areas for improvement  | 9  |
| <b>In general the Authority has robust corporate arrangements in place although performance management and performance information arrangements need to be improved</b>   | 10 |
| The Authority had proper arrangements in 2006/2007 to help it achieve economy, efficiency and effectiveness in its use of resources   | 10 |
| The Authority's Improvement Plan has been delivered. Performance management arrangements have improved although there are some areas where further action is required   | 11 |
| <b>The Relationship Manager's report on behalf of the Auditor General for Wales</b>   | 14 |
| <b>The Authority continues to respond positively to the Making the Connections Agenda. Sickness absence arrangements are good and the Authority continues to take steps to improve the Planning Service</b>                           | 14 |
| The Authority is making good progress in implementing the Making the Connections Agenda which is underpinned by good working relationships that should enable further progress in the future  | 14 |

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|   |    |
|---|----|
| Good sickness absence management arrangements are in place and sickness rates are well below the Welsh average  | 14 |
| The loss of key staff has meant that the Authority has yet to improve its poor performance in the speed of determining planning applications. However, the Authority recognises the need for fundamental change and is actively taking measures to put in place people and processes to ensure improvements over the next 12 months | 15 |
| <b>Appendices</b>   |    |
| Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2006/2007  | 18 |
| Criteria for assessing the Authority's arrangements during 2006/2007 for securing economy, efficiency and effectiveness in its use of resources   | 19 |
| Audit of the 2007/2008 Improvement Plan   | 20 |
| Audit and inspection fees   | 23 |

## Status of this report

This document has been prepared for the internal use of Brecon Beacons National Park Authority as part of work performed in accordance with statutory functions, the Code of Audit and Inspection Practice and the 'Statement of Responsibilities' issued by the Auditor General for Wales.

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## Summary

1. This Annual Letter sets out the key messages from work undertaken over the last 12 months up to the point when it was written by:
  - the Appointed Auditor under the Code of Audit and Inspection Practice (the Code); and
  - the Relationship Manager (the RM) on behalf of the Auditor General for Wales (the Auditor General) under the studies and inspection powers of the Auditor General.
2. The Annual Letter includes a summary of audit and inspection work and reports progress against improvement actions. It draws on published reports of other inspectorates to provide an annual summary to Brecon Beacons National Park Authority (the Authority). The work planned for the year was set out in the Regulatory Plan 2006/2007 and more detail on the specific aspects of the work undertaken can be found in the separate reports that have been issued during the year.
3. The Annual Letter will be provided to the Authority in January 2008.
4. The Appointed Auditor has concluded that the Authority's resources were, in all material respects, properly used and accounted for in 2006/2007:
  - The Authority's 2006/2007 Financial Statements presented fairly and were properly prepared. The Authority needs to review the ownership for all of its assets.
  - The Authority has a good record of achieving its Revenue Budget. The level of revenue reserves is high. The impact of the £3.8 million Pension Fund deficit needs continued monitoring particularly in light of future cost pressures.
  - The Authority needs to make further progress in achieving, measuring and demonstrating efficiency gains.
  - The Authority has appropriate internal control and financial management arrangements in place although we have identified some areas for improvement.
5. The Appointed Auditor has also concluded that the Authority has proper arrangements in 2006/2007 to help it achieve economy, efficiency and effectiveness in its use of resources.
6. The Authority continues to respond positively to the Making the Connections Agenda. Sickness management arrangements are good and the Authority continues to take steps to improve the Planning Service.
7. The Appointed Auditor recommends no statutory inspections this year.

### The Appointed Auditor's report

#### **The Authority's resources were, in all material respects, properly used and accounted for**

8. The Financial Statements are an essential means by which the Authority accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. The Code identifies that it is the responsibility of the Authority to:
  - put systems of internal control in place to ensure the regularity and lawfulness of transactions;
  - maintain proper accounting records; and
  - prepare Financial Statements in accordance with relevant requirements.
9. As auditors we are required to audit the Financial Statements and to issue an Auditor's report which includes an opinion on whether the Financial Statements present fairly the state of affairs of the Authority. The Auditor's report also gives our opinion on whether the Financial Statements have been prepared properly in accordance with relevant legislation, directions or regulations, and applicable accounting standards, and that its expenditure has been lawfully applied.
10. Our Financial Audit work covers the following areas:
  - Financial Statements (or accounts);
  - financial health;
  - efficiency gains; and
  - internal controls and financial management.

