

## **Statement of Internal Control**

### **1. Scope of Responsibility**

Bridgend County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, we are also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the County Borough Council's functions and which includes arrangements for the management of risk.

### **2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Bridgend County Borough Council for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

### **3. The Internal Control Environment**

The key elements of the Council's internal control environment are summarised below. Where reference is made to documents within the Council, details are available from the Council on request or can be found on the Council's website :- [www.bridgend.gov.uk](http://www.bridgend.gov.uk).

The key elements are :-

- (i) Establishing and monitoring the achievement of the Council's objectives
  - The Corporate Improvement Plan 2005-2008
  - The Audit of the Corporate Improvement Plan
  - The Community Strategy
  - Policy Agreement – Bridgend CBC
  - Directorate Business Plans
  - Service Level Action Plans
  - Strategic Plans
  - Regulatory Plan 2005-2006
  - Joint Risk Assessment
  - The Council's Constitution
  - Cabinet and Council
  - Scrutiny

- Three Year Revenue Budget and Capital Programme
  - Corporate Management Board
  - Welsh Assembly Government – ‘Making the Connections’
  - Relationship Manager’s Annual Letter
- (ii) Facilitation of policy and decision-making
- The Council’s Constitution
  - Cabinet and Council
  - Cabinet Committees
  - Scrutiny
  - Policy Forums
  - Welsh Assembly Government’s Spatial Plan
  - Corporate Management Board
  - Published Committee Reports, Agenda and Minutes
  - Corporate Officers/Members Working Group
  - Delegated Powers
- (iii) Ensuring compliance with established policies, procedures, laws and regulations
- Cabinet and Council
  - Scrutiny
  - Audit Committee
  - Monitoring Officer and Section 151 Officer
  - Financial Regulations / Finance Handbook
  - Procurement Contract Rules
  - Internal Audit
  - External Audit and Inspection
  - Risk Management Policy
  - Anti Fraud & Corruption Strategy
  - Discipline and Grievance Policies
  - Equality Procedures
  - Whistle Blowing Policy
  - Codes for Conduct of Council Employees and Members
  - Health and Safety Policies
  - Quality Standards and Assurances
  - Professional Standards
  - Corporate Governance Framework
- (iv) Ensuring the economical, effective and efficient use of resources and secure continuous improvement in the way functions are exercised
- Cabinet and Council
  - Audit Committee
  - Scrutiny
  - Performance Management Framework
  - Performance Improvement Group
  - Procurement Arrangements
  - Asset Management Plan
  - Policy Agreement
  - Wales Programme for Improvement (W.P.I)
  - Audit and Inspection

- Monitoring of Directorate Business Plans and Flagship Projects Action Plans
  - Budget Monitoring and Hot Spots Reports to Cabinet
  - Operational Budget Monitoring
  - Published Statement of Accounts
  - Service Reviews
- (v) Facilitating the financial management of the Council
- Cabinet and Council
  - Audit Committee
  - The Council's Constitution
  - Financial Regulations / Finance Handbook
  - Audit and Inspection
  - Scrutiny Committee
  - A medium term financial planning process
  - Quarterly revenue and capital reports to Cabinet
  - Departmental Finance Officers Working Group
- (vi) Facilitating the performance management of the authority and its reporting
- Performance Management Framework
  - National Performance Measurement Framework for Wales
  - Local Performance Indicators
  - Benchmarking Clubs
  - Staff Appraisal System
  - Statutory and W.P.I. Core Indicator Set
  - Policy and Performance Management Unit
  - Performance Improvement Group

The control environment has developed since 1996 evolving to meet new demands and pressures on the Council. The key elements to the framework detailed above can be categorised as :-

- Corporate Controls – These comprise a large number of policies, processes and strategies by which the Council exercises control over the operation of all activities within its remit. The Council's Constitution provides the framework for its financial rules, decision making processes and details procedures and codes of conduct for Members and officers. The Corporate Improvement Plan, Corporate Governance and Performance and Risk Management frameworks are other significant policies within this area.
- Departmental Controls – These comprise all the processes chief officers have in place within their departments and in particular include departmental approaches to performance and risk management.
- The Independent Review – This includes the views of Internal Audit, External Audit, Welsh Assembly Government and the various inspection regimes that comment on the operations of the Council to examine ways of ensuring the economic, effective and efficient use of resources.

#### 4. Review of Effectiveness

## APPENDIX B

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by:

- the executive directors within the Council who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the Council's Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- the comments made by the external auditors in their management letters and other reports;
- the reports of other independent inspection bodies and Welsh Assembly Government.

