



Annual Governance Statement 2012-13

1. Scope of Responsibility

- 1.1 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, properly accounted for and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation. This builds upon the principles set out by the Welsh Government (WG) under the Wales Programme for Improvement (WPI) and the vision for public service delivery as set out in the 'Programme for Government'.
- 1.3 In discharging its overall responsibilities, the Council is also responsible for ensuring that it has proper arrangements for the governance of its affairs and a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a Code of Corporate Governance which is consistent with the framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). It also incorporates the "Making the Connections" governance principles and values set out by the Welsh Government (WG).

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, and values by which the Authority is directed and controlled and the means by which it accounts to, engages with and leads the local community. It

enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

- 2.2 The system of internal control is a significant part of that framework and is designed to avoid inappropriate use or loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and to manage their impact.
- 2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31 March 2013. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

3. The Governance Framework

- 3.1 The six principles of corporate governance that underpin the effective governance of all local authority bodies as defined by CIPFA and SOLACE, incorporating the WG governance principles (shown in italics) are as follows:

- Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; (*Putting the Citizen First*); (*Achieving Value for Money*).
- Members and officers working together to achieve a common purpose with clearly defined functions and roles; (*Knowing Who Does What and Why*);
- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; (*Living Public Service Values*);
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; (*Fostering Innovation Delivery*);
- Developing the capacity and capability of Members and officers to be effective; (*Being a Learning Organisation*);
- Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);

- 3.2 The Council has followed these principles and has identified the following points whilst gathering evidence to gain assurance that governance within the Authority is robust.

4. **Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area (*Putting the Citizen First; Achieving Value for Money*).**

- 4.1 The Council's published Corporate Plan 2010-2013 included Improvement Objectives which are aligned to the needs of the local community. In accordance with requirements, the Council worked with its partners to develop and implement the Community Strategy to promote the economic, social and environmental wellbeing of its area. This work was led by the Local Services Board and provides an inter-agency approach to improve the quality of life of residents of the County Borough over ten years to 2020.
- 4.2 Whilst the Community Strategy provides the over-arching framework, the Council has a central role to play. The agenda is a complicated one as differing and often conflicting priorities have to be dealt with when decisions are being made. In setting its improvement objectives, the Council must take into account a number of factors including service demands, legislative requirements, community wishes, the priorities of partner organisations, together with the expectations of the Welsh Government and regulatory bodies. The Corporate Plan adopted in 2010 was aligned with the Community Strategy and provided focus and direction for all the Council's services, elected Members, employees, partner organisations, service users and other stakeholders
- 4.3 The Community Strategy was replaced with a Single Integrated Partnership Plan (SIPP) from April 2013 and the Council also published its Corporate Plan for 2013-2017 - "Working together to improve lives" with the following six improvement priorities:
- Working together to improve the local economy;
 - Working together to raise ambitions and drive up educational improvement;
 - Working with children and families to tackle problems early;
 - Working together to help vulnerable people to stay independent;
 - Working together to tackle health issues and encourage healthy lifestyles;
 - Working together to make the best use of our resources.
- 4.4 The Council's Improvement Objectives must be reviewed on an annual basis and this work gives direction for Directorate Business Plans. Arrangements are in place for progress against the improvement objectives to be reviewed on a quarterly basis.
- 4.5 The Council approved a Medium Term Financial Plan for the period 2012-13 to 2014-15, which has now been developed into the Medium Term Financial Strategy 2014-15 to 2016-17. This provides an integrated planning and financial framework for the next 4 years and includes the detailed budget strategy for the next financial year. The annual revenue budget, forward financial planning together with the capital programme enables the Council to align its financial resources with its priorities. Quarterly budget monitoring reports are submitted to Cabinet and to Scrutiny Committees, with the Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.

4.6 Improvement Priorities are identified in the Corporate Plan and Directorate Business Plans. There are a range of projects, linked to programmes, in progress to ensure these are achieved. The corporate Programme Management Board (PMB) is overseeing a number of major initiatives under its Strategic Change Management Programme (SCMPP) including:

- School modernisation programme;
- Integrating Health and Social Care;
- Town centre regeneration projects;
- Accommodation Strategy;
- Implementing the Inclusion Strategy;
- Residential Care remodelling;
- Domiciliary Care services remodelling;
- Schools ICT strategy;
- Strategic Collaboration projects;
- Key budget reduction proposals linked to strategic change.

