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Annual Letter

Bridgend County Borough Council

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Status of this report

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Summary

1. This Annual Letter (the Letter) sets out the key messages arising from audit and inspection work undertaken over the last 12 months. It draws on published reports of other inspectorates to provide an annual summary of findings and conclusions to Bridgend County Borough Council (the Council).
2. The Appointed Auditors' conclusions on the Council's accounts are generally positive as set out in paragraphs 5 to 80.
3. The Relationship Manager (RM) has concluded that reviews of services and corporate arrangements show that the Council has achieved improvements and recognises that sustaining progress will require difficult choices to focus available resources, as set out in paragraphs 81 to 128.
4. Appendix 2 sets out the roles of the Appointed Auditor and RM.

The Council has complied with financial and performance improvement reporting requirements and continued to improve its systems but faces significant financial pressures

The Council had appropriate arrangements to administer and report financial matters and to secure value for money in its use of resources in 2008-09

5. It is the Council's responsibility to:
 - put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
 - maintain proper accounting records;
 - prepare a Statement of Accounts in accordance with relevant requirements;
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources; and
 - provide the Assembly Government/HM Treasury with information required for the production of the Whole of Government Accounts (WGA).
6. The Code of Audit and Inspection Practice (the Code) requires us to:
 - provide an audit opinion on the accounting statements;
 - review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
 - issue a certificate confirming that we have completed the audit of the accounts.
7. In addition, we review and report upon grant claims and returns, including the WGA Return, prepared by the Council.
8. We issued a certificate confirming that the audit of the accounts has been completed on 1 October 2009.

The Statement of Accounts 2008-09 was prepared in accordance with statutory requirements and presents fairly the financial position and transactions of the Council. The Statement of Accounts was prepared to a high standard but there are some areas for continued improvement

9. The Statement of Accounts is an essential means by which the Council demonstrates stewardship of the resources at its disposal and its financial performance in the use of those resources.
10. On 25 September 2009, we issued an unqualified audit opinion on the accounting statements.

11. International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of our accounts audit. The Appointed Auditors' report *Audit 2008-09 – Report to Those Charged with Governance* was presented to the Audit Committee on 23 September 2009. A summary of the findings is set out in Exhibit 1.

Exhibit 1: ISA 260 reporting to the Council

Reporting requirement	Auditors' response
Modifications to the auditors' report	No modifications to the auditors' report.
Unadjusted misstatements	There were no material unadjusted misstatements. A small number of immaterial errors were identified during the course of the audit. Appropriate amendments were made by management. The details were reported to the 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 (Payroll), 75 (Capital Accounting), 16 (Accruals management accounting) and 39-41 and 48-50 (Budgeting)).
Views about the qualitative aspects of the entity's accounting practices and financial reporting	No matters arose concerning the year-end statement of accounts. A number of areas of good practice were identified (see paragraphs 12-14).
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.

12. 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 Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice*.
13. The Council produced high-quality financial statements which incorporated an informed narrative on financial performance of the Council and a thoughtful Annual Governance Statement (AGS). This is a reflection of the time and effort the finance team have again put into the year-end process.
14. The recent restructuring of the Council has enabled more effective working between central finance and finance teams across the Council, improving lines of communication and reporting.

15. The largest area of expenditure within the Council is staff costs, and while we were able to conclude that the Council's financial systems can be relied upon to produce materially correct outputs, we continue to identify some areas relating to payroll where controls could be improved or procedures strengthened. A number of the areas for improvement identified in the 2007-08 Relationship Manager Annual Audit Letter have been addressed eg, improved segregation of duties within the payroll department. We have reported the following areas of improvement:
- Procedures relating to the retention of information on employee files should be strengthened. The Council is undergoing a process of scanning its employee files so that they can be stored securely in an electronic format but there is currently a backlog in this process that should be reviewed to ensure it is cleared promptly.
 - Completion of the Council's voluntary checklists for adding or removing employees should be made mandatory.
 - Budget holders should perform, and evidence, a detailed review of payroll records on a regular basis in order to promptly identify overpayments, particularly in schools, as historically a large proportion of overpayments have involved school staff.
16. We continue to recommend that the Council considers producing accruals-based management accounts on a monthly or quarterly basis. Accruals-based management accounts would allow more accurate figures to be calculated and reported against a phased budget and expenditure to be more closely monitored. We recognise that this has resource and cost implications which would need to be considered alongside the benefits to be gained.
17. The Council will be required to publish its first set of International Financial Reporting Standards (IFRS) based accounts for the financial year 2010-11. The Council has recognised the need to plan for the IFRS conversion project now and has already started work and attended technical briefings and seminars. The Council will need to ensure that the relevant teams (eg, property and finance) work together to progress the project promptly. The first stage of the project will involve preparing an opening balance sheet as at 1 April 2009 and compiling comparative figures for 2009-10 using new IFRS accounts formats and accounting policies.

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

18. Each year the Council receives approximately 60 grants which require certification by us. The Council has continued to improve its procedures for collating and submitting grant claims to us during the current year.
19. The Council is reimbursed by the Department for Work and Pensions (DWP) for payments awarded to Housing and Council Tax Benefit claimants, through submission of a subsidy claim to the DWP. We are required to certify the subsidy claim by testing a significant sample of individual benefit claims.
20. Our work on the 2008-09 claim is complete and again we have found the systems and processing to be accurate.

Whole of Government Returns were completed appropriately

21. In accordance with the Government and Resources and Accounts Act 2000 and relevant guidance issued by the Assembly Government, an 'L-Pack' is prepared annually by the Council to assist HM Treasury with its production of the WGA.
22. On behalf of the National Audit Office as auditor of the WGA, the Wales Audit Office is required to audit the L-Pack in accordance with statutory requirements and National Audit Office audit instructions.
23. From our audit of the Council's return this year we found:
 - arrangements are in place to ensure satisfactory production of the WGA L-Pack;
 - the L-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 has made effective use of the National Fraud Initiative to detect fraud

24. The National Fraud Initiative (NFI) is a biennial computerised data matching exercise conducted across England and Wales. The Auditor General undertakes NFI exercises in accordance with the powers set out under Part 3A of the Public Audit (Wales) Act 2004 (as amended by the Serious Crime Act 2007) to conduct data matching exercises to assist in the prevention and detection of fraud in Wales.
25. The exercise is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the 2008-09 exercise were released in January 2009 to participating bodies.
26. The Council continues to engage very positively in the NFI project and is making good progress in investigating instances of suspected fraud or error. Future savings of £27,000 have been identified to date.

The Council faces increasing financial pressures

27. The Council is subject to increasing financial pressures, both as a result of the recession and of specific issues and uncertainties affecting the Council.

