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**Bridgend County Borough Council**  
Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr



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**Date / Dyddiad:** Friday, 22 January 2016

Dear Councillor,

**AUDIT COMMITTEE**

A meeting of the Audit Committee will be held in the Council Chamber, Civic Offices Angel Street Bridgend CF31 4WB on **Thursday, 28 January 2016 at 2.00 pm.**

**AGENDA**

1. Apologies for Absence  
To receive apologies for absence (to include reasons where appropriate) from Members/Officers
2. Declarations of Interest  
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2014
3. Approval of Minutes 3 - 10  
To receive for approval the minutes of the Audit Committee of 19 November 2015
4. Annual Improvement Report 11 - 50
5. Certification of Grants and Claims 51 - 68
6. Corporate Risk Assessment 2016-17 69 - 110
7. Treasury Management Half Year Report 2015-16 and Treasury Management Strategy 2016-17 111 - 152
8. Information and Action Requests 153 - 156
9. Control Risk Self-Assessment 157 - 238
10. Internal Audit Shared Service Outturn Report April to December 2015 239 - 262

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11. Completed Audits report 263 - 274
12. Public Sector Internal Audit Standards - Proposals for Undertaking an External Assessment 275 - 280
13. Updated Forward Work Programme 2015-16 281 - 284
14. Urgent Items  
To consider any other items(s) of business in respect of which notice has been given in accordance with Rule 4 of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

Yours faithfully

**P A Jolley**

Assistant Chief Executive Legal and Regulatory Services

**Distribution:**

Councillors:

GW Davies MBE  
RC Jones  
JR McCarthy  
JE Lewis

Councillors

M Reeves  
C Westwood  
D Sage  
CL Jones

Councillors

DK Edwards  
G Davies  
CA Green  
E Dodd

Lay Member:

Mrs J Williams

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,  
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 19 NOVEMBER  
2015 AT 2.00 PM

Present

Councillor E Dodd – Chairperson

GW Davies MBE  
C Westwood

RC Jones  
CL Jones

JR McCarthy  
G Davies

JE Lewis

Lay Member:

J Williams

Officers:

Helen Smith	-	Chief Internal Auditor
Randal Hemingway	-	Head of Finance and ICT
Roger Martin	-	Insurance and Risk Manager
Mark Galvin	-	Senior Democratic Services - Committees

212. APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members for the reasons so given:-

Councillor D K Edwards – School Governor business  
Councillor C A Green – Other Council business  
Councillor M Reeves – Work commitments  
Councillor D Sage - Unwell

213. DECLARATIONS OF INTEREST

Councillor C L Jones declared a personal interest in Agenda item 9, in that the school of which he was a School Governor, was mentioned in the Appendix (A) to the report.

214. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of the Audit Committee dated 24 September 2015, be approved as a true and accurate record.

215. CORPORATE RISK ASSESSMENT 2015-16

The Corporate Director – Resources submitted a report, reminding Members that the Audit Committee oversees risk management within the Council. The purpose of the report was to inform the Audit Committee of amendments to the Risk Management Policy and procedures, as well as the changes made to the 2015-16 Corporate Risk Assessment which have arisen out of the quarterly reviews undertaken during the year.

The Insurance and Risk Manager gave some background information, then confirmed that the Corporate Management Board (CMB) had reviewed the Authority's Risk Management Policy, as well as agreeing that this be shared with Senior Management

Team (SMT). The reason for this he explained, was that these Officers often have a hands-on day to day involvement with the risks of the Council, and have a high level understanding of these, as some of these Risks were in their service areas.

The Insurance and Risk Manager confirmed that he reported these Risks to CMB and SMT on a quarterly basis, suggesting any changes that may be required to the Council's Risk Management Policy, and if necessary, incorporating these changes into the Policy.

He referred Members to Appendix 1 attached to the report, which was a Corporate Risk Assessment which had been reviewed and updated by SMT, and this identified the main risks facing the Council, and the likely of these on Council's services and the wider County Borough, what was being done to manage the risks, and allocates responsibility for the Council's response.