4.7 The Auditor General's Annual Improvement Report on the Council is still being awaited. However, in December 2012, the Auditor General issued a letter detailing his main conclusions arising from his work in respect of the Local Government (Wales) Measure 2009. He arrived at his views by:-

- reviewing the Annual Report produced and published by the Council by October 2012 in which the Council reviewed its performance for 2011-12;
- undertaking interviews with manager and supporting documents in a sample of the service areas included in the report; and
- testing the reliability of a sample of performance indicators.

The letter recognises the positive steps that the Council has taken to publicise its Annual Report. It states that there is a good level of self-awareness compared to 2011-12 which provides a balanced account of its performance, accounting for its failures to perform, as well as promoting its success. It did report that the Council could more explicitly state whether each Improvement Objective has or has not been fully achieved and the descriptors used to evaluate success could be more outcome-focused. It recognises that this issue is being addressed to assess performance against the 2012-13 priorities.

4.8 Activity that demonstrates commitment to Principle 1 - **“Putting the Citizen First”**, included:

- Ongoing use made of the Citizens' Panel and extensive public engagement activity undertaken within areas such as Regeneration, HSCWB strategy, CYP Plan, Community Safety;
- Citizen Engagement Strategy endorsed by Cabinet;
- Customer contact centre as focal point for customer engagement;
- Consultation activity with customers – e.g. consultation on corporate improvement objectives, development of “Ask Bridgend”
- Work of the Research Evaluation Panel (REP) on homelessness which involved engagement with users, registered social landlords, providers and other stakeholders.

5. Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles (*Knowing Who does What and Why*).

5.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system within which:-

- The Council sets the overall budget and appoints the Leader of Council;
- The Council appoints the Cabinet and allocates portfolios;
- Scrutiny Committees advise on policy formulation and hold the Cabinet to account in relation to specific matters. They may also review areas of activity which are not the responsibility of the Cabinet or matters of wider local concern;
- Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;
- The Cabinet makes decisions within this framework but some decisions are delegated to individuals in the Cabinet, committees of the Cabinet or officers;
- Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers;

5.2 There is a Standards Committee to promote high standards of conduct and support members' observation of the Model Code of Conduct.

5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Authority. It also provides a framework that regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.

5.4 The Constitution is a comprehensive document that is kept under continual review by the Monitoring Officer. It provides a point of reference for individuals and organisations both inside and outside the

Council. Its Rules of Procedure govern the overall framework within which the Council operates. Procedural rules and codes of conduct outline how the Constitution will be put into effect. Whilst the Constitution is required by statute its content is not fully prescribed. The Council is satisfied that it is consistent with statute, regulations and guidance. To ensure continued compliance, the Assistant Chief Executive – Legal and Regulatory Services is the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989. During 2012-13, the Contract Procedure Rules were reviewed and updated within the Constitution.

- 5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes to undertake. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- 5.6 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board.
- 5.7 All staff, including senior management, have clear terms and conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are monitored by Human Resources.
- 5.8 The Corporate Director - Resources is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for the financial administration of the Council. The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process.
- 5.9 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.
- 5.10 The Corporate Governance diagnostic published by WAO in 2010 identified that the Council was able to demonstrate a number of positive indicators under Principle 2 and these included:
 - Mature relationship – senior officers and cabinet members understand each other's roles
 - Strong leadership from leader, cabinet and Chief Executive
 - Corporate Management Board (CMB) has a clear sense of direction
 - Improved quarterly business review and planning processes, aligned with Improvement Plan
 - Role of scrutiny in policy development is beginning to evolve.
- 5.11 However, the review also identified that the collaborative culture at senior management level in the organisation needs to be cascaded down to become evident in all service areas.

6. Principle 3 - Promoting Values for the Council and Demonstrating the Values of Good Governance through upholding High Standards of Conduct and Behaviour (*Living Public Service Values*).

6.1 The Council's core values encapsulated in the acronym FACE demonstrate the Council's commitment to the Public Service values. The good governance diagnostic found that 90% of staff and Members surveyed believe the Council core values are clearly set out and that openness and transparency runs through the organisation.