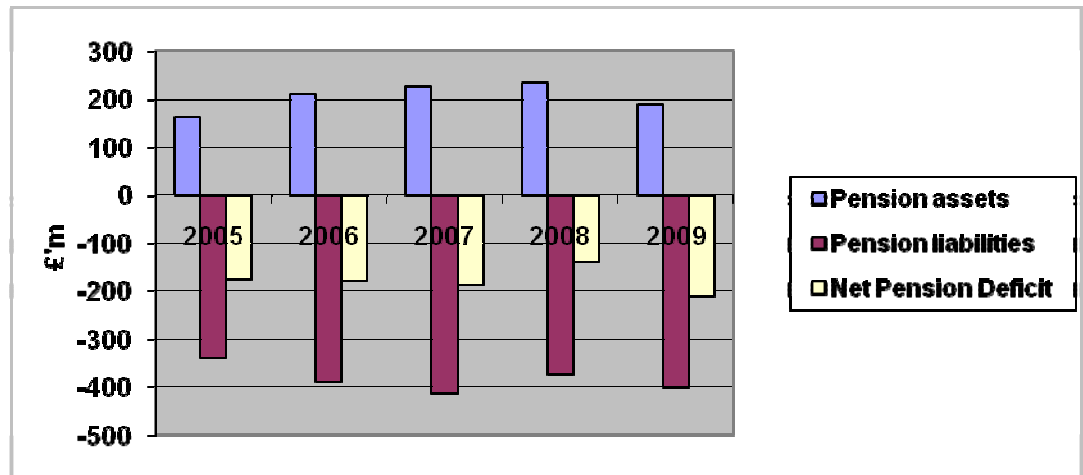
Significant savings are required in the next three years

28. The most recent financial projections show that as a result of increasing costs and proportionally lower increases in revenue support grant income, the Council will need to find additional savings. The finance team estimates this to be £19.8 million over three years from 2010 in order to sustain its budget (as reported to Cabinet on 15 September 2009).

The pension scheme continues to be in deficit

29. The Council has a significant pension deficit ie, the liability to pay pensions calculated by the actuary exceeds the value of the assets at a particular point in time. The liability has been consistently greater than the asset value over the last five years as illustrated below in Exhibit 2.

Exhibit 2: Pension Fund Deficit



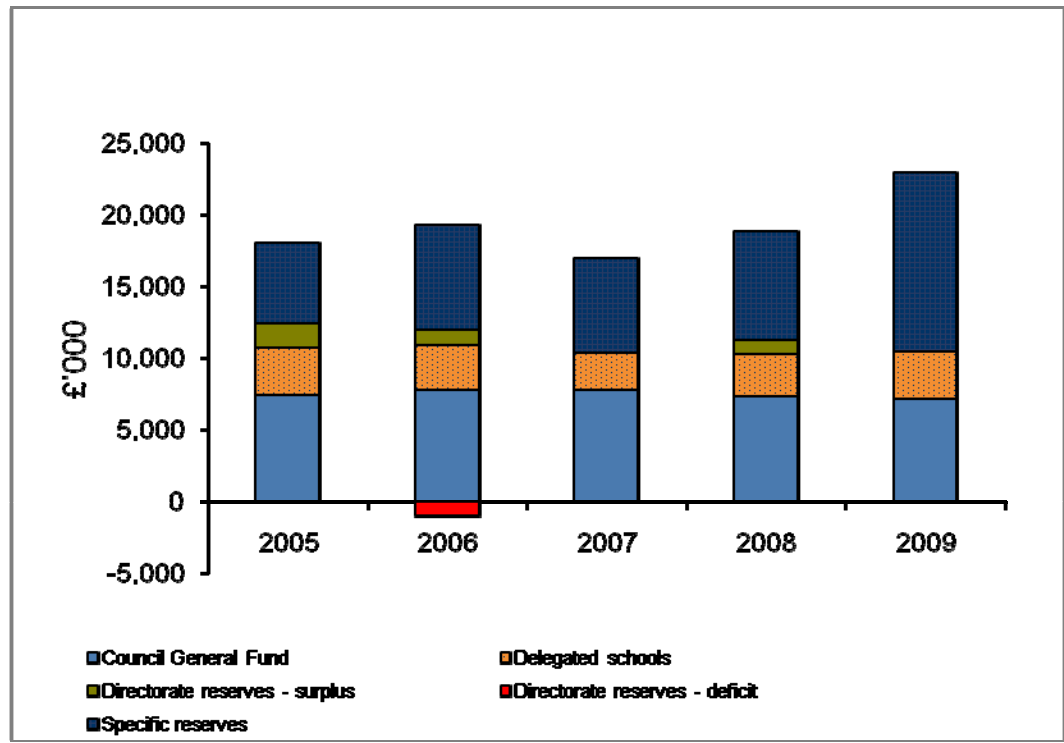
30. It should be noted that March 2009 was a low point in terms of asset value, and there has been some recovery in the markets since then.
31. The next formal actuarial valuation is due on 31 March 2010 and there is a risk that annual contributions could increase. In anticipation of the increase, the Council set up a specific reserve of £1 million.

The Job Evaluation exercise is still ongoing, and the Council needs to focus on its completion

32. The Job Evaluation exercise is still ongoing, and as a result there is uncertainty over future pay costs and the potential effects on staff morale.
33. The Council also has a potential liability relating to equal pay legislation back pay. It has received a number of claims and grievances from current and former employees, which are currently being assessed in conjunction with its legal representatives.
34. The Council has recorded a provision of £2.6 million and specific reserves of £4.6 million (2008: £2.2 million provision) to cover these issues.
35. The current timetable for completion of the job evaluation exercise is March 2011. The Council should ensure that the exercise is completed as soon as possible.

The Council has a consistent level of general reserves and has set up a number of specific reserves to mitigate against future cost uncertainties but dealing with overspend risks could put strain on the reserves

Exhibit 3: Revenue Reserves History



36. The Council reviews reserves on a regular basis and focuses on maintaining a prudent level of specific reserves to accommodate future spending requirements such as the job evaluation exercise, pension costs (as detailed above) and Materials Recovery and Energy Centre (MREC) (paragraph 50) and a general fund to deal with unexpected risks.
37. The Council is currently forecasting an overall deficit for 2009-10 of £0.8 million primarily driven by anticipated overspending within the three main operational directorates: Children's (see below), Wellbeing and Communities.
38. The level of reserves held by delegated schools for general contingencies (£1 million), planned initiatives (£1.3 million) and amounts set aside for expected future costs and demographic change (£0.8 million) amounted to £3.2 million. This represents only four per cent of the total funds allocated to schools which remains unspent at the year-end. A number of schools have reserves that are in deficit, although these amounted to only £0.15 million, a fairly low level in terms of total expenditure. The Council should continue to monitor delegated school reserves to ensure spending is at appropriate levels.