The Insurance and Risk Manager then gave a resume of the principal changes to the Authority's Risks as outlined in paragraph 4.4 of the report, and explained in more detail in the attached Appendix 1. The areas the changes were made in were as follows:-

- Using Resource Effectively
- Welfare Reform
- Local Government Re-organisation
- Supporting Vulnerable People
- Economic Climate and Austerity
- Disposing of Waste
- Healthy Lifestyles Maintaining Infrastructure
- Collaboration with Partners
- Educational Attainment
- Health and Safety

A Member referred to Local Government re-organisation and asked if the Risks explained in the report and attached Appendix 1, accounted for any costs associated with this proposal.

The Insurance and Risk Manager replied that they didn't, adding that no extra funding would be made available by WAG to support the proposals.

A Member noted that in respect of the Economic Climate and Austerity, it reflected that these were improving in some areas of the country, the dollar was improving against the pound and exporting of goods was also on the rise. He asked how these things were taking place in a period of austerity.

The Insurance and Risk Manager confirmed that he had further statistics in respect of the above that were presented to the Council's Corporate Performance Assessment Team as part of other data and statistics. Different parts of the country were performing differently in the recession he added, and also recovering at different paces.

A Member asked if residual risk in the Council has improved (or not), and if it had, perhaps this could be further explained in future such reports.

The Insurance and Risk Manager advised that he could give further explanation in future such reports as to why the levels of scoring of the Risks identified had changed, ie the reasons for these changes.

With regard to Healthy Lifestyles, a Member advised that Clubs and Associations who manage certain Sports Pavilions which teams use when they play rugby and football etc,

have in place a Management Agreement with the Council to maintain these premises. He was aware that the Authority gave these between £2 - £4k a year to maintain these establishments, and asked Officers if this money would still be provided by the Authority following the relevant Asset Management Transfers being completed.

The Head of Finance and ICT confirmed that he would obtain a response to this question and advise the Member accordingly outside of the meeting.

**RESOLVED:** That Members considered the changes to the Corporate Risk Assessment that have been made during 2015, and receives a further report in January 2016, concerning the 2016-17 Corporate Risk Assessment and review of the Risk Management Policy.

216. **HOUSING AND COUNCIL TAX BENEFIT FRAUD INVESTIGATIONS OUT TURN 2014/15 AND A COMPARISON OF POSITION IN THE FIRST 6 MONTHS OF THIS YEAR**

The Corporate Director – Resources presented a report, the purpose of which, was to inform the Committee of the activities that have been undertaken in the first six months of this financial year with regard to Housing and Council Tax Benefit fraud investigations, compared with the position during the same period in 2014/15. In addition, the report also summarises the activities undertaken and the results achieved during the financial year 2014/15.

The Head of Finance and ICT confirmed that The Fraud Team of the Benefits Section was responsible for the investigation of allegations of Housing and Council Tax Benefit fraud. Fraud Investigators were required to conduct the whole investigation from the initial allegation being received, to closure of the case and preparation of a sanction if appropriate. The Fraud Team consisted of a Fraud Manager, 3 FTE Fraud Investigators and was supported by a Collator/Administrative Officer.

He then confirmed, as was expanded upon within the report, that under the Government's proposal to create a single fraud investigation service (SFIS) the majority of staff within the Fraud Section had recently transferred to the Department for Works and Pensions (DWP) as part of a phased programme running from June 2014 to March 2016.

The Head of Finance and ICT then referred to paragraph 4.5 of the report, where Table 1 in this paragraph summarised Fraud Referrals, which reflected that during the first half of 2015/16, there had been a significant decrease in the number of referrals accepted by the Team.

He then referred to paragraph 4.6 of the report, and Table 2, which illustrated a breakdown of the types of cases that have been investigated in the periods shown ie April – September 2014 and April – September 2015.

He confirmed that investigations into alleged living together situations remained a major element of Benefit Fraud investigation within the County Borough. This type of investigation was extremely difficult to prove as it required a very strong standard of evidence. It cannot be decided on prescriptive criteria, but relies solely on judgement made on a case by case basis related to the evidence available. Inevitably, due to the necessity of gathering sufficient evidence this type of investigation can be very time consuming he added.

