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Annual Letter

Bridgend County Borough Council

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Status of this document

This document has been prepared for the internal use of Bridgend County Borough Council 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 arising from work undertaken over the last twelve months up to the point when it was written by:
 - the Appointed Auditors under the Code of Audit and Inspection Practice (the Code); and
 - the Relationship Manager (RM) on behalf of 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 Bridgend County Borough Council (the Council). The work planned for the year was set out in the Regulatory Plan 2007-08 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 was agreed with the Council in November 2008 and will be presented to all members and to the Audit Committee in February and March 2009 along with the Care and Social Services Inspectorate Wales (CSSIW) annual performance evaluation report.
4. The Appointed Auditors have completed the audit of accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code. We have concluded that:
 - The Council's financial statements presented fairly the Council's financial position and were properly prepared. We did not identify any material weaknesses in internal control.
 - The Council's improvement planning arrangements complied with statutory requirements.
 - The Council had satisfactory arrangements in place to achieve economy, efficiency and effectiveness in its use of resources.
 - There are opportunities for the Council to secure the best use of resources and further improvement in its delivery of services.
5. The Relationship Manager has concluded that regulators' inspection work across a range of Council services and functions identified improvements in priority areas but, disappointingly, Children's Services remain high risk:
 - although well placed to sustain and improve, Children's Services are inconsistent and the Council must, in particular, improve arrangements to safeguard vulnerable children;
 - the Council has a realistic and proactive approach to school modernisation and has developed a phased and costed programme;

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- the Council is strengthening arrangements for managing highway infrastructure and building assets;
 - the Council has improved its approach to reporting and monitoring performance but managing performance is not yet a consistent part of everyday working practice;
 - the Council has identified the most significant risks to delivering its responsibilities and priorities for improvement and has agreed them with its regulators; and
 - the Council continues to respond positively to inspection recommendations and has engaged positively with the Wales Audit Office's initiatives to promote improvement.

We recommend no statutory inspections this year

6. The Appointed Auditors are required each year to recommend whether, on the basis of audit work undertaken, the Auditor General should carry out a Best Value Inspection of the Council or whether Welsh Ministers should recommend a course of action, referred to as 'a direction' under section 15 of the Local Government Act 1999 (the 1999 Act). On the basis of audit work undertaken.
7. The Appointed Auditors:
 - do not recommend that the Auditor General should carry out a Best Value Inspection of the Council under section 10A of the 1999 Act; and
 - do not recommend that Welsh Ministers should give a direction under section 15 of the 1999 Act.

The Appointed Auditor's report

8. The Financial Statements are an essential means by which the Council 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 Council's responsibility 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 financial position and transactions of the Council. The auditor's report also refers to compliance with relevant legislation, directions, regulations and applicable accounting standards.

The Council's Financial Statements presented fairly the Council's financial position and we did not identify any material weaknesses in internal control

The Council's 2007-08 Financial Statements presented fairly the Council's financial position at 31 March 2008, and its income and expenditure for the year then ended, and were properly prepared to a high standard. The Council was the only one in Wales to voluntarily produce an Annual Governance Statement, a year ahead of schedule and also to a high standard

10. 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 *Financial Statements Audit – Reporting to Those Charged with Governance* was presented to the Audit Committee on 24 September 2008. A summary of the findings is set out in Exhibit 1.

Exhibit 1: ISA 260 reporting to the Council

Reporting requirement	Auditor's response
Modifications to the auditors' report.	No modifications to the auditor's report.
Unadjusted misstatements.	There were no material unadjusted misstatements. A number of immaterial errors were identified during the course of the audit. Appropriate amendments were made by management. The details were reported to Audit Committee.
Material weaknesses in the accounting and internal control systems identified during the audit.	There were no significant material weaknesses identified. A number of areas for continued improvement have been highlighted (see paragraphs 15 to 16).
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	The qualitative aspects of the Council's accounting practices and financial reporting continue to improve (see paragraphs 11 to 13).
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.	No matters arose.

11. On 25 September 2008 we issued an unqualified auditor's report on the Financial Statements. The Council's Financial Statements were prepared to a high standard and in all significant respects, in accordance with the CIPFA/LASAAC joint committee's *Code of Audit Practice on Local Authority Accounting in United Kingdom 2007: A Statement of Recommended Practice*. This was achieved despite major changes to the requirements within the 2007 Statement of Recommended Practice, which included:
- incorporation of Financial Reporting Standards relating to financial instruments; and
 - changes to capital accounting, including the requirement to replace the Fixed Asset Restatement Account with a Revaluation Reserve.
12. The time and effort required from the finance team to implement the major accounting changes noted above was significant and should not be underestimated, and the Council are to be congratulated on the high standard achieved.
13. The Council produced an Annual Governance Statement for the first time this year, which subsumed the previous Statement on Internal Control. The Statement was not mandatory for local authorities in Wales for 2007-08, however, the Council produced it on a voluntary basis in line with best practice. The Statement is based on the *Good Governance in Local Government Framework*, recently published by CIPFA/SOLACE, which reflects the principles contained in *Good Governance Standards for Public Services*.

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14. The Governance Statement was of a high standard and the Council was the only local authority in Wales to adopt the change early.

Our examination of the Council's significant financial systems did not identify any material weaknesses in internal control, but there are areas where continued improvement is required

15. Our review of the Council's financial systems has involved documenting them and where necessary testing the operation of the internal controls. We have concluded that the Council's significant financial systems can be relied upon to produce materially correct outputs. We have however identified scope to improve controls or strengthen procedures in some areas and reported these to management.
16. In summary, the improvement areas are:
- Procedures relating to the retention of information on employee files should be reviewed and strengthened. The Council should decide on exactly what information they need to retain and in what format, ensuring appropriate procedures are maintained to keep all data secure and fully compliant with the Data Protection Act.
 - Segregation of duties within the payroll department and procedures relating to the review of changes to data within the payroll system should be reviewed and strengthened.
 - Key balance-sheet items, particularly bank accounts, should be reconciled formally on a monthly basis and the reconciliations reviewed by management to ensure they have been properly prepared and that reconciling items clear promptly.
 - Any accounting estimates prepared from a calculation or spreadsheet should be checked by an independent person.
 - Consideration should be given to producing accruals-based management accounts on a monthly or quarterly basis to allow more accurate figures to be calculated and reported against a phased budget and expenditure to be monitored more closely. We recognise this has resource and cost implications which would need to be considered alongside the benefits to be gained.
 - Capital accounting procedures, which are currently all completed on an annual basis after the financial year-end, should be processed throughout the year to ensure accurate management accounts can be prepared and to speed up the year-end accounting process.
 - Expenditure levels recorded in March 2008 continued to be high when compared to the rest of the year, at approximately 40 per cent of the last six months' expenditure (March 2007: 37 per cent) following an analysis of main expense categories. As recommended in a paper produced by management last year, procedures should be strengthened, both to discourage the practice of spending at the year-end to utilise budget allocations and also to reduce the higher risk of errors in processing or potential fraud.