#### **The Authority's 2006/2007 Financial Statements presented fairly and were properly prepared. The Authority needs to review the ownership for all of its assets**

11. International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of our Accounts Audit. The Appointed Auditor's report *Audit of the Financial Statements – Reporting to Those Charged with Governance* was presented to the Authority on 24 September 2007. A summary of the findings is set out in Exhibit 1.

**Exhibit 1: ISA 260 reporting to the Authority**

| Reporting requirement  | Auditor's response  |
|--|---|
| Modifications to the Auditor's report.   | No modifications to the Auditor's report.   |
| Unadjusted misstatements.  | There were no unadjusted misstatements. Some adjustments were corrected following our audit although these were not material.   |
| Material weaknesses in the accounting and internal control systems identified during the audit.                | No matters arose.   |
| Views about the qualitative aspects of the entity's accounting practices and financial reporting.              | No matters arose.   |
| Matters specifically required by other auditing standards to be communicated to those charged with governance. | No matters arose.   |
| Any other relevant matters relating to the audit.  | The Authority is using, maintaining and accounting for material assets which are still registered with the Land Registry in the name of Powys County Council or the predecessor District Councils. The Authority needs to review the legal ownership for all of its major assets. |

12. On 28 September 2007, we issued an unqualified Auditor's report on the Financial Statements. The Financial Statements were again compiled to a high standard despite a number of significant changes to the required format.
13. Our work auditing the Authority's grant returns, including the Whole of Government Accounts return, has not identified any significant issues.

**The Authority has a good record of achieving its Revenue Budget. The level of revenue reserves is high. The impact of the £3.8 million Pension Fund deficit needs continued monitoring particularly in light of future cost pressures**

14. We have examined budget reports and procedures, and we are satisfied that suitable arrangements are in place and that the Authority's revenue and capital budgets cover all relevant areas of income and expenditure, and are based on realistic assumptions.
15. We are satisfied that the Authority has in place sound arrangements for financial monitoring and reporting that should ensure that any potential material misstatements and variances will be identified.
16. The Authority has a good track record of operating within its Revenue Budget and this continued in 2006/2007 with a surplus of some £400,000 compared to a planned deficit of some £140,000. The most recent budget monitoring reports identify that the Authority is on target to achieve its budget in 2007/2008.

17. Exhibit 2 identifies that as at 31 March 2007, the Authority had some £1.1 million in cash-backed revenue reserves which is a £500,000 increase compared to last year mainly as a result of the underspend in the year and the contribution from the National Grid for future expenditure.

**Exhibit 2: The Authority's cash-backed revenue reserves  
2005/2006-2006/2007**

|                   | 2005/2006<br>£'000 | 2006/2007<br>£'000 |
|-------------------|--------------------|--------------------|
| Earmarked revenue | 17                 | 455                |
| General revenue   | 500                | 682                |
| <b>Total</b>      | <b>517</b>         | <b>1,137</b>       |

Source: Brecon Beacons National Park Authority Audited Accounts 2006/2007

18. Earmarked reserves have been set aside for known and predicted liabilities and commitments – the majority of which relate to the funding from the National Grid for future expenditure. At some £0.7 million, general reserves are high compared to the Authority's total annual spend of some £6 million. As part of the approval processes for budget setting, the Authority needs to ensure these reserves are appropriate.
19. As set out in Exhibit 3, the Actuary identified a deficit of £3.8 million on the Authority's Pension Fund (using the methodology within Financial Reporting Standard 17) which is broadly the same as last year. Although the market value of the assets has increased, this has been matched by a similar increase in estimated liabilities. As reported last year, the employer's contribution rate has increased and the long-term aim is to achieve a fully funded position over a 20-year period.

**Exhibit 3: The Authority's Pension Fund valuation**

|                        | 2005/2006<br>£'million | 2006/2007<br>£'million |
|------------------------|------------------------|------------------------|
| Market value of assets | 6.5                    | 7.3                    |
| Estimated liabilities  | (10.2)                 | (11.1)                 |
| <b>Net liability</b>   | <b>(3.7)</b>           | <b>(3.8)</b>           |

Source: Brecon Beacons National Park Authority Audited Accounts 2006/2007

20. Future increased employer pension contributions will reduce the resources available for services. This, combined with future cost pressures and lower-than-expected settlements, will require careful planning and continued monitoring.