The Council has experienced significant overspends in some services

- 39. The Council needs to continue its focus on budgetary control, and promptly put in place action plans to deal with overspending services.
- 40. There have been some specific service areas where significant overspends have occurred in 2008-09 and continue into 2009-10. These overspends have been highlighted in the quarterly budget monitoring process. The Council is now developing action plans to deal with them and has negotiated and awarded a new waste contract).
- 41. Overspends within the Children's Directorate for the 2009-10 financial year are forecast to be £1.9 million mainly driven by a £1.75 million overspend in relation to looked after children. Our preliminary view is that the 2008-09 budget was not based on the known level of demand. The Council should ensure that the 2009-10 budgets reflected realistic expectations of costs based on the most reliable and up-to-date information available.

The Council had appropriate and improving arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2008-09 but more challenging times need more challenging processes

- 42. The criteria that we used to assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2008-09 are set out in Appendix 3. Our report is in Appendix 4. Our findings and comments on the Council's arrangements are included throughout this letter.

The Council has recently developed a Medium Term Financial Strategy

- 43. The Council has recently developed a Medium Term Financial Strategy document, which appears to have had a significant impact in raising awareness of the financial challenges that the Council now faces.
- 44. This is stage one of the process and clearer, more detailed action plans and strategies need to be formulated and bigger efficiency savings identified in order to meet the challenge.
- 45. The Strategy also needs to reflect the time lag before the effects of cost saving initiatives and plans are felt. For example, initiatives to provide a more mixed package of care options for vulnerable children will potentially lead to cost savings as reliance on expensive agencies is reduced, but this will take time and the service will need to be funded in the meantime.
- 46. Members and officers have demonstrated their commitment to the efficiency and cost saving agenda. This is likely to involve making difficult decisions and driving forward more complex initiatives which have a bigger impact on cost savings. There currently seem to be limited mechanisms for their identification, scrutiny and development.

47. This document could be improved further by including sensitivity analysis around the significant financial risks facing the Council and to test the impact of changes in the assumptions that underlie financial projections.

The Council has made progress in improving the links between strategic plans and the budget process but there are still improvements to be made

48. The Council has made progress in improving the links between strategic plans and the budget process; for example, analysing the budget by corporate priority theme. These links could be further strengthened by linking the budget to service objectives within directorate business plans.
49. The Council needs to focus on the detail contained within its budgets and ensure assumptions are realistic eg, £300,000 of car park income was budgeted for, but the decision to dispose of the site had already been taken before the budget had been prepared.
50. There is uncertainty over future costs relating to the MREC, due to the ongoing negotiation of a new contract with Neath Port Talbot County Borough Council for Bridgend to use the facility. The Council is continuing to focus on concluding negotiations towards a satisfactory result for Bridgend.

The Council has a prudent Treasury Management Strategy

51. The Council has a strong Treasury Management Policy which involves a proactive review of investment criteria and is conservative in its approach to risk. As a result, it was not affected by the Icelandic bank crisis in 2008.

The Council is in the process of improving its procurement process but progress has been slower than anticipated

52. The corporate project to improve procurement processes has been running for over three years and progress appears to be slow. However, there have been positives, for example, the Council successfully piloted the purchasing card project (P-cards) which is being rolled out to other service areas.
53. There is a project underway to improve and simplify the Council's ordering process by introducing a common ordering platform for all Directorates. The Council should ensure that focus is given to progressing and completing the project because better procurement is often an opportunity to generate cost savings.

The Council has been successful in making ICT central to its corporate strategies

54. The Council has used the ICT department to set up the customer contact centre, develop and implement asset management strategies and made use of their strong programme management resource.

55. The Council's new ICT strategy 2009/2012 was approved by Cabinet on 31 March 2009, it defines in detail the actions to be taken in order to meet the department's key objectives over IT, customer service and asset management. The strategy focuses on maintaining and gradually improving services rather than larger scale initiatives which may produce bigger long-term benefits to the Council, primarily due to recognised resource constraints.
56. The ICT's project management skills are used by the Council for larger projects and the department provides project management training for Council officers.
57. The ICT department has a track record in identifying and delivering larger projects. Consideration should be given to using ICT in a smarter way to identify bigger savings and efficiencies for the authority as a whole.
58. The ICT department successfully met the requirements of Government – Connect code of connection by the designated deadline, one of only a handful in Wales. This allows the Council to send and receive documentation over the Government Secure Internet (GSI).
59. IT security and communication are well managed and proactive. The ICT department has continued to provide system stability. The department recognises the importance of striking the correct balance between security and allowing business to be conducted in an efficient and effective manner.

The Council does not currently have a Council-wide Business Continuity Plan

60. Although the Council has a good track record of responding to unexpected events, it does not currently have a Council-wide Business Continuity Plan (BCP). There is a taskforce which is responsible for developing the BCP, and most of its time has been dedicated to planning for a potential outbreak of swine flu. Individual directorates have their own BCPs but officers consider that they are due for review and updating. We recommend that the Council review its detailed BCPs and develop and test a comprehensive BCP in order to be better prepared for unexpected pressures and events. There may be opportunities for sharing good practice across the Council.

The Council continues to improve its performance management process

61. The Council's Quarterly Business Review process has been in place throughout the year, and has provided increased review and scrutiny of service objectives, financial performance and performance indicator targets. The review process could be enhanced by strengthening links between cost and performance.
62. The 2009 Improvement Plan reports performance during 2008-09 against the 36 National Strategic Indicators (NSIs). The box chart below illustrates the Council's current year performance against target and the prior year in relation to the 30 comparable NSIs (six NSIs are new or have been significantly amended).

Exhibit 4: 2008-09 NSI performance v target and 2007-08

 v Target	Better	1	0	15
	Same	0	7	2
	Worse	2	1	2
		Worse	Same	Better
		 v Prior Year		

Source: Corporate NSIs published in Improvement plan 2009-2012

63. Overall the Council has performed well with 15 NSIs showing improvements against both targets and prior year.
64. The two NSIs performing poorly against target and prior year relate to:
- Trading standards inspections where 96 per cent of high risk businesses liable for inspection were inspected for Trading standards compared to a 100 per cent target and 100 per cent in the prior year.
 - The percentage of pupil attendance at secondary schools, which has fallen slightly to 91.1 per cent against a target of 91.4 per cent and prior year 91.2 per cent. However, Bridgend's performance against this NSI has been above the Welsh average for each of the last three years.
65. Overall the Council demonstrated a 50 per cent better performance for comparable NSIs when compared to the Welsh average. The 2008-09 Local Government Data Unit (LGDU) bulletin on Local Authority performance highlights a number of areas where Bridgend is performing strongly. These include:
- Council performance – 97 per cent of undisputed invoices paid within 30 days;
 - percentage of waste sent to landfill and waste used to recover heat and power due to the MREC facility; and
 - good standards of cleanliness of highways.