We have certified that the audit has been completed in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice

There were no formal questions or objections to the Financial Statements

17. In accordance with the Accounts and Audit (Wales) Regulations 2005 the Council has advertised the rights of local electors to:
- inspect and make copies of the accounts;
 - question the auditor about the accounts; and
 - attend before the auditor and make objections to the accounts or any item in them.
18. These rights have not been exercised. Although we continue to receive a range of questions from members of the public and other interested parties, none of these have been regarded as formal objections to the Financial Statements.

The Council's improvement planning arrangements complied with statutory requirements

The Council's Improvement Plan has been delivered appropriately and represents a balanced picture of performance in the last year

19. Under the Local Government Act 1999 and subsequent guidance issued by the Assembly Government in Circular 28/2005, an Improvement Plan must be published by 31 October each year. We are required to audit the Improvement Plan in accordance with statutory requirements and guidance, and to report our findings, including on the completion of the joint risk assessment, our audit of the Council's Performance Indicators (PIs) and on its performance measurement arrangements.
20. The Plan and the Public Summary were produced and published on time and complied fully with the guidance in Circular 28/2005:
- the detailed Plan and the Summary are concise, well-written documents which report a balance of good performance and areas for improvement;
 - the Council's corporate objectives and key actions for achieving them are clearly set out; and
 - the 'Stage 1' Improvement Plan compiled in August 2008 complies with the guidance in Circular 28/2005.
21. This year the Council has developed a detailed Corporate Plan for 2008-2011 which formed the basis of the Improvement Plan. The Corporate Plan includes specific objectives under each identified priority theme, which are then translated into actions within the directorate business plans. The process is still evolving, but is becoming more focused and enables a clearer line of sight between strategic priorities and their ultimate delivery by operational services.

22. Detailed responsibilities, the scope of our work and the audit certificate are set out in Appendix 3.

Our audit of the National Strategic Indicators highlights that, overall, the Council has robust arrangements in place for the collection and validation of performance information although it needs to improve in some of its service areas

23. The 2008 Improvement Plan reports performance during 2007-08 against the 22 National Strategic Performance Indicators (NSPIs). In terms of comparative performance against the same PIs for 2006-07:

- 60 per cent demonstrate some measure of improvement;
- 20 per cent show that performance has remained static; and
- 20 per cent indicate that performance has deteriorated.

The recently published annual comparison of Wales's 22 local authorities also indicates a substantial improvement in the Council's overall performance compared to the previous year, with the Council now ranked as one of Wales's top five councils in a quarter of the full 215 PIs. Highlights include:

- recycling and minimising the percentage of waste sent to landfill – one of the best performing councils in Wales;
- homelessness – average time spent in temporary accommodation well below the national average; and
- average time for processing new Housing Benefit claims reduced from 30 to 19 days.

24. There are, however, a number of indicators where the Council still needs to improve its performance, including:

- Children's Services. The percentage of first placement looked after children with a care plan in place is well below the national average and indicates that the Council is one of the lowest performing councils in Wales in this area. This is disappointing given the profile that has been given to this service (see comments elsewhere in this document).
- Sickness absence. Of the 16 Welsh councils who reported figures, the Council has the highest average number of days lost to sickness per full-time employee. The Council needs to understand the reasons for this statistic and put in place a plan to improve.

25. Our analysis, based on the 22 National Strategic Indicators that are subject to statutory audit, highlights a continuing improvement in the collection and validation of performance information. The Quarterly Business Review process has also added focus to the PIs. However, there is still a need for additional work in some services, particularly in respect of setting realistic but challenging targets on a prompt basis, to ensure the Council's performance continues to improve in priority areas.

26. The Council also needs to address gaps in its arrangements for the collection and validation of performance information in some specific areas; in particular, in relation to the education of looked-after children and energy efficiency within non-domestic premises. We identified issues with the collection of data, primarily due to a lack of automatic systems in place to collect specific elements of the information required within the strict definition set by the Assembly Government.

Whole of Government Returns were completed appropriately

27. In accordance with the Government and Resources and Accounts Act 2000 and relevant guidance issued by the Assembly Government, a Consolidated Pack (C-Pack) is prepared annually by the Council to assist HM Treasury with its production of the Whole of Government Accounts (WGA).
28. On behalf of the National Audit Office as auditor of the WGA, the Wales Audit Office is required to audit the C-Pack in accordance with statutory requirements and National Audit Office audit instructions.
29. From our audit of the Council's return this year we found:
- arrangements are in place to ensure satisfactory production of the WGA C-Pack;
 - the C-Pack was consistent with the audited statutory accounts;
 - material transaction streams and balances with other WGA bodies were identified completely and correctly; and
 - transaction streams and balances with the Assembly Government in excess of £5 million were formally agreed as required.

The Council had satisfactory arrangements in 2007-08 to help it achieve economy, efficiency and effectiveness in its use of resources

30. The Public Audit (Wales) Act 2004 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.
31. Our audit work for 2007-08 noted that the Council had made a number of improvements during the year, including:
- Full implementation of the 'Quarterly Business Review' process, which forms a key part of the Corporate Performance Management Framework. Meetings are attended by Cabinet, Corporate Management Board and the relevant scrutiny chair and areas addressed include business plan actions, PIs, sickness absence, revenue and capital budgets.
 - Development of the Corporate Plan 2008-2011 with an improvement in links to priority themes and business plans.
 - More focused and co-ordinated business planning process.