## **The Authority needs to make further progress in achieving, measuring and demonstrating efficiency gains**

21. The Auditor General has, as part of his work on Making the Connections, assessed progress with the Efficiency Gains Agenda across all areas of the Welsh Public Sector. For the Authority, we have assessed whether there are arrangements to achieve, measure and demonstrate efficiency gains. We have identified the following issues:
- the overall level of efficiency gains for 2005/2006 and 2006/2007 appears to us to be overstated as a number of declared gains were ineligible for inclusion towards the Authority's Efficiency Gains Target;
  - for a number of efficiency gains, there was limited evidence available to support the gain; and
  - there are likely to be a number of efficiency gains which have not been recorded as the systems to collect the information are not robust.

## **The Authority has appropriate internal control and financial management arrangements in place although we have identified some areas for improvement**

22. The Authority's needs to have arrangements for effective financial management including: internal financial controls, Internal Audit (IA), standards of financial conduct, legality arrangements, and arrangements to prevent and detect fraud and corruption. Our review of these areas identified:
- The arrangements to maintain the systems of internal control were generally found to be effective. There is, however, scope to improve creditor payments controls ensuring all purchases are supported by orders and the value of payments is not above the Authorising Officer's limit. The Authority also needs to establish a Records Management Policy and agree a Disaster Recovery Plan. Finally, as set out above, the Authority needs to review the ownership of its assets.
  - As in previous years, IA has met the required professional standards and our planned reliance on their work has therefore been possible. We do, however, suggest that the Authority revisits the IA Service Level Agreement as at 15 days the level of IA coverage may not be sufficient.
  - The arrangements for ensuring that the Authority only enters into transactions where there is specific provision for it to do so were found to be in place and had continued to operate effectively.
  - As in previous years, the Ethical Framework of the Authority was found to be operating effectively together with the arrangements for preventing and detecting fraud and corruption as evidenced by both the Anti-Fraud and Corruption Strategy and Whistle Blowing Policy that are in place.
23. We have therefore concluded that the Authority has effective internal control and financial management arrangements, although there are some less significant areas for improvement which have been reported to management.

## **In general the Authority has robust corporate arrangements in place although performance management and performance information arrangements need to be improved**

### **The Authority had proper arrangements in 2006/2007 to help it achieve economy, efficiency and effectiveness in its use of resources**

24. The Public Audit (Wales) Act 2004 (the 2004 Act), requires auditors to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This requirement is reflected in the Code.
25. We examined evidence of the existence of the Authority's corporate performance management and financial management arrangements. In this work, we do not comment on or provide assurance on the effectiveness of those arrangements during the year.
26. Separate value-for-money work does consider where arrangements or their operation could be improved. The results of such work carried out during 2006/2007 are set out later in this Annual Letter. This work informs our conclusion on the existence of arrangements but is not essential to it.
27. The Auditor's report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2006/2007 is set out in Appendix 1. The criteria used to assess this are set out in Appendix 2.
28. We have concluded that for 2006/2007, the Authority had arrangements in place to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. The detailed results of our assessment are summarised in Exhibit 4.

#### **Exhibit 4: Assessment of proper arrangements**

| <b>Aspect</b>                                   | <b>Arrangement</b>  | <b>Yes or No</b> |
|---|---|------------------|
| <b>Strategic and operational objectives</b>     | Has the Authority put in place arrangements for establishing, reviewing and implementing its strategic and operational objectives?                    | Yes              |
| <b>Meeting the needs of users and taxpayers</b> | Has the Authority put in place arrangements to ensure that services meet the needs of users and taxpayers, and for engaging with the wider community? | Yes              |
| <b>Internal controls</b>                        | Has the Authority put in place arrangements to ensure compliance with established policies, procedures, laws and regulations?                         | Yes              |

| Aspect                       | Arrangement   | Yes or No  |
|------------------------------|---|--|
| <b>Risk management</b>       | Has the Authority put in place arrangements for identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and other forms of joint working or contracting? | Yes  |
| <b>Resource management</b>   | Has the Authority put in place arrangements for managing its financial and other resources, including arrangements to safeguard its financial standing?   | Yes  |
| <b>Reviewing performance</b> | Does the Authority have arrangements in place to monitor and review performance, including arrangements to ensure data quality?   | Yes (but see 'performance indicators' (PIs) comments in Exhibit 5) |
| <b>Standards of conduct</b>  | Has the Authority ensured that its affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption?   | Yes  |
| <b>Overall conclusion</b>    | <b>Has the Authority put in place proper arrangements to secure 'economy, efficiency and effectiveness' in its use of resources?</b>  | <b>Yes</b>   |