66. The LGDU bulletin also highlighted areas for improvement where Bridgend's performance was weaker compared to other Local Authorities. These included:
- Children's services – the percentage of core assessments carried out within 35 working days at 36 per cent is the lowest in Wales. Performance has improved in terms of percentages of first placements (for looked after children), 78.5 per cent beginning with a care plan in place, but these are still well below the Welsh average, 91.8 per cent.
 - The overall condition of roads deteriorated across Wales. 7.6 per cent of Bridgend's Principal (A) roads were classified as being in an overall poor condition compared to a Welsh average of 4.4 per cent. The percentage for non-principal roads is 11.9 per cent compared to 8.3 per cent Welsh average.
67. The process for compiling Performance Indicators has continued to improve, as we found few errors during our audit. There is still disparity between directorates in terms of the level of review these receive from line managers, although the increased scrutiny via the QBR process has reduced this disparity. We are informed by management that steps are being taken to perform more internal data checks and we would encourage the introduction of such an independent review process.
68. During the year, the Council did not perform equalities impact or sustainability assessments on its strategies as a matter of course, although one was performed for the Asset Management Plan recently approved by Cabinet. The Council introduced a requirement for these assessments on all cabinet papers from January 2010.
69. In addition, the Council does not always prepare an analysis of risks in its papers put to Council or Cabinet. Improving this process would give added focus to risks involved and aid the decision making process.
70. The Council has shown positive steps in focusing on the needs of customers; it has been a key member of the Local Service Board which has facilitated the development of the new Community Strategy, and has also opened a new Customer Contact Centre to facilitate a better customer experience. The Council should now focus on implementing its plan to provide a single telephone number for all customer enquiries, and ensuring a consistent approach to consultations in order to make better use of information and feedback received from its stakeholders.

The Council is improving its asset management processes

71. The Council has been developing a comprehensive Asset Management Plan (AMP) which has recently been approved by Cabinet. The next challenge it faces is rolling out and implementing this plan within its directorates.
72. The process for the production of the AMP 2021 has been a positive exercise with active participation from staff, and the final document demonstrates a number of areas of good practice. The successful delivery of the plan is to be underpinned by detailed performance monitoring arrangements.
73. The Council should ensure it maintains its focus on the completion of Service Asset Management Plans and Area Reviews which will be important in the effective delivery of the AMP and informed decision making.

74. The Maesteg Private Finance Initiative (PFI) school was opened in September 2008, and as a result, the Council was required to start accounting for the build up of the asset value to be transferred to the Council at the end of scheme, as well as creating an account to match the grant funding with the payments to be made. The accounting treatment is likely to change when the Council begins preparing accounts under IFRS in 2010-11, and your finance team is already planning the conversion process.
75. We have found continuing inconsistencies between the corporate property database and the fixed asset register, and additional inconsistencies between the general ledger and the capital financing spreadsheet, resulting in some required adjustments to the accounts. The Council intends to introduce a single Asset Register incorporating both functions, as well as performing capital accounting throughout the year rather than as a year-end exercise, in order to reduce the risk of error in the future.

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

76. The Council is required, by the Local Government Act 1999 and subsequent guidance issued by the Assembly Government, to publish its Improvement Plan by 31 October each year.
77. We are required to consider whether the Improvement Plan is prepared and published in accordance with statutory requirements and guidance, and to report our findings, including those on the completion of the joint risk assessment, our audit of the Council's Performance Indicators (PIs) and on its performance measurement arrangements.
78. Detailed responsibilities, the scope of our work and the audit certificate are set out in Appendix 5.
79. As Appointed Auditors, we are required each year, by section 7 of the Local Government Act 1999, in relation to the Council's improvement plan, to recommend whether the Auditor General should carry out an inspection of the Council under section 10A of the Act. We are also required each year to recommend whether the Welsh Ministers should give a direction under section 15 of the Act. Our recommendations are in Appendix 6.

80. Details of good practice and significant issues are outlined below:
- The Council produces a composite Corporate Improvement Plan based upon the Corporate Plan 2008/2011 and other supporting data. We consider this use of existing information supplemented by a summary commentary to be an effective and efficient use of resources as well as ensuring the key strategies are aligned.
 - The Improvement Plan report 2009/2012 should give a more detailed commentary on performance in 2008-09 and the related progress during 2008-09 towards the key objectives set out in the Corporate Plan 2008/2011. This should also be supported by 2008-09 actual results for the balanced set of performance measures selected within the Corporate Plan 2008/2011. However, the summary Corporate Improvement Plan 2009/2012 which is separately available does provide more extensive commentary on performance against objectives and performance measures.

Reviews of services and corporate arrangements show that the Council has achieved improvements and recognises that sustaining progress will require difficult choices to focus available resources

81. The Wales Audit Office and the Council agreed the Wales Audit Office regulatory plan based on a joint assessment of risks that could adversely affect delivery of the Council's priorities. The work of Estyn and the Care and Social Services Inspectorate Wales (CSSIW) at Bridgend form part of a planned programme of work which was co-ordinated with Wales Audit Office activity.
82. During 2009, regulators' inspections, linked to agreed risks and the Council's improvement priorities, examined how the Council manages its financial, staff and physical resources and delivers services across a range of areas. This work is listed in Appendix 1.

Reviews of the Council's services indicate that they are improving and identified scope for further improvements in some areas

83. Regulators' reviews of services found that the Council is progressing with planned improvements and implementing good practice, although there is still much to do. Most particularly, Children's Services achieved sufficient improvement for CSSIW to lift the serious concerns protocol in July 2009, under which services had been monitored since 2005.

The CSSIW's follow-up review of Children's Social Services concluded that sufficient progress had been made to lift the serious concerns protocol, under which services had been monitored since 2005

84. Over the last year since the previous inspection, staff and managers had continued to work hard to secure further improvements and establish more robust systems for consistent assessment of risk and effective decision making. There is effective political and corporate support for children's services and the respective roles of the statutory director of social services and corporate director children's services are bedding in.
85. Performance management arrangements have been established and managers across the department are now using data to monitor performance and are beginning to appreciate and acknowledge the importance of quality assurance systems.

86. These improvements have been achieved against a background of significant structural change and additional pressure arising from the impact of the high number of young people who took their own lives within the area and the resulting media focus, which led to significant increases in referrals to the department over the summer. The Council has responded well to this challenge and has demonstrated resilience at this time.
87. The Council remains reliant upon agency staff and many of its social workers are inexperienced. Whilst progress has been achieved and this review has identified more good practice and improvement, there is still some way to go before services are consistently good. Nevertheless, comprehensive policies and procedures have been introduced which are underpinned by training. The Council is now more systematic in its arrangements for the delivery of services and performance data and quality assurance frameworks are in place. The Council has been able to retain, appoint and develop some very good team managers. All this provides a good platform for continued improvement.
88. A dip in performance at the beginning of the year arising from workforce problems was potentially serious. It impacted on the quality of practice and effectiveness of decision making and could have led to severe difficulties. The Council must be prepared to respond to workforce stresses more quickly and vigorously.
89. The CSSIW recommended:
- incorporating recommendations of safeguarding reviews into the children's improvement plan and monitoring them;
 - providing members with training around risk factors and threats to children's services;
 - incorporating staff vacancies and caseload figures for all children's services teams into performance management; and
 - recognising the significance of the role of first line managers and ensuring they have the time and assistance to fulfil their roles.