32. The Council also has a number of key issues which need to be addressed in the coming year, such as:
- dealing with the underlying issues of management practices and review in its Children's Services function;
 - improving arrangements to make the best use of its asset base, including renewing the Asset Management Plan and dealing with large maintenance backlogs eg, buildings of approximately £63 million and highways of approximately £37 million;
 - completing its job evaluation project in order to reduce uncertainty over the Council's cost base going forward; and
 - implementing the planned improvements in the area of procurement.
33. Our conclusion has been reached as part of our annual audit of the accounts. We examined evidence of the existence of the Council'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.
34. Separate value-for-money work does consider where arrangements or their operation could be improved. The results of such work carried out during 2007-08 are set out later in this Annual Letter. This work informs our conclusion on the existence of arrangements but is not essential to it.
35. The auditor's report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2007-08 is set out in Appendix 1. The criteria used to assess this are set out in Appendix 2.
36. We have concluded that in 2007-08 the Council had satisfactory 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 2.

Exhibit 2: Assessment of proper arrangements

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

Aspect	Arrangement	Yes or No
Resource management	Has the Council put in place arrangements for managing its financial and other resources, including arrangements to safeguard its financial standing?	Partly – see comments in paragraph 31 and 32
Reviewing performance	Does the Council have arrangements in place to monitor and review performance, including arrangements to ensure data quality?	Yes
Standards of conduct	Has the Council ensured that its affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption?	Yes
Overall conclusion	Has the Council put in place proper arrangements to secure 'economy, efficiency and effectiveness' in its use of resources?	Yes – with comments included in paragraphs 31 and 32

There are opportunities for the Council to secure the best use of resources and further improvement in its delivery of services

The Council has a good record of achieving its revenue budget and has appropriate arrangements in place to manage and use its financial reserves. However, it faces increasing financial pressures

37. We are responsible for assessing whether the Council has put in place adequate arrangements to monitor, control and report on its financial standing. Our audit was based on a review of:
- setting the revenue budget and capital programme;
 - financial monitoring and reporting;
 - meeting financial targets; and
 - financial reserves.
38. We have examined budget reports and procedures and we are satisfied that:
- suitable arrangements are in place;
 - the Council's revenue and capital budgets cover all relevant areas of income and expenditure and are based on realistic assumptions; and
 - the Council has in place sound arrangements for financial monitoring and reporting which should ensure that any potential material misstatements and variances will be identified.

39. The Council has a good track record of operating within its revenue budget and this continued in 2007-08 with an underspend of £488,000. Variances against budget by directorate are clearly explained within the statement of accounts. The most recent budget monitoring reports indicate that the Council is again on target to achieve its budget in 2008-09, although this is dependent on a number of cost savings being achieved. The Council has been an active and leading member of the south-east Wales shared services project, which aims to develop joint working across 10 local authorities to improve, in the first phase, the Human Resources functions. There are, however, a number of financial pressures that will need to be considered and managed over the next few years. These include resource requirements for schools, leisure facilities, Children's Services, waste management and highways maintenance. Additional pressures are described in exhibit 3.

Exhibit 3: Financial pressures

Financial pressures	Implications
Job evaluation and single status	<p>The job evaluation process is ongoing and the Council should, within the next 12 months, be in a position to assess the future revenue costs, building these into budget forecasts.</p> <p>A number of single status grievances have been received, but management does not consider that the quality of the information at this point in time suggests that these would succeed. The Council has engaged specialists to help review and assess the validity of any formal claims.</p> <p>A provision has been included in the 2007-08 accounts, along with a contingent liability disclosure to reflect the uncertainty over these issues. The full extent of either of these liabilities is as yet undetermined.</p>
Economic position	<p>There are a number of additional threats to the Council's financial position arising from the international economic downturn. The Council has recognised potential risks to its capital and regeneration programme in the corporate risk register. We recommend that the Council carries out an exercise ('stress testing') to consider the range of other issues that it might need to deal with, and the actions that it would need to take in order to manage those risks.</p> <p>These threats could include: reduced collection rates of council tax and National Non Domestic Rates; and higher numbers of people claiming benefits, with a consequently higher workload for Council staff.</p> <p>The Council will need to carefully consider the impact of recent market conditions on future activities, including its treasury management policies.</p> <p>It is very likely that the significant market turmoil in recent months will have an impact on the pension scheme asset valuations, and may mean additional contributions are necessary when the actuary next prepares a funding report.</p>

40. Given the financial pressures highlighted above, the Council's ability to identify and achieve efficiency savings is an important element in the budget process. Total recurring efficiency gains for 2007-08 as reported in the Improvement Plan were £5.7 million and an additional £4.5 million of recurring savings are forecast for 2008-09, mainly as a result of savings in administration and management costs.
41. Members and officers continue to review reserves annually to ensure that the reasons they were established remain valid and that the amount reserved is based on realistic assumptions of need. Exhibit 4 identifies that, as at 31 March 2008, the Council had some £15.8 million in cash-backed earmarked and general fund reserves (excluding school reserves) which is a £1.5 million increase compared with last year.

Exhibit 4: the Council's cash-backed reserves

	31 March 2007 £ 000	31 March 2008 £ 000
Earmarked	6,548	8,568
General	7,727	7,279
Schools	2,640	3,020
Total	16,915	18,867

Source: The Council's Audited Accounts 2007-08

42. Earmarked reserves have been set aside for known commitments such as the business re-engineering programme and for potential major claims and financial management pressures. They include an insurance reserve of £1.7 million based on an actuary's assessment of potential future liabilities. During the year the Council also reinstated the policy of permitting individual directorates to carry forward over or underspends and the total underspend included within earmarked reserves is £0.9 million.
43. General reserves are £7.3 million at the end of March 2008. As part of the budget setting approval process the Council must continue to ensure that general reserves are appropriate and taken into account. The Council must also continue to work with schools to ensure that their reserves are appropriate.
44. As described in Exhibit 5, the Actuary identified a deficit of £139 million on the Council's Pension Fund (using the methodology within Financial Reporting Standard (FRS) 17) compared with £189 million in 2006-07. The main reason for the decrease in the deficit of £50 million is a change in actuarial assumptions, such as the discount rate used. The actuary also recommends the level of contributions that the Council should pay into the scheme. The long-term aim is to achieve a fully funded position over a 20-year period. Continued careful planning and monitoring will be required to manage the level of the deficit, particularly due to the unstable financial markets and the consequent risk to asset values going forward.