29. As set out previously, we have identified a number of less significant improvements to internal control and financial management arrangements as well as establishing better systems for improving the recording of efficiency gains and PIs. Actions to improve arrangements have been agreed with officers.

**The Authority's Improvement Plan has been delivered. Performance management arrangements have improved although there are some areas where further action is required**

30. Under the Local Government Act 1999 (the 1999 Act) and subsequent guidance issued by the Welsh Assembly Government (the Assembly Government) in Circular 28/2005, an Improvement Plan must be published by 31 October. We are required to audit the Improvement Plan in accordance with statutory requirements and guidance, and to report our findings, including the completion of the Joint Risk Assessment, our audit of the Authority's PIs and on its performance measurement arrangements.
31. Detailed responsibilities, the scope of our work and the Audit Certificate are set out in Appendix 3. The results of our audit are set out in Exhibit 5.

**Exhibit 5: Improvement Plan Audit**

|  |  |
|--|--|
| <b>Improvement Plan</b>                    | <p><b>The Improvement Plan was published on time and complied with the guidance in Circular 28/2005. There is scope to make the documents more reader friendly</b></p> <p>The Authority produced both the 'Stage 1' and 'Stage 2' improvement plans by the statutory deadlines in line with the guidance in Circular 28/2005.</p> <p>Although these documents have improved over recent years, there is still scope to improve the clarity and layout of both documents to better communicate to readers what the Authority has done and what it is trying to achieve.</p>   |
| <b>Joint Risk Assessment</b>               | <p><b>The Authority has improved its risk management arrangements</b></p> <p>An Annual Risk Assessment has been undertaken and reported in the Improvement Plan. The Risk Register is reported to the Management Team and to members.</p>  |
| <b>Performance management arrangements</b> | <p><b>The Authority has a Performance Management Framework although further improvements are required</b></p> <p>As set out in the Improvement Plan, 'Future Directions' sets the long-term vision for the Authority. Corporate objectives are set for three years and reviewed annually. High-level key work targets are derived from the corporate objectives and are linked with staff targets which are reviewed and updated at quarterly staff appraisals.</p> <p>Performance reviews are a key element of the arrangements which look in depth at problem areas. Officers monitor performance as part of the 'day job' and update the corporate database monthly. Members receive performance information on at least a quarterly basis.</p> <p>There are a range of performance measures in place across the organisation along with targets.</p> <p>The key areas for improvement are:</p> <ul style="list-style-type: none"> <li>• better links between the budget and corporate objectives to help ensure resources are not wasted on low priority areas; and</li> <li>• ensure all staff have clear targets in place which link to the corporate objectives and regular appraisals are undertaken for all staff.</li> </ul> |

|                               |  |
|-------------------------------|--|
| <b>Performance indicators</b> | <p>The accuracy of the Authority's PIs has improved but there is scope for further improvement.</p> <p>Last year we reported that 71 per cent of the PIs we tested were materially misstated or were unsupported. Progress has been made this year – but our testing on PIs and targets in this year's Improvement Plan identified:</p> <ul style="list-style-type: none"> <li>• four of the 15 PIs we tested (26 per cent) were materially misstated, primarily due to non-compliance with the Local Government Data Unit PI definitions; and</li> <li>• one of the nine 2007/2008 targets tested was materially misstated (11 per cent).</li> </ul> <p>Again we recommend that CMT takes responsibility for ensuring that further improvement is made.</p> |
|-------------------------------|--|