The process for maintaining and reviewing the effectiveness of the system of internal control includes:-

- The Council has adopted a constitution (revised 29/03/06), which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- There are five Overview and Scrutiny Committees which oversee the portfolios of the Cabinet Members and which support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by undertaking investigations into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. They also monitor the decisions of the Cabinet and can 'call-in' a decision which has been made by the Cabinet but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider the decision.
- The Monitoring Officer is responsible for maintaining an up-to-date version of the Constitution to ensure that its aims and principles are given full effect. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council or to the Cabinet in relation to an executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. He also receives and acts on reports made by the Ombudsman and decisions of the case tribunals.
- The Council has an Audit Committee which is a key component of corporate governance. It provides a source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- The Performance Improvement Group, an officer working group, is responsible for the ongoing monitoring of arrangements for performance management across the Council. The Wales Audit Office in their Relationship Management Letter 2004/05 positively noted the work of this Group.
- The Council published its Policy for the Management of Risk in February 2006. It identifies that all Elected Members and employees of the Council need to make themselves aware of risks in the decision making process and everyday work situations. The Policy describes some key roles within risk management including the Risk Management Programme Board. This receives and scrutinises operational risks from the Directorate Management Teams and recommends the addition of key operational risks to the Council's Risk Register. It is responsible for reporting on Risk Management issues to Council on a bi-annual basis.
- The Corporate Management Board is responsible for the management of risks in all areas under their control. It considers various risk control options for areas designated as

- requiring priority attention identified within the Corporate Improvement Plan and monitors the effectiveness of the risk management policy.
- Internal Audit is responsible for monitoring the Council's operations in order to review, evaluate and test the adequacy of the Council's systems of internal control as contributions to the proper, economic, efficient and effective use of resources. The three year Internal Audit plan is based on a needs and risk assessment process. Internal Audit reports include recommendations for improvements included in a Management Action Plan that requires agreement or rejection by service managers in a given timeframe. The Chief Internal Auditor prepares an annual report and opinion on the Council's internal control system which is presented to Audit Committee. The opinion of the Chief Internal Auditor for the financial year 2004/05 was that the Council's internal control arrangements provide a satisfactory level of assurance.
  - External Audit present their comments on financial aspects of corporate governance and performance management in their annual audit letter and other reports. For the financial year ending 31<sup>st</sup> March 2005, the Annual Audit Letter stated that the "Authority needs to deal with a number of serious issues. There are risks arising from both particular areas (eg Children's Services) and the number of issues on the change agenda". However, an 'unqualified opinion' was issued for the annual accounts for 2004/05. There was also praise for the move to a three year Corporate Improvement Plan for the first time and improved performance in the timeliness of the preparation of the year end accounts.

A Statement of Internal Control Workshop took place as a key element of the Review of Effectiveness. The Workshop membership consisted of the Leader of the Council, all Cabinet Members and the Executive Directors. It was facilitated by the Chief Accountant, the Chief Internal Auditor and the External Audit manager for the Council. An overview of the S.I.C. process was given that described the process for reviewing and gathering the assurances needed for the review of effectiveness to ensure that risk is being managed and controls are working appropriately. The Group examined examples of Assurances together with evidence of documents within the Council to support the Assurances. The outcome of the Workshop was an identification of the significant internal control issues that should be included within the Statement. There have been additional internal control issues that were identified during the Joint Risk Assessment that are included within this Statement. The Group subsequently agreed the Statement of Internal Control that was to be presented to Audit Committee for review.

### 5. Significant Internal Control Issues

In producing this Statement, the following internal control issues have been identified :-

ISSUE	ACTION	TIMESCALE FOR COMPLETION	RESPONSIBLE OFFICER
1. Children's Services	Progressing the Children's Services improvement programme :- <ul style="list-style-type: none"> <li>• Maintain progress with undertaking assessments, reviews and other case work within statutory timescales</li> <li>• Reduce overall numbers of looked after children and LAC cases supported in independent sector foster/residential care settings</li> <li>• Strengthen capacity within Social Work teams</li> <li>• Improve levels and quality of supervision of fieldwork staff</li> <li>• Develop team based administrative support and reconfigure business processes to improve data capture</li> <li>• Develop/increase use of IT and electronic case recording by all staff in social work teams</li> </ul>	September 2006 & ongoing  March 2007  July 2006  Ongoing  July 2006  December 2006	Executive Director – Community

ISSUE	ACTION	TIMESCALE FOR COMPLETION	RESPONSIBLE OFFICER
<p>2. Corporate Cultural Review –</p> <p>(i) Human Resources (HR)</p>	<ul style="list-style-type: none"> <li>A Programme Board is to be created to oversee the implementation of changes to the existing organisational arrangements for the provision of Human Resource Management, Payroll and Occupational Health support services within the Council</li> </ul>	<p>To be agreed</p>	<p>Chief Executive &amp; Deputy Chief Executive and Executive Director – Resources</p>

ISSUE	ACTION	TIMESCALE FOR COMPLETION	RESPONSIBLE OFFICER
(ii) Performance Management	<ul style="list-style-type: none"> <li>• Production of Performance Management Guidelines for managers. Development of workshops for managers and use of team meetings to cascade principles of performance management.</li> <li>• Implementation of the Performance Management Framework to raise standards across all service areas.</li> </ul>	<p>September 2006</p> <p>September 2006</p>	
(iii) Procurement	<ul style="list-style-type: none"> <li>• A Procurement Development Group comprising of 'Procurement Champions' nominated by each Directorate Management Team has been established</li> <li>• Results of a Baseline Audit on procurement and associated costs will be reviewed and forward work programme produced</li> <li>• Further analyse results of the interrogation of the creditor system to identify potential areas for joint collaborative approach to procurement and potential efficiency</li> <li>• Review contract procedural rules and best practice guidance notes</li> <li>• Produce a revised, effective Procurement Strategy</li> </ul>	<p>On-going</p> <p>On-going</p> <p>July 2006</p> <p>Summer 2007</p> <p>Autumn 2007</p>	