Exhibit 5: The Council's Pension Fund valuation

	31 March 2007 £ million	31 March 2008 £ million
Estimated value of assets in the scheme	225	235
Estimated liabilities	(414)	(374)
Net liability	(189)	(139)

Source: Bridgend Council Audited Accounts 2007-08

The Council has appropriate financial management arrangements in place

45. The Council's significant financial systems are effective and the improvements being made should continue.
46. Our review identified some specific improvements made during the year, including:
 - a full year of the Quarterly Business Review process, which reviews performance levels against priorities and objectives and provides challenge to officers and management; and
 - further embedding of risk management processes within the Council, with a focused risk register which is used as a framework for monitoring delivery of the Council's improvement programme by Cabinet and the Corporate Management Board.
47. To demonstrate financial stewardship, councils need to ensure effective financial management including:
 - effective internal financial controls, such as robust standing orders and financial regulations, strong budgetary control and effective Internal Audit;
 - recognised standards of financial conduct;
 - appropriate arrangements to ensure that the Council only enters into transactions where there is specific legal provision for it to do so; and
 - effective arrangements to prevent and detect fraud and corruption.
48. Our review of these areas found:
 - that the arrangements to maintain the systems of internal control were effective, although some areas require further improvement, as discussed in paragraph 16;
 - that, as in previous years, Internal Audit has met the required professional standards and we have been able to place reliance on their work;
 - that effective arrangements were in place to ensure that the Council enters into transactions only where there is specific provision for it to do so; and
 - as in previous years, the ethical framework of the Council was operating effectively as were the arrangements for preventing and detecting fraud and corruption.

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49. The Chief Internal Auditor prepares an annual report and opinion on the Council's internal controls which is presented to the Audit Committee. The most recent report concluded that the Council's internal control arrangements provide adequate assurance that the key risks are controlled.
 50. The Council conducts, at least annually, a review of the effectiveness of the system of internal control. This review includes consideration of the Chief Internal Auditor's independent and objective opinion on the adequacy and effectiveness of the systems of internal control and recommendations for improvement, as well as consideration of the comments made by KPMG as external auditors in management letters and other reports. Details of the review are incorporated this year within the new annual Governance Statement, which also highlights significant governance issues which the Council is to address over the coming year.
 51. A detailed exercise was performed in 2007-08 to produce the Council's first Annual Governance Statement. The Statement sets out the governance framework within the Council, its purpose, and the fundamental principles of corporate governance and how they apply to the Council's main objectives. It also incorporates the elements of the previous Statement of Internal Control as discussed in paragraph 47.
 52. During the year the Council adopted the new model Code of Conduct for members as prescribed by the Assembly Government. All members have signed up to the Code.
 53. Our review of the Council's IT controls found that the overall control environment is good, with no significant IT control weaknesses identified. One area where improvement is required is in respect of the procedures in place for removing the access rights of an employee who leaves the Council or no longer requires access to particular parts of the system. We understand that management are currently implementing processes to strengthen controls in this area.
 54. Information Technology (IT) has been fully centralised within the Council, providing an efficient platform from which all IT resources can be managed. This is an improvement on previous years where significant amounts of IT resources were outside direct corporate control.
 55. Data security is a complex issue which has attracted a significant amount of public interest during the year, following a number of high-profile incidents. Our testing in support of the audit did not identify any significant weaknesses in the Council's data security controls. We understand that Internal Audit and the Council's data protection officer are also performing work in this area.
 56. During the year we performed a high-level review of the Council's risk management process, which included attending one of the meetings of the risk management group. The main findings of our review were:
 - The Cabinet and Corporate Management Board are fully engaged in the risk management process.

- The Joint Risk Assessment (JRA) process has improved and is more robust and focused on key risks and priorities. The latest JRA document has a positive focus on action. The challenge for the Council is now to keep this document 'live' and continually updated, making sure that actions are delivered, adding new risks which emerge and removing or downgrading risks which are successfully mitigated.
 - The Council's existing Risk Management Policy has a number of strengths, including allocation of responsibility for risk to appropriate people and groups, and clarity on how risk should be assessed and measured. There have been changes to the Council's structure since 2006 when the Policy was released (eg, the Risk Management Group has replaced the former Performance Improvement Group and Risk Management Programme Board). We recommend that the Council bring to a conclusion its current exercise to update the Policy.
 - Reports to Cabinet and the Council do not contain a specific section addressing risk implications, as management aim to include an analysis of risks within the main body of the report. Our review of a sample of Cabinet reports from throughout the year found that an assessment of risk had been included in the majority of reports, although this was often implicit rather than explicit, and a small number did not include any risk assessment.
 - Risk management has become further embedded within the Council during the year partly due to the Quarterly Business Review (QBR) process; however, this work should be continued during 2008-09 to ensure it links directly to individual service plans and the performance management system.
 - The main objective should be that risk management becomes continuous and focused on action, rather than a task that needs to be completed for the JRA or QBR.
57. We reviewed the Council's fraud risk management arrangements during the year. Our principal conclusion is that the Council has a range of controls dealing with common fraud risks; however, we recommend an exercise to assess whether all risks have been identified, particularly in non-core areas.
- Fraud risk awareness is an area that requires continual focus in any organisation, particularly one as large and complex as a local authority. The Council has internal procedures in place to prevent and detect what are considered to be the most common types of fraud. These procedures include:
 - segregation of duties;
 - authorisation and delegations;
 - procurement and tendering policies; and
 - whistle-blowing arrangements.
 - The Internal Audit function is also viewed by the Council as a key component of the anti-fraud controls in place. This is true, but it is important that fraud risk management and anti-fraud controls are recognised as the responsibility of line managers. Internal Audit also maintain a written fraud response plan.