32. The Appointed Auditor is required each year to recommend whether, on the basis of audit work undertaken, the Wales Audit Office should carry out a Best Value Inspection of the Authority or whether the Assembly Government should recommend a course of action, referred to as 'a Direction' under Section 15 of the 1999 Act.
33. On the basis of audit work undertaken, the Appointed Auditor does not recommend that the Auditor General should carry out a Best Value Inspection of the Authority under Section 10 of the 1999 Act; and we do not recommend that the Assembly Government should give a Direction under Section 15 of the 1999 Act.
34. The Appointed Auditor has, however, identified the following recommendations for improvement. The Authority must formally respond to these statutory recommendations within 30 working days.

| <b>Statutory recommendations</b> |  |
|----------------------------------|--|
| R1                               | The clarity and layout of the Authority's improvement plans should be improved to better communicate to readers what the Authority does and what it is trying to achieve.  |
| R2                               | <p>The Authority needs to further develop its Performance Management Framework:</p> <ul style="list-style-type: none"> <li>• better links between the budget and corporate objectives to help ensure resources are not wasted on low priority areas;</li> <li>• ensure all staff have clear targets in place which link to the corporate objectives and regular appraisals are undertaken for all staff;</li> <li>• compare performance across a balanced set of PIs with other parks; and</li> <li>• improve the quality of PI data quality.</li> </ul> |

## **The Relationship Manager's report on behalf of the Auditor General for Wales**

### **The Authority continues to respond positively to the Making the Connections Agenda. Sickness absence arrangements are good and the Authority continues to take steps to improve the Planning Service**

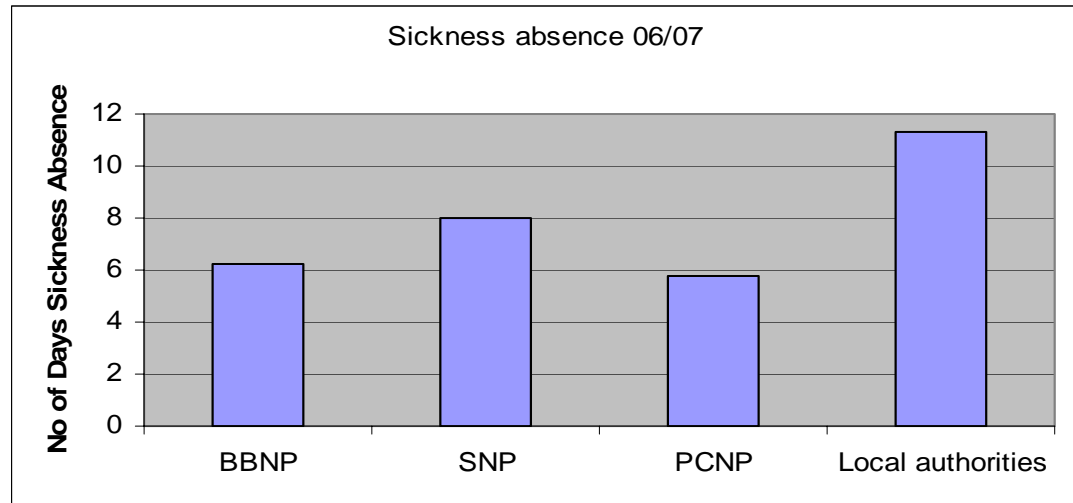
#### **The Authority is making good progress in implementing the Making the Connections Agenda which is underpinned by good working relationships and should enable further progress in the future**

35. We have identified that the Authority is working with a range of partners both within and outside Wales and there are various examples of good practice that have delivered significant outcomes. The Authority needs to continue to work with others and challenge the way services are provided. The challenges for the Authority will be working with a wide range of partners with limited resources.
36. The Authority has been proactive in significantly improving access to services for a wide range of users, with numerous examples of good practice and is committed to taking the necessary steps to improve customer service still further in the future.
37. The Authority uses a range of methods to consult and engage with the public and has changed service provision in response to feedback. There is also evidence that the Authority is committed to a programme of staff development to further enhance public engagement in the future. The key challenge will be to avoid 'consultation fatigue'.
38. The Authority has a committed workforce with good morale and a well-established programme of staff development including leadership concerns.

#### **Good sickness absence management arrangements are in place and sickness rates are well below the Welsh average**

39. The Authority has reduced its sickness absence rates significantly in the last three years due to a combination of improved monitoring of sickness absences, implementing flexible working arrangements, introducing a range of preventative measures and providing support to individuals on long-term sickness absence. This approach has also benefited from the use of a new IT System to record and report on absences and the co-ordination role of Human Resources.
40. All of these aspects have contributed to the Authority's success in reducing the sickness absence rate and to reinforce corporate messages about valuing and motivating employees. Exhibit 6 shows the Authority's sickness rates compared to the other Welsh parks and the Welsh local authority average.