CSSIW's overview of the effectiveness of the Council's arrangements to safeguard and protect children concluded that there was evidence of improvement but problems remain which the Council is starting to address

90. Inspectors' findings were broadly similar to the Council's self audit but the Council's analysis of assessment and case management processes in relation to safeguarding would have benefitted from greater detail. Arrangements for responding to and dealing with referrals are prioritised appropriately. Strategy meetings are effectively managed and child protection investigations and conferences are held within timescales. The Council needs to ensure that planning resulting from strategy meetings and section 47 enquiries is easily identifiable on the file and reflected in resulting assessments. The Council's own audit has identified problems with the Integrated Children's System (ICS) and is currently seeking to address this through review of the section 47 exemplar.

- 91. Inspectors found that the quality and timeliness of assessments and particularly core assessments were inconsistent and there was clear evidence that both of these issues were adversely affected by workload pressures and staff vacancies. These led to unacceptable levels of stress within front line teams but the Council has subsequently been addressing these by making permanent appointments and using agency staff. The priority for the Council is to ensure that a new structure, which aims to provide a more even distribution of caseloads across all teams, realises this objective whilst assuring the quality of practice is maintained and continues to improve, and that workloads amongst staff and managers remain realistic.
- 92. The Council is implementing a quality assurance framework which is beginning to show evidence of improvement.

The CSSIW's overview of the effectiveness of Bridgend's Local Safeguarding Children Board concluded that the Board demonstrated effective partnership working across agencies and completed an accurate self-assessment

- 93. Local Safeguarding Children Boards (LSCBs) are required to co-ordinate the activities of each person or body represented on the Board in relation to safeguarding and promoting the welfare of children in their area and to ensure the effectiveness of those activities.
- 94. The work of the LSCB in Bridgend has been dominated by the high number of unexplained deaths/suicides which occurred in the area and which has been the focus of much media attention. This has led to an increase in the number of serious case reviews that have had to be undertaken. Whilst these two issues have had an impact on the progress that has been achieved to date in introducing the LSCB and completing its work programme, the crisis has brought the agencies together and has achieved some very effective partnership working in dealing with these two challenges.
- 95. The review confirms the accuracy of the self-assessment. The Corporate Director, Children has been the chair of the LSCB since inception and with partners has undertaken a baseline audit and developed an action plan linking actions with the former Area Child Protection Committee (ACPC). The self-assessment is honest and thoughtful and reflects inspectors' findings. The Chair and Vice Chair have a clear vision and strategy for the development of the LSCB and are realistic about the challenges that have to be met in order to implement their plans.

The Council anticipated most of the E.coli outbreak Inquiry recommendations and took action in relation to many of the key issues before the Inquiry reported

96. In September 2005, the second largest outbreak of E.coli food poisoning to occur in the UK began in Bridgend. The outbreak originated from meat processed at a local slaughterhouse that was subsequently prepared for sale and cooked at a local wholesale butcher. Most cases were children who had consumed meat supplied by this butcher to nearby councils as part of a jointly procured school meals contract. Thirty-one people required hospital admission and a five year old boy died.
97. The Assembly Government requested the Public Inquiry which published its report in March 2009, making 24 recommendations for the Council and other agencies with a food safety function to improve food safety.
98. The Wales Audit Office assessed whether the Council is effectively addressing and implementing the recommendations made by this Public Inquiry. We were encouraged to find that the Council anticipated most of the inquiry recommendations and had progressed many of the key issues before the Inquiry reported.
99. The Wales Audit Office review is currently underway. Key findings have been fed back to the Council and we anticipate issuing a draft report in December.

The Regional Joint Committee for Waste Management is now making progress towards its objectives to procure waste treatment solutions across the six south-west Wales councils

100. The Council participates in collaborative working with the six south-west Wales councils as a Regional Joint Committee for Waste Management. The Wales Audit Office has recently undertaken the second phase of an ongoing review of progress. Last year we reported that the Committee had made only limited progress but that the Council was not reliant upon the success of regional solutions to meet Landfill Allowance targets. Nevertheless, the Council has identified the need to meet targets and avoid financial penalties as a key corporate risk.
101. The Committee is now making steady progress towards the first of its two main objectives: to procure a solution for the treatment of food waste collected within the region by anaerobic digestion. The Committee has conditional approval from the Assembly Government for the outline business case and on meeting the conditions, it can move forward with the procurement process. There are some issues to resolve with individual member councils before the Committee can progress and a funding gap to bridge between the capital grants provided by the Assembly Government and the estimated cost of procurement. The Committee aims to have a facility available by March 2013, but delays could mean the need for contingencies to avoid financial penalties for some of the councils in the region.

102. The Committee's second objective is to procure a solution for the treatment of residual waste for the region. The Committee has recently approved the development of initial project documentation to commence the procurement process. The capacity of the proposed facility would be much larger than for food waste treatment making the need to get this procurement right a significant corporate priority for all of the councils involved. Councils are likely to need a residual waste treatment facility by about 2018, but this varies due to the particular circumstances of each council.
103. The Wales Audit Office has collated views from the six participating councils that identify some areas for improvement which have been shared in draft with the Committee Chair for comment but have not yet been provided to participating councils. The project is ongoing and the Wales Audit Office has planned a third and final review of progress in March 2010 for completion by April 2010.

The Council's corporate arrangements are sound but timely, well-informed decisions are necessary to focus available resources to achieve and sustain further improvement in key areas

104. Inspections and reviews of the Council's corporate arrangements found that these continue to strengthen and exert a greater influence over how the Council conducts itself and improves services to citizens. In particular, the Council recognises the key risks and challenges it faces, demonstrates many of the good governance principles, provides a good level of support to elected members in their roles and continues to respond positively to regulators' recommendations. Although these strengths have supported the Council in making some difficult decisions, in the face of future challenges, hard choices will need to be made between competing priorities and the scale and complexity of decisions will increase. The pace at which the Council addresses challenges presented by rising demands, increasing expectations and tightening resources, will need to accelerate.

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

105. The Council agreed its Corporate Risk Register with regulators in September 2009 and has published it within its Corporate Plan. The risk register identifies the most significant risks to discharging the Council's responsibilities, delivering priorities and sustaining improvement.
106. Crucially, the Council recognises that it faces major challenges in delivering the best possible services to citizens within available resources in a climate of increasing financial pressures. There is a need for the Council to look at how it organises itself and provides services in challenging new ways, involving remodelling and modernising services and collaborating with partners.