- The Council should consider periodically reviewing the fraud risks it faces and ensuring the necessary controls are in place to prevent and/or detect fraud. This would include non-core areas, as experience shows that these areas can be more susceptible to fraud, as they are not directly controlled. Part of this could be accomplished by including a direct reference to fraud risks in the Risk Management Policy that is currently under review.
 - The Council should also consider keeping a central register of frauds and attempted frauds. This could be reviewed periodically to identify trends and common issues, and highlight areas for greater attention.
58. We have therefore concluded that effective financial management arrangements are in place, although there are some less significant areas for improvement which have been reported to management.

The Council made effective use of the National Fraud Initiative

59. The National Fraud Initiative (NFI) is a biennial computerised data matching exercise conducted across England and Wales. The Audit Commission is responsible for the exercise in England, and the Auditor General is responsible for the exercise in Wales through his appointed auditors at local government bodies.
60. The exercise is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the 2006-07 exercise were released in January 2007 to participating bodies including local councils. The matches have been investigated and resulted in the identification of £4.7 million of fraud and overpayment across Wales. In May 2008, the Auditor General published a national report on the overall findings of the 2006-07 exercise.
61. The Council reported savings of approximately £10,000 in respect of NFI in 2006-07. It took appropriate action to investigate the matches and to address instances of suspected fraud and error.
62. Data extractions for the 2008-09 exercise commenced in October 2008 and authorities should receive data matches in early 2009. The Auditor General is undertaking the 2008-09 exercise in accordance with the powers set out in the Serious Crime Act 2007 to conduct data matching exercises to assist in the prevention and detection of fraud in Wales. The Auditor General has recently published a Code of Data Matching Practice to help ensure that people's information is protected and processed appropriately during data matching exercises such as NFI.

Our certification of the Council's grant claims and returns is nearing completion

63. Each year the Council receives approximately 60 grants which require certification by us at the year-end. The Council has continued to improve its procedures for collating and submitting grant claims to us during the current year. This enables both us and the Council's grants team to work more efficiently and has also resulted in savings in grants fees for the Council.

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64. The Council is reimbursed by the Department for Work and Pensions (DWP) for payments awarded to Housing and Council Tax Benefit claimants. This reimbursement, through submission of a subsidy claim to the DWP, exceeds £37.8 million. We are required to certify the subsidy claim by testing a significant sample of individual benefit claims.
65. Our detailed testing of the 2006-07 benefit claims did not identify any significant issues and the claim was unqualified.
66. Our work on the 2007-08 claim is nearing completion and again we have found the systems and processing to be accurate. We also found that:
- Processing times for new claims have improved significantly, from 30 to 19 days, and are better than the Welsh average of 25 days. The time taken to process changes in circumstances is also reducing and the Council is ranked the fourth highest in Wales in this area of performance.
 - Staffing levels have improved as a result of the introduction of home working arrangements. These new arrangements have helped to clear the backlog and are leading to improved processing times.

The Relationship Manager's report on behalf of the Auditor General

Regulators' inspection work across a range of Council services and functions identified improvements in priority areas but, disappointingly, Children's Services remain high risk

67. During 2008, inspections examined how the Council manages its assets and delivers services across a range of areas linked to agreed risks and the Council's improvement priorities. In nearly all of these, regulators found that the Council is progressing with planned improvements, implementing good practice and managing risks effectively, although there is still much to do. However, in Children's Services significant risks remain in relation to the way the Council discharges its statutory duty to safeguard vulnerable children; therefore, Children's Services continue to be monitored by the CSSIW under the serious concerns protocol.
68. Conclusions from a range of regulatory activity undertaken by the Wales Audit Office and CSSIW on behalf of the Auditor General are set out below. This activity included:
- local inspections;
 - a JRA undertaken by the Council and agreed with regulators;
 - following up previous work;
 - initiatives to promote shared learning and innovation; and
 - the Auditor General's national studies.

Although well placed to sustain and improve, Children's Services are inconsistent and the Council must, in particular, improve arrangements to safeguard vulnerable children

69. In 2005, the protocol for serious concerns agreed between the Assembly Government and the Welsh Local Government Association was invoked at the Council because of continuing concerns for vulnerable children and improvement not being at the level expected. The grounds for serious concern were in the areas of practice and also staffing and management. Since then, the Council has been required to report quarterly to the Chief Inspector on a range of indicators and quality targets designed to improve performance, and has been subject to quarterly monitoring visits to check progress.
70. Care and Social Services Inspectorate Wales identified that the past year has seen the implementation of significant and far reaching changes across the Council and within social services, which have led to changed responsibilities for senior officers. Social services have been restructured and adult social care has moved into the new Wellbeing Directorate along with leisure and community services. Children's social care services and education services have been integrated since April 2008.
71. The interim director has left the Council and a new director for the Wellbeing Directorate has been appointed and taken up the post. A new post of head of adult care has been established and filled. A programme to remodel adult social care has been developed and is currently being implemented using project management methodology.
72. In February 2008 CSSIW undertook an inspection review of the Council's Children's Services to assess how well people are served and contribute to the further improvement of services. The inspection report was published in July 2008. The review team found that generally, since the implementation of the protocol in 2005, the Council has made steady progress in establishing reliable data systems and in meeting the target PIs set by CSSIW. The Council has brought into being many of the systems needed to underpin a sound service and it must now concentrate on improving the quality of services. In particular it must ensure that it consistently fulfils its statutory duties to safeguard vulnerable children. A significant test of the success of directorate restructuring will be continuing progress in children's social services.
73. Priorities for action are:
- protecting vulnerable children;
 - complying with statute and regulations;
 - agreeing and achieving standards of practice;
 - managing performance and improving quality;
 - planning and commissioning a more comprehensive range of support services;
 - ensuring effective leadership; and
 - addressing outstanding office accommodation issues for services to disabled children and their families.

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74. The annual CSSIW performance evaluation of the Council which covers the full range of social care services will be reported in December 2008. At present, the Council's regulators are agreeing work for 2009 aimed at supporting the Council to achieve lasting improvement in Children's Services. This includes a further re-inspection of Children's Services in April 2009.