**Exhibit 6: Comparison of the number of sickness absence days in 2006/2007**

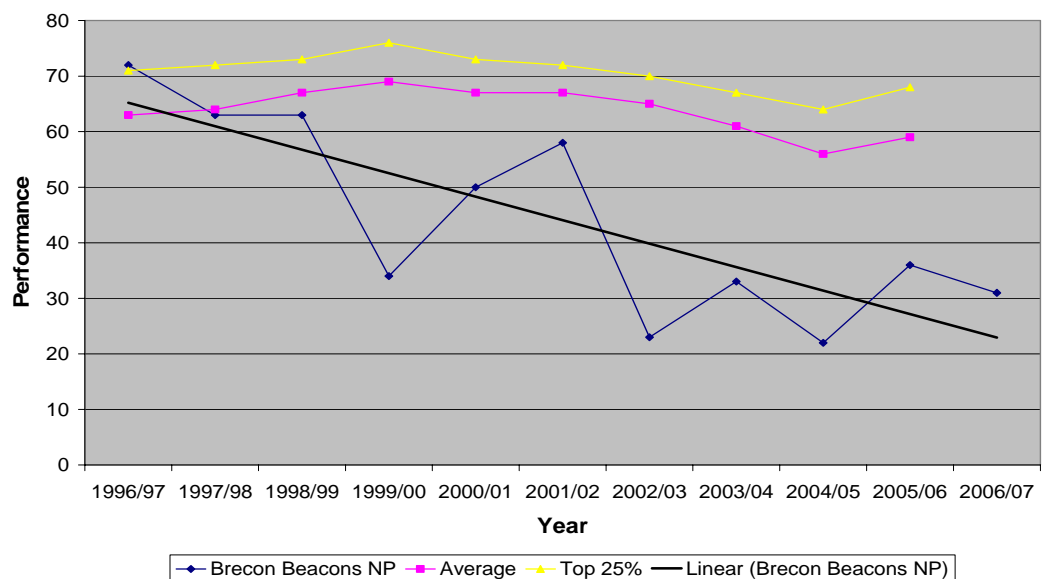


**The loss of key staff has meant that the Authority has yet to improve its poor performance in the speed of determining planning applications. However, the Authority recognises the need for fundamental change and is actively taking measures to put in place people and process to ensure improvements over the next 12 months**

41. Last year we reported that the Planning Service had made some progress in responding to our 2005 Baseline Assessment. We reported that it was close to adopting its Unitary Development Plan (UDP) but without more staff stability and greater flexibility in how they are used it would be difficult for the Authority to make any significant impact on the current poor level of performance in its speed in determining planning applications. During the summer, we reviewed the Authority's progress and concluded that the Authority has recognised the need for cultural change and has made a number of changes including reorganising the structure of the Planning Service.
42. One of the main outputs of the service is to provide up-to-date Planning Policy. However, the Authority has received a Direction from the Assembly Government requiring the draft UDP to be modified to safeguard sand and gravel sites. It refused to accept this Direction which means that the Authority has been unable to replace the existing adopted structure and local plans, which are all out of time, with a single adopted plan covering the whole of its area. It has, however, resolved to use the UDP for development control purposes leaving the Authority open to greater challenge through the Planning Appeal Process.

43. The Authority is now intending to prepare a Local Development Plan (LDP), which will eventually replace all the existing plans. A Delivery Agreement with the Assembly Government is in place and started on 1 September 2007. Resources for its delivery are being budgeted for and the programme indicates that the LDP will be adopted by November 2011.
44. The other main Planning Function is determining planning applications and this service has been affected again by staff turnover. In October 2006 and March 2007, two development control team leaders left the Authority and the Administrative Supervisor, who had been on maternity leave, also left. The Supervisor's replacement left shortly after her appointment and this critical post in registering planning applications was filled in October 2007. In addition to the loss of these key staff, the Senior Manager for the service requested and was granted a move to a part-time post.
45. One of the consequences of these staff changes is the decline in the speed of determining planning applications as set out in Exhibit 7.