107. Focusing, prioritising and targeting resources require hard choices between competing priorities and mean that some activities cannot be continued to present levels or to current standards. Taking and implementing difficult decisions and doing this with a real sense of pace and urgency will involve strong leadership at all levels of the Council, supported by effective internal and external communication and trust between members, officers and the community.
108. The Council has projected that the gap between its existing commitments and ambitions and the resources likely to be available to deliver them will be nearly £20 million from 2010. It has also identified the need to take and implement difficult decisions as a risk in the Corporate Risk Register. The Cabinet has recognised the need for action and expresses an appetite to address the challenges to close the resource gap, ensure services are sustainable and avoid the need for reactive cuts in services. Now, the Council needs to develop a clearly prioritised, fully costed and strictly timetabled programme of key decisions necessary to clarify the outcomes it wants to achieve, modernise services and increase and accelerate the existing efficiencies agenda.
109. The Council has continued to improve and embed the processes by which it identifies risks and their impact robustly; defines them meaningfully; and determines appropriate actions to address them. However, the statutory requirement for the joint risk assessment will be removed from April 2010, and this is the last year that we will formally agree a risk assessment with the Council. Nevertheless, continuing to use risk assessment as a management tool will support improvement as required under the new Local Government (Wales) Measure.

The Council has either achieved or made progress towards achieving the majority of its targets against the outcomes included in the Improvement Agreement. However, there are a small number of targets that the Council has not fully met

110. This was the first year in which all local authorities entered into an improvement agreement with the Assembly Government. The Council set itself specific targets to achieve improvement in certain services and agreed these with the Assembly Government. Based upon the Council's performance across the range of individual targets, the Assembly Government will make an overall assessment of whether the Council has successfully delivered year one of its Improvement Agreement. The Wales Audit Office evaluated information provided by the Council to evidence achievement of the individual targets. We concluded that the Council has either achieved or made progress towards achieving the majority of its targets against the outcomes included in the Improvement Agreement. However, there are a small number of targets that the Council has not fully met. Following completion of our review of evidence the Council provided, we identified some learning points which the Council should consider in refining the Agreement and individual targets for the second year of assessment.

The Council demonstrates some good examples of how good governance principles are embedded in the way the Council works, although there remains room for improvement

111. Good governance in the public sector leads to sustainable, better outcomes for citizens. It is about organisations doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.
112. The Assembly Government has developed seven citizen-centred governance principles and gave a *One Wales* commitment to review the governance arrangements of public service organisations in Wales. The Wales Audit Office diagnostic review was designed to help the Council evaluate governance arrangements in the context of these seven principles and to identify the potential for further development of arrangements. The seven principles are:
- Putting the Citizen First
 - Knowing Who Does What and Why
 - Living Public Service Values
 - Fostering Innovative Delivery
 - Being a Learning Organisation
 - Engaging with Others
 - Achieving Value for Money
113. We concluded that there are good examples of governance principles being embedded in the way the Council works and that it compares well with other councils across Wales, although there remains room for improvement. We came to this overall conclusion because:
- the building blocks for *putting the citizen first* are in place;
 - there is a good level of understanding in terms of *knowing who does what and why*;
 - members and officers actively promote *living public sector values*;
 - there are examples of the Council *fostering innovative delivery*;
 - the Council embraces *being a learning organisation*;
 - there is a track record of *engaging with others*; and
 - the Council has a good approach to *achieving value for money*.
114. In particular, the Council demonstrates positive characteristics:
- the corporate 'culture' underpins governance arrangements;
 - the Council's 'FACE' values are widely accepted and used;
 - arrangements for scrutiny support effective scrutiny of policy and performance; and
 - other formal corporate and management arrangements also contribute to this.

115. However, there are some specific areas for development and further consideration including:
- making better use of citizens' views and ward councillors' knowledge and expertise to inform improvements in service delivery;
 - ensuring performance management arrangements lead to better outcomes for citizens;
 - replicating the new 'reception ethos' at other public interfaces including telephone contact;
 - cascading the collaborative culture at the top of the organisation down to front line services, through improved engagement with staff; and
 - there are still significant challenges arising from the need to:
 - ensure more consistent information is available to understand fully whether all services provide quality and value for money;
 - clarify priorities (and non-priorities) from increasingly limited resources; and
 - make and implement further difficult and politically sensitive decisions to reshape and target services.

Overall, Members understand and are committed to their roles and responsibilities. The Council generally provides a good level of support for Members' roles and proposals for improving support for Cabinet are being developed

116. The Council provides a range of support to its Elected Members (the Members) to discharge their respective roles. This includes: administrative support provided for the Cabinet, the civic function and for Members overall; and specific support for the overview and scrutiny function. Indirect officer support to all Members is provided by officers within departments and the Cabinet receives direct support from the Corporate Directors and other senior officers.
117. Members are provided with laptop computers, (financed from the allowance they receive as being elected members), computers in the Members' accommodation in the Civic Centre and Broadband for home use. Use of laptops is not compulsory and not all Members use them. ICT training and support is provided.
118. The Council has a training programme in place for all Members. The Council is seeking to obtain the Welsh Local Government Association's Charter for Member Support and Development and is therefore reviewing its training and development programme and developing role descriptions and person specifications in support of this aspiration.
119. Since the Local Government Act 2000 the Council states that overview and scrutiny have developed well and are having a positive impact. Changes to the way in which the scrutiny work programme is assembled mean that it focuses increasingly on issues arising from the Joint Risk Assessment, performance issues and Council priorities.

120. We reviewed whether the support provided for Members and the democratic process is appropriate to assist Members to perform effectively in their roles.
121. We concluded that overall Members understand and are committed to their roles and responsibilities. The Council generally provides a good level of support for Members' roles and proposals for improving support to Cabinet are being developed.
122. We came to this conclusion because:
- Members understand their roles and are committed to delivering them;
 - the support arrangements for Overview and Scrutiny are very effective;
 - directorates provide a good level of support for individual Cabinet Members, but this does not meet the overall needs of the Cabinet; and
 - Members are broadly content with their support arrangements but support for some of their roles could be improved.
123. We made recommendations for improvement in relation to:
- providing dedicated Cabinet support;
 - reviewing participation in outside bodies;
 - revising the Members' enquiry system;
 - providing executive summaries for documents; and
 - incorporating briefings on key issues into the Member training programme.