6.2 The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be made.

6.3 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences;

- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy

6.4 Conduct of Members is monitored by the Public Services Ombudsman and the Council's Standards Committee, which also hears allegations of misconduct by members.

6.5 A corporate complaints policy is in place for the Council to receive and investigate complaints made against it and this is overseen by the Monitoring Officer.

6.6 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council. The Terms of Reference in place for the Committee were revised in 2010 and are consistent with the core responsibilities as recommended by CIPFA.

7. Principle 4 - Taking Informed and Transparent Decisions which are subject to effective scrutiny and Managing Risk (*Fostering Innovative Delivery*).

7.1 The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Within this framework, key decisions are made by the Cabinet. All Cabinet meetings are open to the public (except on the limited occasions where items are exempt or confidential).

- 7.2 All decisions made by the Cabinet are taken on the basis of written reports, including assessments of the financial, and equalities implications. Consultation (including with ward members when appropriate) is a routine part of the process.
- 7.3 The decision-making process is monitored by five Overview and Scrutiny Committees, which support the work of the Council as a whole. The Council's Constitution provides for the Chairs of these committees to be held by individuals that are not of the same political party as the Administration. The members of a Scrutiny Committee can "call in" a decision that has been made by the Cabinet but not yet implemented. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.
- 7.4 Other decisions are made by Cabinet Members individually or by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Schemes of Delegation.
- 7.5 Policies and procedures that assist the governance of Council's operations include Financial Procedure Rules (FPRs), Contract Procedure Rules (CPRs) and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.
- 7.6 The Council's performance management framework links the Community Strategy to the Corporate Plan which cascades through Directorate Business Plans and service plans to staff appraisals. In July 2012, the Council changed its performance management arrangements and established the Corporate Performance Assessment (CPA) forum, which is held quarterly, to assess the Council's in-year performance and monitor how well services are performing against improvement objectives.
- 7.7 The CPA panel has the following standing members the Chief Executive (Chair), Cabinet Members, Members of the Corporate Management Board and Heads of Service. The purpose of the CPA is as follows:
- To use performance and financial data to measure the extent to which the Council achieves its improvement objectives and outcomes for citizens;
 - To afford Members and officers the opportunity to identify service improvement opportunities, risks to service delivery, and resource implications;
 - To use the performance and financial data to determine areas for improvement and specific actions to be taken.
- 7.8 Specifically, the CPA monitors:
- The Council's improvement objectives as defined by the Corporate Plan;

- Agreed key indicators/measures and service actions that are linked to directorate priorities as defined by the Corporate Plan;
- The budget allocated to delivering improvement objectives; and
- Corporate risks.

When necessary, the CPA may also, by way of exception, monitor progress against relevant Outcome Agreements and other national and collaborative initiatives.

- 7.9 The diagnostic work undertaken by the Wales Audit Office revealed that the Council has shown an appetite for challenging and improving services. The findings also reflected the fact that a high percentage of Members and senior officers believe the Council strives to achieve more innovative ways of delivering services.
- 7.10 The Council has developed a robust approach to the management of risk and the risk management policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.
- 7.11 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled into a Corporate Risk Register. Most major risks are managed within one of the key strategic programmes. CMB regularly reviews the risk register and actions being taken to mitigate the risks.

The main risks facing the Council that were identified during 2012-13 included:

- Impact of the Welfare Reform Bill on the Community
 - Implementing a new pay and grading system (Job Evaluation)
 - School Modernisation
 - Remodelling of Adult Social Care
 - Impact of the recession and using resources effectively
 - Improving educational attainment
 - Supporting vulnerable children and young people
 - Disposing of Waste
 - Effective collaboration with partners
 - Maintaining the infrastructure
 - Additional Equal Pay Claims
- 7.12 The Council's approach to Risk Management ensures that key risks are considered when determining Council priorities, targets and objectives. All of this serves to inform the development of the Regulatory Plan and the Council's own Improvement Plan.
- 7.13 The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. In particular, the

Financial Procedure Rules and Contract Procedure Rules and the scheme of delegation provide the framework for financial control. The Corporate Director Resources has responsibility for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration. As part of its performance management framework, the Council links the strategic planning process with the budget process and ensures alignment between them, facilitating the allocation of resources to corporate priorities. Chief Officers are responsible for financial management within their respective services. Monthly financial monitoring is undertaken by CMB and quarterly reports are produced for Cabinet and Scrutiny Committees. This work informs the production of the statutory Annual Statement of Accounts.