The Council has a realistic and proactive approach to school modernisation and has developed a phased and costed programme

75. The Council's risk assessment indicates that if it does not progress the Schools' Modernisation Programme and address schools funding issues, its 70 schools will be 'unfit for purpose'. The result will be reduced attainment levels by children, increased additional learning needs that are unmet, more health and safety issues, inefficient use of resources and poor inspection results.
76. The Council has produced a Schools' Asset Management Plan (SAMP), which brings together essential information about the current state of the schools and it has developed a three phased Schools' Modernisation Programme. Delivering this is a priority for the Council and the programme is one of the Council's nine strategic programmes which are monitored and evaluated by a Programme Management Board.
77. For the overall programme to be successful the Council needs to source additional funding and ensure that the organisational and project management arrangements are appropriate for a programme of this scale. The Council has committed £52.9 million already and identified £111 million of possible future funding for school modernisation. However, delivering the Programme requires a further £63.8 million over the period to 2020. Council officers continue to be proactive in efforts to seek sources for this funding.
78. We concluded that the Council has a realistic and proactive approach to school modernisation and has developed a phased and costed programme. This planned approach is building confidence and enabling the Council to address difficult issues in a structured way. Recent and planned changes to the Council's priorities, organisation and systems will also contribute to the delivery of its programme. An internal 'health check' review identified areas in which project management should be strengthened. In addition to these, we identified the need to more clearly articulate the long-term outcomes of the Schools' Modernisation Programme.

The Council is strengthening arrangements for managing highway infrastructure and building assets

79. The Wales Audit Office undertook work to examine the Council's approach to managing highway infrastructure and building assets. The Council is developing a single unified approach to managing both buildings and highways assets through the Bridgend Asset Management Group. This Group should improve oversight of all of the Council's physical assets and strengthen effectiveness of the capital programme.

The Council has produced a summary Highway Asset Management plan but has yet to define highway condition standards and commit funding to achieve them

80. The Assembly Government requires local highway authorities to develop Asset Management Plans, which provide a strategic approach to allocating resources for managing, operating, preserving and enhancing highway infrastructure.
81. The Council has produced a summary plan that identifies the majority of its highway infrastructure assets and has used condition information to quantify maintenance needs. However, this information does not appear to have influenced funding decisions because an additional £9.4 million is required to finance the identified maintenance needs. Furthermore, the Council has not defined a standard for network condition or identified the levels of service it requires its network to provide.
82. To address these issues, the Council needs to document the required standards for highway maintenance and network condition following the guidance in 'Well Maintained Highways' which is endorsed by the Department of Transport and the Assembly Government. The Council's standards should be approved by members as part of the Highways Asset Management planning process, should be used to guide funding decisions and should support further development and implementation of the full plan.

The Council has developed new structures and introduced better systems that have improved its approach to managing building assets

83. The Council inherited property assets from the previous county and district councils including schools, leisure facilities, care homes and offices. Many of these buildings are no longer appropriate for present and future needs. Furthermore, they are deteriorating and generating high maintenance costs. To ensure building assets meet corporate objectives, are properly safeguarded and controlled, they need to be actively managed. The Council has made improvements to asset information and management and will also need to:
 - ensure asset management data are complete and systems are robust;
 - ensure effective allocation of limited resources by prioritising asset management action plans based upon risk;
 - promote corporate solutions to asset management issues through continued leadership of the Bridgend Asset Management Group by an Executive Director;
 - develop a clear long-term office accommodation strategy; and
 - introduce a corporate approach to facilities management.

The Council has improved its approach to reporting and monitoring performance but managing performance is not yet a consistent part of everyday working practice

84. In July 2007, the Council established a programme of high-level QBR meetings to review service performance against business plan objectives and targets. The Council is learning from each quarter's review and is refining the QBR process to provide support and challenge to services and drive performance improvement. We identified that there were some areas that could be improved and these included:
- adopting a more informative approach to directorate reports, using presentations, exception reporting and performance trend analysis rather than simply reporting the PI data;
 - assessing performance based upon comparing outcomes achieved compared with descriptions of what success looks like;
 - identifying the impact of management action upon reducing risk instead of assuming that management action in itself is sufficient to reduce risk;
 - using PIs and service data to stimulate challenge and inform decisions rather than being the sole measure of performance.
85. Following on from our presentation, the Council asked the Wales Audit Office to look at how well information was being used at an operational and directorate manager level, and how it was informing the business planning process. The early findings of this work indicate whilst performance information supports reporting, it is not being used consistently by managers to inform their decisions and deliver better outcomes. The Wales Audit Office is doing further work in this area.

The overall assessment for the Council's benefits service was low risk

86. In April 2008, as part of the UK Government's initiative to streamline inspectorates and reduce inspection costs and burdens, the Wales Audit Office took up the risk-based inspection of the performance of local authorities' Housing Benefit (HB) and Council Tax Benefit (CTB) services, previously undertaken by the Benefit Fraud Inspectorate (BFI). The Wales Audit Office undertook bespoke risk assessments at all Welsh local authorities to inform the future inspection programme which is funded through the Benefits Inspection Grant. Risk was assessed across 11 areas, including assurance and value for money. The Council's benefits service was assessed as being overall low risk; having no high risk areas, two medium-risk areas and the remainder low risk. The two medium-risk areas were in relation to take-up of benefit, due to the absence of a written strategy and overpayments.

The Council participates in joint working arrangements with other local authorities to manage waste and information technology that have potential for further benefits

The Council is exploring sustainable means of managing waste by participating in a regional waste consortium although it is not reliant on the consortium to achieve waste targets

- 87. Meeting the escalating waste management targets of the EU Landfill Directive and the recycling targets set by the Assembly Government remains one of the highest corporate priorities for councils across Wales. There is widespread recognition that a collaborative approach could help councils to make progress towards achieving targets and avoiding severe financial penalties.
- 88. The six councils in south-west Wales, including Bridgend, have established a regional waste consortium, which is being monitored by the Wales Audit Office. The Council is confident that they already have arrangements in place to meet Landfill Allowance targets without reliance on the success of collaborative working through the Waste Consortium.
- 89. So far, the group has made only very limited progress with the priorities needed to ensure all of its members meet future waste management targets. However, the group has recently been reformed into a member and officer committee, with increased powers to develop and carry forward collaborative ideas more rapidly. This requires clear commitment from the councils and stronger links with the Assembly Government to ensure that progress within the region is aligned with the emerging national waste strategy.
- 90. The group recognises the need to explore, in collaboration, options to secure capital funding needed to develop new waste treatment facilities for residual and kitchen wastes. Funding for the first stages of collaborative working in these two priority areas has been agreed with the Assembly Government.