**Exhibit 7: Comparison of the Authority's performance in determining all planning applications in eight weeks with the average and the top 25 per cent in Wales**



Source: Welsh Assembly Government and Brecon Beacons National Park Authority

46. The Authority has recognised change is required and has responded to these staff retention difficulties by making a number of organisational changes including:
- the management of the Forward Planning and Development Control sections has been brought together under one Manager;
  - two new development control team leaders have been appointed;
  - temporary posts have been made permanent;
  - the work of planning officers will in future be more flexible with staff carrying out both development control and forward planning work;
  - personal work plans and appraisals will be introduced from September 2007;
  - the Authority has been sought to:
    - appoint a new Grade 8 Planning Officer in Development Control;
    - introduce a career grade for planning officers;
    - appoint a part-time Minerals Officer on a fixed-term contract;
    - appoint a Student Planner for a limited period of 12 months; and
    - appoint an Affordable Housing Officer jointly with Powys County Council.
47. Another consequence of these staff changes is the lack of effective performance management. The service currently has no Business Plan, there has been little progress in writing, publishing and monitoring service standards and systematic arrangements for securing feedback from stakeholders is not yet part of the Management Process. There has, however, been some progress producing development control advice notes on the Authority's Affordable Housing Policy, and training officers and members on its application, barn conversions and access statements.
48. It is now over two years since we reported our Baseline Assessment of the Planning Service. It is clear that the Authority recognises change is required and a number of difficult decisions have been made. However, progress in improving service delivery has until recently been slow. We feel it would be appropriate for us to assess during 2008 whether the measures that the Authority has taken or is planning to undertake will result in the delivery of an improved service.

## Appendix 1

## Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2006/2007

### Conclusion on the Authority's arrangements for the year ended 31 March 2007 for securing economy, efficiency and effectiveness in its use of resources

#### The Authority's responsibilities

The Authority 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 Authority is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities

I have a responsibility under Section 17(2) of the 2004 Act, to conclude from my audit of the Authority's annual accounts and other relevant information whether I am satisfied that 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.

I report if significant matters have come to my attention which prevent me from concluding that the Authority 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.

#### Conclusion

The following conclusion has been based on, and limited to, work carried out as part of my audit of the 2006/2007 accounts, together with any other information that I have considered to be relevant to my examination, to establish, in all significant respects, what arrangements the Authority had in place during the year to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.

Based on the Authority's Statement of Internal Control and as a result of the work carried out, as described above, as part of my audit of the 2006/2007 accounts, and all other information that I have considered to be relevant, I am satisfied overall as to the existence of the arrangements that the Authority had in place during the year to support the achievement of its responsibility for securing economy, efficiency and effectiveness in its use of resources. I have also raised various issues with the Authority, and made recommendations to improve its arrangements. These matters are further discussed and explained in the Annual Letter.

Ceri Stradling  
Appointed Auditor  
30 November 2007

Wales Audit Office  
2-4 Park Grove  
Cardiff  
CF10 3PA

## Appendix 2

## Criteria for assessing the Authority's arrangements during 2006/2007 for securing economy, efficiency and effectiveness in its use of resources

| Corporate performance management and financial management arrangements  | Questions on arrangements   |
|---|---|
| <b>Establishing objectives, determining policy and making decisions</b> | Has the Authority put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?   |
| <b>Meeting needs of users and taxpayers</b>                             | Has the Authority 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?          |
| <b>Compliance with established policies</b>                             | Has the Authority 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?  |
| <b>Managing operational and financial risks</b>                         | Has the Authority put in place arrangements to manage its significant business risks?   |
| <b>Managing financial and other resources</b>                           | Has the Authority put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?  |
|   | Has the Authority 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 Authority put in place arrangements to ensure that its spending matches its available resources?  |
|   | Has the Authority 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 Authority?                              |
|   | Has the Authority put in place arrangements for the management of its asset base?   |
| <b>Monitoring and reviewing performance</b>                             | Has the Authority 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 Authority? |
|   | Has the Authority put in place arrangements to monitor the quality of its published performance information, and to report the results to Authority members?  |
| <b>Proper standards of conduct</b>                                      | Has the Authority put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business?   |

## Appendix 3

## Audit of the 2007/2008 Improvement Plan

### Certificate

We certify that we have audited the Authority's Improvement Plan in accordance with Section 7 of the 1999 Act and the Auditor General's Code. We also had regard to supplementary guidance issued by the Assembly Government such as Circular 28/2005.