- 7.14 The Council is committed to demonstrating due regard to the Equality Act 2010. It published its Strategic Equality Plan 2012-16 in April 2012. This is not just a council plan but has been developed with partners. It seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what is known about our services and on the views and needs of Bridgend citizens and the people who use services.

8. Principle 5 - Developing the Capacity and Capability of Members and Officers to be Effective (*Being a Learning Organisation*).

- 8.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council. The Council has introduced a three-year workforce plan to organise staff resources to support the achievement of its Improvement Objectives.
- 8.2 There is an Elected Member Learning & Development Strategy 2012-17, which provides a framework for supporting elected members in the roles that they are required to undertake both within, and outside, the Council. The Strategy assists members to develop and strengthen their ability to be confident and effective political and community leaders.
- 8.3 The Council's Staff Appraisal System enables individuals to understand how they contribute to achieving the aims of the Council. The process recognises that most actions are delivered by individuals working in teams to achieve set priorities. During 2012-13, a decision was made by Corporate Management Board that all staff appraisals had to be completed during the first quarter of the financial year to ensure that targets can be linked to service priorities reflected in annual business plans. A new Six Month Review form was also introduced. The Appraisal system is an important part of the Council's Performance Management Framework. The percentages of completed appraisals

are reported quarterly to the Corporate Performance Assessment (CPA) forum.

8.4 During 2010, the Council was awarded 'Charter status' for its Member development and the arrangements in place to support members in their roles. In 2012, a number of initiatives have been taken forward including Personal Development plans for Members, annual reports and a mentoring scheme. A Member training programme has also been developed aimed in particular at newly elected Members.

8.5 The Council maintains a set of management standards that seek to promote High Performing Behaviours. These are built around the 'FACE' core values and underpin the Leadership and Management Development training that is provided.

9. Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability (*Engaging with Others*);

9.1 The Council is committed to understanding and learning from the views of the public. Consultation processes enable views of stakeholders to inform policies and service delivery. The Council's planning and decision-making processes are designed to include consultation with stakeholders. The Council's Citizen Engagement Strategy will provide a framework for engagement activities, which are undertaken by the Council and will support work being done in this area by the Local Service Board.

9.2 Arrangements for consultation and for gauging local views are extensive; significant activity is undertaken by the Local Services Board. Elected members offer surgeries, or equivalent means of providing assistance, for their constituents. The Community Strategy, which has now been replaced by the Single Integrated Partnership Plan (SIPP) was drawn up in consultation with stakeholders across the area.

9.3 The Council has a Citizens' Panel made up of people aged 16 and upwards from across the county borough. Its panel members agree to take part in three or four surveys a year about a range of issues relating to council services and policies. Previously, members of the Citizens' Panel have given their views on a range of topics including street cleanliness, customer service and the local housing strategy. This has helped the Council to understand residents' opinions about the services the Council provides and to help improve things in the future.

9.4 During 2012-13, the Council has consulted on a wide range of issues including the following (this list is not exhaustive):

- Council Tax Reduction Scheme;

- Corporate Plan 2013-17;
- Local Development Plan;
- Local Flood Risk Management Strategy;
- Library services.

It was the first year where the Council widened its evidence base for its Annual Report with the inclusion of feedback from its Citizen Panel. The Council is also using social media to promote the Annual Report and enable feedback from the public.