The Council co-ordinates the implementation of a social care IT system with a group of other Welsh local authorities but the full range of potential benefits of this arrangement have not yet been delivered

- 91. The Council participates in the Welsh Systems Consortium (WSC) – a group of eight local authorities that collectively procured the social care IT system ‘Careworks RAISE/DRAIG’ in 2004. Member authorities have been implementing the system at their own pace and have different amounts of progress due to the impact of local priorities and resources. The WSC asked the Wales Audit Office to assess and report progress. Overall we found that member authorities are engaging with the application in a way that helps to improve services to vulnerable people but the full benefits have not yet been realised across the WSC. We recommended that the WSC should encourage its members to capitalise on opportunities to share knowledge and co-ordinate implementation in services more consistently across member authorities.

As at November 2008, some inspection work planned for 2008-09 is still in progress

92. We are pleased to be asked to assist the Council with the development of its Information and Communications Technology (ICT) Strategy. The Wales Audit Office will provide independent challenge to strategy development; draw attention to good practice elsewhere; identify possible omissions in the Council's approach; and, more generally, act as a 'critical friend'. The Wales Audit Office will also be providing external challenge to strategy development for leisure services, following on from a strategic review undertaken by external consultants.
93. The current Regulatory Plan includes inspections of:
- support for members to make and scrutinise decisions, maintain an overview of overall direction and challenge financial and service performance;
 - the Council's approach to sustainable development to ensure economic, environmental and social sustainability and equalities are integrated into strategic planning and decision-making processes; and
 - the management development programme to develop management capacity and capability to support a new directorate structure and deliver corporate priorities.
94. The inspections of support for members and sustainable development are in the early scoping stages with fieldwork expected to commence in January 2009. I will report on the findings in next year's Annual Letter. Because the Council's approach to management development is moving ahead and a programme, using external consultants, is in place, we have agreed to postpone our proposed work on management development.

The Council has identified the most significant risks to delivering its responsibilities and priorities for improvement, and has agreed them with its regulators

The Council has agreed with regulators an assessment of risks in relation to its responsibilities and improvement priorities

95. The Council has completed, and agreed with its regulators, a risk assessment of its services and corporate functions in relation to corporate responsibilities and priorities. The outputs of this exercise are recorded in a register of corporate risks and reported in the Council's Improvement Plan. The Corporate Risk Register will help the Council to focus attention on these areas, manage challenges, identify areas for improvement and monitor progress. It will also influence regulatory activity during 2009-10. The most significant risks are in the areas of:
- modernising schools;
 - improving Children's Services and remodelling adult social care;
 - maintaining highway infrastructure;

- meeting the costs of equal pay claims;
- strengthening working relationships across services and agencies; and
- reshaping leisure services.

The Council's arrangements to assess and manage risks effectively are improving, with better co-ordination across directorates and services to analyse risks and take mitigating actions

96. We have noted improvements in the Council's arrangements for identifying and defining risks and their impact upon delivering corporate priorities. Mitigating actions are identified in business plans which will facilitate quarterly reporting of the key strategic risks through the QBR process. However, more work is needed to:
- ensure that risk management becomes routine management practice, where appropriate actions are taken to deal with risks, rather than an exercise to produce an annual risk register;
 - ensure that effective arrangements are in place and are operating consistently across all Council services to manage appropriately service-level risks that are not corporate risks; and
 - clarify the roles of the Corporate Management Board, Cabinet, Overview and Scrutiny Committees and the Audit Committee in risk reporting and monitoring arrangements.
97. During 2008, regulators have undertaken a programme of work based upon last year's JRA and nationally identified risks, aimed at improving performance. The key conclusions and recommendations from this work are set out above.

The Council continues to respond positively to inspection recommendations and has engaged positively with the Wales Audit Office's initiatives to promote improvement

The Council continues to respond positively to our inspection recommendations

98. Last year, we noted welcome improvements in the timeliness and thoroughness of the Council's responses to audit and inspection recommendations. The Council continues to respond positively to our work and we have been working with the Council to update arrangements for distributing regulators' reports, agreeing timely responses to recommendations and ensuring effective monitoring of implementation and outcomes. These arrangements are now set out in a joint protocol with the Council and are incorporated into the Council's performance management system.

99. Prior to the local government elections, we followed up the Council's response to recommendations arising from our previous in work electoral services. We found that the Council had implemented the recommendations and was confident that the problems encountered in previous elections had been addressed. In particular the Council had:
- improved staff capacity and experience within electoral services and strengthened arrangements for project managing the conduct of elections;
 - made improvements to arrangements for conducting the 2008 local government elections based on lessons from the 2007 National Assembly for Wales elections.
100. We will continue to follow up other pieces of past work by placing reliance upon the Council's own monitoring arrangements, as part of our ongoing inspection activity or through specific reviews as appropriate.

The Council has engaged positively with the Wales Audit Office's initiatives to promote improvement and is committed to shared learning through the Wales Audit Office's Good Practice Exchange

101. In 2007, the Wales Audit Office embarked on a long-term programme of promoting improvement across public services through the capture, evaluation and dissemination of good practice. Web-based facilities to support improvements in sickness absence management, fleet management, occupational health and grants management have been launched and the ability to access Wales Audit Office case studies and facilities for sharing learning across public services has been developed.
102. Currently, the Council's level of sickness absence, at an average per employee of 14.8 days' sickness absence a year, is the highest of the 14 Welsh local authorities that reported their performance. Our work with the Council has included seeking the views of managers on existing sickness absence management practices, to inform the development of new policies. Now, the Wales Audit Office is discussing how we can support the Council to improve the management of long-term absence. The Wales Audit Office's fleet management shared learning seminars held in May 2008 were attended by Council managers.
103. This year we have focused on Smarter Ways of Working, aiming to provide a convenient stimulus for innovation and creative thinking in gearing the organisation of work and the people who deliver it to the opportunities that new ways of working may offer. It aims to support an overall organisational strategy of improvement, generating benefits in relation to cost control, sustainability, and employee engagement. At the heart of Smarter Ways of Working is citizen-centred service design.
104. We are currently working with the Council on how best to use our resources to support managers with the opportunities that Smarter Ways of Working may provide.