ISSUE	ACTION	TIMESCALE FOR COMPLETION	RESPONSIBLE OFFICER
3. Waste Management	<ul style="list-style-type: none"> <li>• Continue to make progress towards achieving the Authorities Waste Management targets</li> <li>• Progress partnership working with Neath Port Talbot County Borough Council</li> <li>• Further development of Budget Monitoring System</li> <li>• Maintain the successful administration of the grants in this area</li> <li>• Continue to provide effective administrative support</li> <li>• Continue in regional waste groups</li> </ul>	<p>On-going</p> <p>On-going</p> <p>September 2006 &amp; on-going</p> <p>On-going</p> <p>On-going</p> <p>On-going</p>	<p>Executive Director - Environment</p>

ISSUE	ACTION	TIMESCALE FOR COMPLETION	RESPONSIBLE OFFICER
4. School Reorganisation and Funding	<ul style="list-style-type: none"> <li>• Outcome of consultation on 'Learning Communities – Schools of the Future' document to be analysed and reported to Cabinet</li> <li>• Systematic analysis of the sufficiency, suitability and condition of schools and pupil number projections to be completed</li> <li>• Timetable for proposals for school rationalisation, with costs, to be brought forward to Cabinet for consideration</li> <li>• Comparative information on school-funding levels across Wales and similar-sized LEA's to be collated and reported to elected members</li> <li>• Bids to improve levels of school funding submitted as part of corporate budget strategy</li> <li>• Proposals, where agreed, to be incorporated into medium term capital and revenue programmes</li> <li>• Statutory processes to be followed with regard to rationalisation proposals</li> </ul>	<p>July 2006</p> <p>September 2006</p> <p>October 2006</p> <p>September 2006</p> <p>October 2006</p> <p>November 2006</p> <p>January 2007</p>	Executive Director - Learning

ISSUE	ACTION	TIMESCALE FOR COMPLETION	RESPONSIBLE OFFICER
5. Assessment and Care Management Services and arrangements for the protection of vulnerable people	<ul style="list-style-type: none"> <li>• Continue to promote 100% allocation and active management of children's services cases</li> <li>• Progress implementation of the Unified Assessment Process and the Integrated Children's System</li> <li>• Progress recruitment and retention initiatives to provide greater stability and increase capacity within Social Work teams across all client groups</li> <li>• Further development of quality assurance arrangements</li> <li>• Ensure that vulnerable people are safeguarded</li> </ul>	<p>Ongoing</p> <p>December 2006</p> <p>July 2006</p> <p>September 2006</p> <p>Ongoing</p>	Executive Director - Community
6. Failure to achieve efficiencies to realise cashable gains	<p>Implementation of report to CMB on 4 April 2006 ' Integrating the Efficiency Agenda with the Budget Process'</p> <ul style="list-style-type: none"> <li>• Early identification of 2.5% budget reductions for next 3 years of which 1% must be cashable efficiency savings</li> <li>• Improved monitoring arrangements to include monitoring of Directorate Business Plan action plans and both cashable and non-cashable efficiencies</li> </ul>	<p>Savings identified by 31st May 2006</p> <p>Report on progress to Scrutiny by end June 2006</p> <p>Budgets set by Feb 2007</p> <p>Quarterly monitoring reports to cabinet 6 weeks after end of each quarter.</p>	Chief Executive & Deputy Chief Executive and Executive Director – Resources

ISSUE	ACTION	TIMESCALE FOR COMPLETION	RESPONSIBLE OFFICER
7. Asset Management Planning	<ul style="list-style-type: none"> <li>• An update of the Asset Management Plan is prepared annually and the 2006/07 update will be presented to Cabinet probably in June 06 to proceed to the Council</li> <li>• The work of the Asset Management Team in the Property Department is monitored by the Asset Management Working Group (AMWG), a senior level, cross Directorate Group chaired by the ED - Resources and attended by the Deputy Leader and the Cabinet Member for Resources. The group ensures a corporate approach to property assets and this is affected, in part, by the Property Manager's membership of Capital Working Group; Regeneration Enterprise Board and Corporate Access Improvement Group.</li> <li>• In May 2006 the AMWG approved the 2006 update and an action plan for the year. It reviews progress at its 6 weekly meetings</li> </ul>	<p>June 2006</p> <p>On-going</p> <p>Every 6 weeks</p>	Deputy Chief Executive and Executive Director – Resources
8. Leadership and Business Continuity	<ul style="list-style-type: none"> <li>• Appointment of an Interim Chief Executive for a six month period to oversee appointment of a new Chief Executive and implement the findings of the Cultural Review.</li> </ul>	December 2006	Corporate Management Board

**Leader of the Council**

**Deputy Chief Executive  
and Executive Director Resources**

**Dated**