- 9.5 The National Principles for Public Engagement in Wales provide guidance for best practice when engaging with citizens. The principles were endorsed by the Welsh Government in March 2011. The Council has subsequently signed up to the National Principles for Public Engagement in Wales.
- 9.6 The Council operates a corporate complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve. Complaints can be made electronically or in writing and the Council has set target times for responding to all complaints received to ensure accountability.
- 9.7 All Council meetings are open to the public except where personal or confidential matters are discussed. All public agendas, reports and minutes are displayed on the Council's website under Council and Democracy.
- 9.8 In April 2012, following a review of the partnership structure, revised partnership arrangements were introduced under the over-arching umbrella of the Local Services Board (LSB) which resulted in the creation of People and Communities Boards. The People's Board is an amalgamation of the former Children and Young People's Partnership Board and the Health, Social Care and Wellbeing Partnership Board. The Communities Board brings together the former Regeneration and Environment Partnership Board with a specific focus in overseeing the economic partnership priorities within the County. During 2012-13, the Council put in place new partnership support arrangements with one central team of support staff under a newly appointed Partnerships Manager. In December 2012, the LSB commissioned a further review of the partnership structure to ensure that it is fit for purpose to deliver the priorities within the SIPP 2013 – 2018, which was agreed and adopted by the LSB on 30 April 2013.
- 9.9 In the development of the Medium Term Financial Strategy 2013-14 to 2016-17, Council agreed that future collaborative efforts should focus on projects which have the potential to generate the greatest benefit, make a clear contribution to the Council's corporate priorities and result in a clear service benefit.

10. Review of Effectiveness

10.1 The Council has responsibility for annually reviewing the effectiveness of its governance framework including the system of internal control. This is informed by the work of Internal Audit and chief officers within the Authority who have responsibility for the development and maintenance of the internal control environment. The Council also draws assurance on its governance arrangements from independent sources and in particular Internal Audit, External Audit and other external regulators.

10.2 The following elements are key to the Council in monitoring and reviewing its governance:

- The Constitution, 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. It also includes the Codes of Conduct for both members and employees.
- The Cabinet (as Executive) who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- The Scrutiny function which holds the Cabinet to account. The Corporate Resources and Improvement Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Community Safety and Governance Scrutiny Committee maintain an overview of cross-cutting matters. In the Committee's Terms of Reference it has a responsibility "to consider the Council's policies and strategies in relation to collaborative and partnership working arrangements". The Committee will liaise with other Scrutiny Committees who will be responsible for scrutinning collaboration projects within their remit to ensure work programmes are co-ordinated.
- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. This is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council's external auditors. The Committee met regularly throughout the year and provided independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

10.3 Additional requirements of the Local Government (Wales) Measure 2011 have included:

- the election of the Chairperson of the Audit Committee by the Audit Committee itself rather than by an appointment by Council;
 - the requirement that Audit Committee must have at least one lay-member, a professional representative with no connections to the Authority that is able to assist in the role of the Audit Committee. This post was recruited and appointed to in September 2012. The number of lay-members required to support the committee is being kept under review;
 - the appointment of a Head of Democratic Services. This post was recruited and appointed to in October 2012.
- 10.4 Specific Member Development activities which have been provided to members of the Committee in respect of the “Role of the Audit Committee” (September 2012) and their “Treasury Management” responsibilities (March 2013). Training has been provided to ensure that all members (including the Lay-Member) have the opportunity to gain a comprehensive understanding of their role.
- 10.5 This is being further enhanced with the proposed introduction and adoption of role descriptions for an Audit Committee Member and Chairperson. These are based on the WLGA model role descriptions and have been adapted to reflect the specific roles undertaken in the Council. The role descriptions will also form part of Personal Development Review Process that will enable members to better understand their role, reflect on how they have undertaken their duties in the previous year and identify any further support or training that they require to effectively carry out their duties. This will increase the ability of Audit Committee members to analyse, monitor and challenge the effective performance of the Authority.
- 10.6 The Cabinet and Scrutiny Committee functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. Scrutiny Committees establish Research and Evaluation panels (such as that set up to review budget options); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.
- 10.7 Internal Audit undertakes a continuous audit of Council services, which are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process. During 2012-13, in carrying out its duties, Internal Audit complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom. However, from the 1 April 2013 this Code was superseded by the Public Sector Internal Audit Standards (PSIAS). The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of

Internal Auditor's (CIIA's) International Professional Practices Framework. The new "standards" bring in new mandatory requirements. The key areas are summarised as follows:-

- The internal audit activity must be formally defined in an internal audit charter, which must be periodically reviewed and approved by the "Board";
- There is also a requirement to define the term "Board" and as such this is the relevant Audit Committee;
- There is a requirement to define Internal Auditing, ensuring there is compliance with the Code of Ethics, together with a clear process for reporting non-compliance;

10.8 Internal Audit also provides independent and objective assurance. A programme of reviews is completed in accordance with the Annual Audit Plan which enables the Chief Internal Auditor to provide an opinion on the internal control, risk management and governance arrangements. In addition, Internal Audit undertakes fraud investigation and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Audit Committee and Cabinet as appropriate.