### Respective responsibilities of the Authority and the auditors

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

- its assessments of performance; and
- its position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

This was supplemented by further guidance on how the Wales Programme for Improvement will be implemented under Sections 3, 5 and 6 of the 1999 Act as set out in the National Assembly for Wales' Circular 18/2002. Under this guidance, the statutory Best Value Performance Plan has been replaced by a statutory plan.

Assembly Government Circular 28/2005 superseded Circular 18/2002 and requires the plan to be published no later than 31 October of the financial year to which it relates.

The Authority is responsible for the preparation of the plan and for the information and assessments set out within it. The Authority's Future Work Programme set out in the plan should connect to the outcomes of the updated Risk Assessment. The Authority 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 in Section 6 of the 1999 Act and the statutory guidance issued by the Assembly Government.

As the Authority's appointed auditors, we are required under Section 7 of the 1999 Act to carry out an audit of the plan, to certify that we have done so, and to report whether we 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 and, where appropriate, recommending how the plan should be amended so as to accord with statutory requirements; and to recommend:

- Where appropriate, procedures to be followed in relation to the plan.
- Whether the Wales Audit Office should carry out an inspection of the Authority under Section 10 of the 1999 Act.

- Whether the Assembly Government should give a Direction under Section 15 of the 1999 Act – eg, directing the Authority 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**

We planned and performed our work to obtain all the information and explanations that we considered necessary in order to report and make recommendations in accordance with Section 7 of the 1999 Act.

For the purposes of our report, we 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.

We are not required to form a view on the completeness or accuracy of the information, or realism and achievement, of the plan published by the Authority. Our 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 ourselves 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, our 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 Authority for collecting and recording specified performance information; and
- the testing of specific PIs selected on the basis of criteria set out by the Wales Audit Office.


The work we 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.

We planned our work so as to collect sufficient evidence to satisfy ourselves 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 1999 Act**

The Authority must formally respond to these statutory recommendations within 30 working days.

| <b>Statutory recommendations</b> |  |
|----------------------------------|--|
| R1                               | The clarity and layout of the Authority's improvement plans should be improved to better communicate to readers what the Authority does and what it is trying to achieve.  |
| R2                               | <p>The Authority needs to further develop its Performance Management Framework:</p> <ul style="list-style-type: none"> <li>• better links between the budget and corporate objectives to help ensure resources are not wasted on low priority areas;</li> <li>• ensure all staff have clear targets in place which link to the corporate objectives and regular appraisals are undertaken for all staff;</li> <li>• compare performance across a balanced set of PIs with other parks; and</li> <li>• improve the quality of PI data quality.</li> </ul> |

|                                       |  |
|---------------------------------------|--|
| <b>Appointed Auditor's signature:</b> |  |
| <b>Date:</b>                          | 30 <sup>th</sup> November 2007   |

## Appendix 4


## Audit and inspection fees

Your 2006/2007 audit and inspection fees were based on the risks identified and an assessment of the work needed to address those risks. They are currently expected to be in line with those set out in your Regulatory Plan as summarised below.

### Audit and inspection fees 2006/2007 (excluding VAT)

|                        | 2006/2007 planned (£) | 2006/2007 expected (£) |
|------------------------|-----------------------|------------------------|
| Accounts               | 6,699                 | 6,699                  |
| Performance Audit      | 14,287                | 14,287                 |
| Performance Inspection | 8,279                 | 8,279                  |
| <b>Total</b>           | <b>29,265</b>         | <b>29,265</b>          |

In addition to the fee above, we are required to certify your government grant claims and returns for which we must charge the actual time taken to undertake the work at skill-related fee rates. This work is not complete: at this stage we anticipate this work will cost approximately £800 plus VAT.



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Wales Audit Office  
2-4 Park Grove  
Cardiff CF10 3PA  
Tel: 029 2026 0260  
Fax: 029 2026 0026  
Textphone: 029 2026 2646  
E-mail: [info@wao.gov.uk](mailto:info@wao.gov.uk)  
Website: [www.wao.gov.uk](http://www.wao.gov.uk)