The Council's approach to developing its IT strategy is an example of good practice

124. The Wales Audit Office provided independent challenge during the Bridgend IT strategy development by observing a workshop, reviewing draft documents and attending several meetings with the Head of ICT and Customer Contact and Senior IT officers. During the process, the Wales Audit Office drew attention to good practice elsewhere and identified possible omissions in the Council's strategy.
125. The Council's approach to developing its IT strategy is an example of good practice. The approach was service orientated, gaining input to the IT Strategy from across directorates and establishing common understanding of the purpose and relevance of the ICT strategy.
126. Representatives of Directorate/Services Area participated in a structured session during which they were each asked to respond to the question, 'if we are to be effective, we need to..?' in the context of service requirements.
127. Discussions focused on Council and service priorities, rather than being technology driven. There was debate and challenge between services with everyone engaging positively. The outputs from the workshop were used to draft an IT Strategy and an underpinning Technology Framework document. Both documents focus on developing the Council's ICT infrastructure to meet these needs through a structured and realistic approach.

- 128.** The Council's new ICT strategy 2009/2012 was approved by Cabinet on 31 March 2009. Although the strategy development process demonstrated good practice, KPMG has identified that the strategy is focused on maintaining and improving existing services rather than using technology to challenge established ways of working and modernise services.

Appendix 1

Update on regulators' work scheduled for 2009-10

Some of the regulatory activity identified in the Regulatory Plan for 2009-10, agreed between the Council and its regulators, is not yet complete and so cannot be reported in detail in this Annual Letter. The status of the regulatory activity planned for 2009-10 is listed below.

Exhibit 5: Performance audit work

Risk-based performance audit by KPMG	
Key question and risk area	Overall conclusion and status
<p>Children's Services Commissioning and Procuring</p> <p>Does the Council have appropriate arrangements in place for commissioning and procurement within Children's Services?</p> <p>Children's Services is a high-profile service that has been operating under significant external scrutiny for several years. The cost of dealing with individual cases can be significant and it is important that a council has strong arrangements to manage its resources properly.</p> <p>Corporate procurement practices have been evolving for several years, and will need to deliver results as the Council faces continuing financial pressures.</p>	<p>The Review of procurement with the Safeguarding and Family support directorate is currently ongoing and emerging findings are due to be discussed with the Council and finalised shortly.</p> <p>The findings of the review will be appropriately reported to the Council.</p>
<p>Budget Setting and Financial Performance Monitoring</p> <p>Have the Council's arrangements for budget setting and monitoring financial performance during the year taken appropriate account of financial risks arising from the current economic circumstances?</p> <p>The Council faces financial pressures, coupled with expectations to meet increasing commitments and improve services.</p> <p>The current economic crisis increases the risks to the Council in a number of areas, including:</p> <ul style="list-style-type: none"> • treasury management strategy; • availability of short-term borrowing facilities; • valuation of pension fund investments; • impact on revenue budgets; and • impact on funding of capital programmes. 	<p>The financial challenges facing the Council have been commented on throughout the Annual Letter. Key headline statements included:</p> <ul style="list-style-type: none"> • the Council has a prudent Treasury Management Strategy (paragraph 51); • the Pension scheme continues to be in deficit (paragraphs 29 to 31); and • significant savings are required in the next three years (paragraph 28). <p>Commentary on financial pressures and budgets throughout the report. Specifically paragraphs 36-37, 39-41, 43-50.</p>

Risk-based performance audit by KPMG	
Key question and risk area	Overall conclusion and status
<p>National Fraud Initiative (NFI)</p> <p>Does the Council have in place robust and effective arrangements to prevent and detect fraud and are they participating fully in the NFI?</p> <p>The Council should continue to take part in the NFI – a computerised data-matching exercise.</p> <p>The NFI has shown that data matching is a powerful tool in reviewing local government bodies' arrangements to prevent and detect fraud.</p>	<p>The Council has made effective use of the NFI to detect fraud (paragraphs 24 to 26).</p> <p>We did not identify any significant material weaknesses in the accounting and internal controls systems although some areas for improvement have been highlighted (Exhibit 1).</p>
<p>Annual Improvement Plan and Performance Indicator Audits</p> <p>Does the Council's Improvement Plan comply with relevant guidance?</p> <p>Is appropriate performance data, including all statutory performance indicators, being gathered and used to regularly monitor the Council's performance?</p>	<p>The Council's composite improvement plan complies with relevant guidance (paragraphs 76 to 80).</p> <p>The Council's Quarterly Business Review process provides review and scrutiny of service objectives, financial performance and performance indicator targets (paragraphs 61 to 70).</p>

Exhibit 6: Performance inspection work

Wales Audit Office local risk-based performance inspection	
Key question and risk area	Overall conclusion and status
<p>Children's Services</p> <p>Do services to vulnerable children focus upon early intervention and prevention?</p> <p>Delivering a range of inclusive services for early intervention and prevention to safeguard vulnerable children.</p>	<p>Scheduled for late 2009/early 2010 and to be undertaken in close liaison with CSSIW, Estyn and the Council.</p> <p>The CSSIW are currently deciding how they will follow up their review of spring 2009.</p> <p>Wales Audit Office work is likely to focus on the Council's responses to the risk identified in its corporate risk register.</p>
<p>Adult Services</p> <p>Is the Council ensuring that social care provision meets the needs of the community?</p> <p>Remodelling adult social care services to ensure provision is sustainable and meets the needs of vulnerable members of the community.</p>	<p>To be scheduled for late 2009/early 2010 and undertaken in liaison with CSSIW.</p> <p>The CSSIW are due to undertake a review of protection of vulnerable adults in November 2009.</p> <p>Wales Audit Office work is likely to focus on the Council's responses to the risk identified in its corporate risk register.</p>

Wales Audit Office local risk-based performance inspection	
Key question and risk area	Overall conclusion and status
<p>Leisure Services</p> <p>Has the Council developed a robust approach to making decisions about the future direction of its leisure services?</p> <p>Reconfiguring leisure services and modernising facilities to encourage healthy living.</p>	<p>Fieldwork and reporting are scheduled for November and December 2009.</p>
<p>Public Protection Services</p> <p>Is the Council effectively addressing and implementing the recommendations made by the Public Inquiry into the September 2005 outbreak of E.coli 0157 in South Wales?</p> <p>Safeguarding food hygiene and maintaining confidence in public protection services.</p>	<p>The Council anticipated most of the E.coli outbreak Inquiry recommendations and took action in relation to many of the key issues before the Inquiry reported.</p> <p>Project fieldwork complete, draft report for discussion to be issued in December 2009.</p>
<p>Members' Support</p> <p>Is the support provided for Members and the democratic process appropriate to assist Members to perform effectively in their roles?</p> <p>Ensuring members are supported to make and scrutinise decisions, maintain an overview of overall direction and challenge financial and service performance.</p>	<p>Overall, Members understand and are committed to their roles and responsibilities. The Council generally provides a good level of support for Members' roles, although some are not as well supported as others.</p> <p>Final report issued and agreed. Presented to Cabinet and will now go to Scrutiny.</p>
<p>ICT strategy</p> <p>The Wales Audit Office provided independent challenge to strategy development, drew attention to good practice elsewhere, identified possible omissions and acted as a 'critical friend'.</p>	<p>The Council's approach to developing its IT strategy is an example of good practice. Complete.</p>
<p>Sustainable Development</p> <p>Is the Council successfully embedding sustainable development in its activities?</p> <p>Ensuring the approach to sustainable development integrates economic, environmental and social sustainability and equalities into strategic planning and decision-making processes.</p>	<p>Fieldwork complete. Draft report for discussion to be issued in December 2009.</p>
<p>Management Development</p> <p>Ensuring the management development programme develops management capacity and capability to support a new directorate structure and deliver corporate priorities.</p>	<p>The Council is moving ahead with external consultants.</p> <p>Project deferred and now cancelled. Now to be covered by work under the Measure.</p>
<p>Benefits Payments</p> <p>Housing Benefit and Council Tax Benefit overpayment thematic review</p>	<p>In progress.</p> <p>Report planned for January 2010.</p> <p>Findings not yet discussed with the Council but based on our initial work there are no major issues.</p>