10.9 As part of the normal audit reporting process, recommendations are made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. Furthermore, the s151 Officer provides regular updates and an annual report to the Audit Committee summarising any significant internal control issues.

10.10 The Internal Audit section conducted a self-assessment on its effectiveness which was reported to Audit Committee in March 2013. The section is reviewed to assess its compliance with the standards contained within the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The review showed that the Internal Audit section has achieved 100% compliance with the Code. Such compliance will be subject to a separate annual review by the Council's external auditors.

10.11 The Council is subject to an annual programme of independent external audits and statutory inspections which report on the Council's governance, performance and accounting arrangements. The Wales Audit Office's Annual Audit Letter summarises the key issues arising from the work that the Council's external auditors, KPMG, carried out. The Annual Audit Letter for 2011-12 was reported to Audit Committee in March 2013. It confirmed that the appointed auditor issued an unqualified audit opinion on the accounting statements for 2011-12 and

was satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

- 10.12 The Wales Audit Office issued two reports to Audit Committee in September 2012 one on the Audit of the Financial Statements Report 2011-12 and one on the Certification of Grants and Returns 2010-11. The first report did not identify any material weaknesses in the Council's internal controls. The second report concluded that the Council had good arrangements in place for the production and submission of its 2010-11 grant claims but did highlight some areas for improvement which are being followed up by management.
- 10.13 The Auditor General's letters on the Improvement Assessment of the Council have stated that the Council is likely to comply with the requirement to make arrangements to secure continuous improvement during the financial year and concluded that there were no new proposals for improvement, but he will monitor and report on the progress being made by the Council in implementing on-going recommendations for improvement.
- 10.14 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In July 2012, the Council received its Annual Letter for 2011-12. The letter noted a slight increase in the number of complaints received, 30 in 2011-12 compared to 28 in 2010-11. The comparative figure for the local authority average was 37 for 2011-12 (38 for 2010-11). Only 2 complaints were investigated by the Ombudsman compared to 5 for the previous year. The Ombudsman did not issue any Upheld Reports against the Council during 2011-12.
- 10.15 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2011-12 identified two particular risks. One related to the increases in number of looked after children which has been identified on the Council's risk register. The other was the potential impact of significant changes in senior leadership in terms of managing emerging threats.
- 10.16 In October 2012, Estyn Inspection carried out a major inspection of the quality of education services for children and young people in Bridgend. The Report was published in February 2013 and even though it identified that the Council had more strengths than areas for improvement, it still concluded that the Council fell into the category of follow-up activity and will require an Estyn monitoring visit.

11. Significant Governance Issues

- 11.1 During 2012-13, Internal Audit carried out a review to identify processes and policies within the Council that demonstrate consistency with the Code of Corporate Governance and therefore with the CIPFA/SOLACE framework on good governance. The audit findings

were that substantial assurance could be given as the Code of Corporate Governance created a framework which enabled the Council to demonstrate its achievements and maintain a high standard of good corporate governance. It also commented that the Council has a framework of corporate strategic and operational documents, many of which are interconnected, which helps to ensure that the fundamental principles of good governance are achievable.