The Council is involved in fieldwork for Auditor General national value-for-money studies

Making the Connections

105. The Wales Audit Office is committed to an ongoing programme of work focussing on the Making the Connections agenda across the public sector in Wales. In 2007 we completed a baseline assessment of progress made in implementing that agenda, following which we concluded that a phased review of asset management would provide a framework for future work.

The first phase of that work – on fleet management – was designed to identify whether public sector organisations' arrangements made the best use of resources to support improvement in service delivery. The Welsh public sector collectively uses approximately 16,000 vehicles which cost some £200 million per annum to run. We estimate that these vehicles drive some 250 million miles per annum which generates some 110,000 tonnes of carbon dioxide (CO₂). Effective fleet management can improve service delivery, reduce operating costs and minimise the environmental impact of the fleet. The Council uses 204 vehicles which cost £2.4 million per annum to operate. Those vehicles travel approximately 3 million miles and emit some 1,400 tonnes of CO₂ per annum.

We concluded that the Council's approach to fleet management is making good use of resources to support improvements in service delivery, although there is scope for improvement in setting out its fleet management strategy and linking it to the other areas of asset management.

Education of Looked After Children in Wales

106. As part of his programme of value for money examinations under the Public Audit (Wales) Act 2004, the Auditor General is undertaking a study to review arrangements to improve the education of looked-after children across Wales. The Council volunteered to be one of the local authorities where these arrangements are looked at in detail and this work starts in October 2008.
107. In 2009, the Auditor General plans to produce a national study report to the National Assembly Audit Committee. This report will be followed by some shared learning seminars to share good practice.

Review of child and adolescent mental health services

108. A joint review of Child and Adolescent Mental Health Services (CAMHS) is being undertaken by the Wales Audit Office and Healthcare Inspectorate Wales, supported by the CSSIW and Estyn. The review is examining:
- the range of services and support in place to meet the needs of children and adolescents across Wales;
 - the experiences of children, adolescents and their parents when accessing and using services; and
 - arrangements to support continual service improvement, including planning and commissioning of services.

109. Information has been gathered from all statutory organisations and detailed fieldwork has been undertaken in a cross section of Local Health Board (LHB)/Local Authority areas in Wales including Bridgend. A national report will be published in the New Year and this will be followed by regional events to share findings and learning across Wales.

Adult Mental Health Services follow-up

110. In 2005, the original review of mental health services in Bridgend found that whilst significant progress had been made in developing services, there was still a need for an overarching strategy to implement them.
111. The follow-up review of Adult Mental Health Services is scheduled to commence in the final quarter of 2008. The timing reflects the need to take account of decisions on the future delivery arrangements for mental health within the NHS. The review will cover health, local government and the voluntary sector, and gathering the views of service users will be an integral part of the review.
112. The follow-up review will assess the extent to which the planning, management and delivery of adult mental services has improved since the baseline review. In assessing improvement the review will focus on whether barriers to service improvement have been addressed, and whether services have been developed in line with national and local priorities.
113. Findings will be reported on a health community basis covering a number of LHBs, local authorities and NHS trusts. Reporting arrangements will be finalised once there is clarity over changes to mental health within the NHS. An all-Wales report will also be published.

Appendix 1

Auditor's report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in 2007-08

Conclusion on the Council's arrangements for the year ended 31 March 2008 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.	
Auditors' responsibilities	
<p>We have a responsibility under section 17(2)(d) of the Public Audit Wales Act 2004, to conclude from our audit of the Council's annual accounts and other relevant information whether we are satisfied that it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of our work in this area, we 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>We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. In carrying out our work, we have not considered whether the arrangements in place represent all those that could be in place. We are also not required to consider, nor have we considered as part of this aspect of our work, the effectiveness of the arrangements in place in securing value for money during the year under review.</p>	
Conclusion	
<p>The following conclusion has been based on, and limited to, work carried out as part of our audit of the 2007-08 accounts, together with any other information that we have considered to be relevant to our examination, to establish, in all significant respects, what arrangements the Council had in place during the year to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.</p> <p>Based on the Council's Statement of Internal Control and as a result of the work carried out, as described above, as part of our audit of the 2007-08 accounts, and all other information that we have considered to be relevant, we are satisfied overall as to the existence of the arrangements that the Council had in place during the year to support the achievement of its responsibility for securing economy, efficiency and effectiveness in its use of resources. We 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.</p>	
KPMG LLP Appointed Auditors 11 November 2008	Marlborough House Fitzalan Court Fitzalan Road Cardiff CF24 0TE

Appendix 2

Criteria for assessing the Council's arrangements during 2007-08 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	1. Has the Council put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
Meeting needs of users and taxpayers	2. 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	3. 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	4. Has the Council put in place arrangements to manage its significant business risks?
Managing financial and other resources	5. Has the Council put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	6. 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?
	7. Has the Council put in place arrangements to ensure that its spending matches its available resources?
	8. 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?
Monitoring and reviewing performance	10. 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?
	11. 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	12. 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

Audit of the 2008-09 Improvement Plan

Certificate

We certify that we have audited Bridgend County Borough Council'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 Council and the auditors

Under the 1999 Act the Council 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 WPI will be implemented under sections 3, 5 and 6 of the 1999 Act as set out in the National Assembly's Circular 18/2002. Under this guidance, the statutory Best Value Performance Plan has been replaced by a statutory Improvement Plan.

The Assembly Government's 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 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 in section 6 of the 1999 Act and the statutory guidance issued by the Assembly Government.

As the Council'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 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 – eg, 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

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 Council. 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 Council for collecting and recording specified performance information; and
- the testing of specific NSPIs 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.

Appendix 4

Audit and inspection fees

Your 2007-08 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 2007-08 (excluding VAT)		
	2007-08 planned (£)	2007-08 expected actual (£)
Accounts	157,900	157,900
Performance audit	147,680	147,680
Performance inspection	89,589	89,589
Total	395,169	395,169

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 that this work will cost approximately £60,000 to £80,000 plus VAT.



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