Wales Audit Office local risk-based performance inspection	
Key question and risk area	Overall conclusion and status
<p>Improvement Agreement</p> <p>The Wales Audit Office evaluated information provided by the Council to evidence achievement of the individual targets within the Improvement Agreement between the Council and Assembly Government.</p>	<p>The Council has either achieved or made progress towards achieving the majority of its targets as set out in each of the outcomes included in the Improvement Agreement. However, there are a small number of targets that the Council has not fully met.</p> <p>Wales Audit Office evaluation completed and results reported to the Council in October 2009.</p>
<p>Joint Risk Assessment</p> <p>Agreeing the key corporate and service risks.</p>	<p>Complete. Corporate risk register agreed between the Council and its regulators in August 2009.</p>
<p>Work under the Measure</p>	<p>Work to support assessments under the Measure will be agreed with the Council early in 2010.</p>
<p>Responding appropriately to previous inspection work</p> <p>Is the Council responding effectively to regulators' recommendations?</p>	<p>The Council continues to respond effectively to regulators' recommendations and has improved its processes for receiving and communicating reports, dealing with issues raised by regulators and monitoring progress.</p>

Exhibit 7: Local Government Studies

<p>Making the Connections: asset management</p>	<p>Detailed report issued and agreed. See KPMG section paragraphs 71-75.</p>
<p>Good Practice Exchange Themed around smarter ways of working.</p>	<p>No work was undertaken this year, because the Council felt it understood and was making progress with the smarter ways of working agenda. The Council has actively supported and engaged with the Wales Audit Office, by attending and contributing to our shared learning seminars.</p>
<p>Good Governance diagnostic Is the Council embedding the Assembly Government's good governance principles in the way it works, in order to achieve better outcomes for citizens and service users? Good governance is about organisations doing the right things, in the right way, for the right people – in a timely, inclusive, open, honest and accountable way.</p>	<p>The good governance principles are mainly embedded in the way the Council works, although there remains room for improvement. The diagnostic identified no further regulatory work at the Council. Initial feedback was provided on the conclusion of fieldwork in June 2009. Updated feedback is planned for November 2009 and a national report will be published jointly with the Assembly Government in early 2010. Some examples of good practice from the Council are likely to feature in the national report.</p>

Exhibit 8: Auditor General's Forward Programme for the Audit Committee

Education of Looked After Children	The Council has continued to develop its approach to corporate parenting and to discuss their progress through our study on the Education of Looked After Children. The attainment of Looked After Children in 2008 showed some improvements especially at Key Stage 4. Our study is progressing and will report in early 2010.
Roll-out of the 2007/2013 EU funding round	
Nutrition in schools	The Council is participating as a study site to assist the Wales Audit Office in producing a national report. The project has been delayed and will be rolled out in 2010.
Waste management follow-up	The Regional Joint Committee for Waste Management is now making progress towards its objectives to procure waste treatment solutions across the six south-west Wales councils. The Wales Audit Office has identified some areas for improvement and shared them in draft for comment with the Committee Chair but not yet with participating councils. The project is ongoing and a final review of progress is planned for completion by April 2010.

Exhibit 9: Other regulatory activity

Estyn	
Full LEA inspection	A full inspection including Youth Support Services is planned to commence in March 2010.
CSSIW	
Monitoring protocol	Reinspection of Children's Services completed in April 2009 and reported in July 2009. The Children's Safeguarding and Local Safeguarding Children Board (LSCB) reviews have been completed and reported.
Review of safeguarding work and the LSCB	Undertaken at Bridgend as part of a national programme of CSSIW work. Completed and reported in July 2009.
Commenting on and checking the Council's self-assessment of personal services	Replaces annual performance evaluation. Completed autumn 2009. Draft feedback provided.

CSSIW	
Review of arrangements for protecting vulnerable adults	Being undertaken during November 2009.

Appendix 2

Role of the Appointed Auditor and Relationship Manager and fees estimate

This Letter has been written by:

- the Appointed Auditor, KPMG; and
- Alastair McQuaid, the RM on behalf of the Auditor General.

Statute and the Code require the Appointed Auditor to:

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

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

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

The Council's Appointed Auditor is KPMG. Performance reviews conducted by KPMG are reported by the RM.

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

The fees for 2008-09 are currently expected to be in line with those set out in your Regulatory Plan. Work to certify your grant claims and returns is not complete but at this stage is expected to cost approximately £85,000 plus VAT.

Appendix 3

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

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

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

Appendix 4

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

Conclusion on the Council's arrangements for the year ended 31 March 2009 for securing economy, efficiency and effectiveness in its use of resources	
The Council's responsibilities	
<p>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.</p>	
Auditors' responsibilities	
<p>We have a responsibility under section 17(2)(d) of the Public Audit Wales Act 2004, to satisfy ourselves from my examination of the Council's annual accounts and otherwise whether it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of 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 that 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 my work, the effectiveness of the arrangements in place in securing value for money during the year under review.</p>	
Conclusion	
<p>The following conclusion is based on, and limited to, work carried out as part of our audit of the 2008-09 accounts, together with examination of other information that I have considered relevant. We are satisfied that the Council had proper arrangements in place during the year 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>	
<p>KPMG LLP Appointed Auditor 25 September 2009</p>	<p>Marlborough House Fitzalan Court Fitzalan Road Cardiff CF24 0TE</p>

Appendix 5

Audit of the 2009-10 Improvement Plan

Certificate

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

Respective responsibilities of the Council and the auditors

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

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

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

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

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

As the Council's appointed 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. Where appropriate, we are required to recommend:

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

We are also required to recommend:

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

Scope of the Improvement Plan audit

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 my 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 National Service Performance Indicators selected on the basis of criteria set out by the Auditor General.

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 6

Recommendations to the Auditor General and to Welsh Ministers

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

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



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