- 11.2 The Annual Internal Audit Opinion which was reported to the Audit Committee in May 2013, for the period April 2012 to March 2013, stated that based on the work undertaken “a satisfactory assurance level can be applied to standards of internal control at Bridgend CBC for the period stated.” The Audit Opinion highlights the need for the Council to have strong leadership and effective management especially at a time where there are reduced resources, increased demands on services and new and innovative forms of service delivery. Key to this will be a timely process for restructuring senior management including the selection and appointment of key officers with appropriate qualifications, experience and skills.
- 11.3 One of the significant governance issues in 2011-12 related to a fraud in the building maintenance unit where internal audit had identified weaknesses in the internal control framework in that unit. The internal controls have been strengthened and progress on the related action plan is being monitored by management and the Audit Committee. In October 2012, the Chief Internal Auditor reported to the Audit Committee that an opinion of “limited assurance” applied as the newly developed internal controls had not had sufficient time to bed in. This will be reviewed in 2013-14 to ensure that significant progress is being made.
- 11.4 The Annual Governance Statement 2011-12 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of the £14m savings identified in the Medium Term Financial Plan 2012-13 to 2014-15. In February 2013, the Medium Term Financial Strategy (MTFS) 2013-14 to 2016-17 was reported to Council. It identified the pressures that the Council faces in the context of the anticipated resource allocation. This indicates that the Council has to identify estimated budget reductions of £24m over the period 2013-14 to 2016-17.
- 11.5 The development of the MTFS has been led by Cabinet and the Corporate Management Board taking account of previous Medium Term Financial Plans and auditors’ views together with a desire to embed a culture of medium term financial planning aligned more closely with corporate planning than previously. Implementation of the strategy will be led by Cabinet and Corporate Management Board. A Strategic Change Management Programme has been established which is overseen by PMB , and includes a number of the budget savings proposals which are strategic in nature, aligned to the

corporate priorities and will lead to improved outcomes, budget reductions or result in collaborative opportunities. There will also be a role for the Budget Research and Evaluation Panel (BREP) which will work on an on-going basis, in an advisory capacity, with Cabinet and officers.

11.6 Another significant governance issue will be to ensure the effective delivery of improvements as identified through the Council's own reviews and those of external regulators. The development of an Action Plan following the Estyn Inspection and the subsequent monitoring arrangements of the plan will be crucial to improve education services within the Council.

11.7 The attached Action Plan has been devised for all these issues together with a timescale for completion and a responsible officer. The issues identified in the Action Plan will be monitored during the year.

12. Certification of Annual Governance Statement

Steps to address and mitigate the matters referred to in section 11 above will be taken as identified in the attached Action Plan, to further enhance our governance arrangements.

Signed:

Section 151 Officer.....Date.....

Chief Executive Officer.....Date.....

Leader of the Council.....Date.....

Annual Governance Statement – Action Plan

Review Significant Governance Issues

	ISSUE	ACTION	TIMESCALE FOR COMPLETION	LATEST POSITION	RESPONSIBLE OFFICER
1.	An internal audit report regarding a fraud in the building maintenance unit identified weaknesses in the internal control framework in that unit.	The internal controls have been strengthened and progress on the related action plan is being monitored by management and the Audit Committee.	Autumn 2013	Audit Committee received an update January 2013.	Corporate Director Resources
2.	Delivering the £24m savings identified in the Medium Term Financial Strategy 2013/14 to 2016/17	The key assumptions and funding available was reviewed during 2012/13. A Medium Term Financial Strategy (MTFS) 2013-14 to 2016-17 was approved by Council on 27 February 2013 which identified £24m savings needed over the period.	Budget Timescale and Local Government Settlement Timescale Updates to Corporate Management Board	Savings have been identified into :- <ul style="list-style-type: none"> ➤ Making Best Use of Resources ➤ Service Transformation ➤ Managed Service Reductions In order to deliver the savings, a Strategic Change Management Programme (SCMP) will be established supported by change management staff resource and investment capacity. The Budget Research and Evaluation Panel will work on an on-going basis with Cabinet members and officers to develop the SCMP and savings proposals.	Corporate Director Resources

APPENDIX A

	ISSUE	ACTION	TIMESCALE FOR COMPLETION	LATEST POSITION	RESPONSIBLE OFFICER
3.	Strategic Leadership – a number of directors have left/will be leaving the Council and in some cases temporary arrangements are in place	A Senior Management Review is currently being undertaken.	Summer / Autumn 2013	The process of recruiting a new permanent Corporate Director Resources is underway. CSSIW have selected the role of the statutory Director of Social Services as a follow up area to review.	Chief Executive
4.	Estyn Report on the quality of local authority education services for children and young people	A Post Inspection Plan will need to be developed to demonstrate how the Council will address the recommendations contained within the Inspection Report and prepare for the subsequent monitoring visit.	On-going 2013-14	The Estyn Action Plan has already been developed and agreed. A small group comprising the Leader, 2 Cabinet Members, Chief Executive and directorate officers has been set up to oversee.	Corporate Director Children