Paragraph 4.8 of the report, then confirmed that during 2014/15, 315 cases were closed and the closure categories were shown in Table 3 in this part of the report.

The Head of Finance and ICT then confirmed to the Committee that once a case has been closed as fraud proven and the overpayment calculated, the case is referred to the Benefits Sanctions Panel. The Panel, consisting of three senior members of the Benefits Team, use the Benefits Prosecution Policy to decide what, if any, further action should be taken (beyond overpayment recovery). The recommendation of the Sanctions Panel is considered by the Council's Legal Department and a final decision on the sanction is made.

Table 4 in paragraph 4.10 then illustrated the sanction action taken in the relevant periods shown in this Table.

RESOLVED: That the report be noted.

217. UPDATE ON NATIONAL FRAUD INITIATIVE 2014

The Chief Internal Auditor submitted a report, in order to present to Members for review and consideration, a status report on the progress made to date on the National Fraud Initiative (NFI) 2014.

She explained that the NFI had been run every 2 years since 1996, and to date, has been used to identify fraud and overpayments totalling over £26m in Wales.

Since the abolition of the Audit Commission in March 2015, the NFI had become part of the Cabinet Office, which is now co-ordinated in Wales by the Wales Audit Office in collaboration with equivalent bodies in England, Scotland and Northern Ireland.

The Chief Internal Auditor added that data was last submitted by the Council in October 2014, with the results being released in January 2015. Council Tax data was submitted separately and matches were released at different dates. Two reports were issued in 2014, in April and December of that year.

In respect of Creditor Matches, she explained that in recent years, Internal Audit had undertaken specific reviews of the AP Forensics system and deemed the matching exercises it performs to be superior to those undertaken as part of the NFI. Furthermore, it was worth noting that the daily checks performed were proactive as opposed to the NFI ones which related to a historical point in time. In April 2015, the Corporate Director - Resources gave approval for the NFI matches specifically in relation to creditors to no longer be investigated, as reported matches would have already been identified, investigated and where necessary corrected via the internally generated matches.

With regard to Payroll to Creditor Matches, the Chief Internal Auditor advised that as part of the 2015/16 Internal Audit Plan, it was agreed that as a one off exercise Internal Audit would review the recommended Payroll to Creditor matches. Whilst in itself this did not uncover any issues and all matches were deemed genuine, it did cause questions to be raised by one service area about the need for Departments to maintain declarations of interest for their staff, with appropriate advice being provided.

The next part of the report referred to Housing Benefit Matches, which identified that the current NFI exercise had identified 1,257 matches in relation to Housing Benefits, compared to 1,985 in the 2012 exercise.

The Chief Internal Auditor then referred to Concessionary Travel Passes, confirming that for a number of NFI cycles, large volumes of matches had been identified in

relation to Concessionary Travel Passes. Resource implications and a change in personnel this year has meant that only a small number of the matches have been reviewed. The purpose of these matches is to appropriately cancel the Concessionary Travel Passes of individuals that appear on the DWP deceased list, for whom the Authority has not already been notified. Whilst there is a compensating control in that all passes contain a photo of the pass owner, this control is only as good as the check the driver performs when a passenger gets on the bus. The ultimate control is the deactivation of the pass thus preventing it swiping when attempting to be used on a bus. Given the ongoing high number of matches, it was anticipated that Internal Audit would undertake further work in this area in the future.

She then referred to the last section of the report and Council Tax Matches. These were fairly lucrative the Chief Internal Auditor advised, as from these was derived a single persons discount (of Council Tax). She added that from the December 2014 report, £34,195 of incorrect discounts had been identified and stopped to date, of which £24,309 was deemed to be recoverable.

A Member asked in terms of a single persons discount in Council Tax, if after these were claimed by the single people in question entitled to a rebate, if anything more was done after this to ascertain if the persons circumstances had changed, ie they got married, and were therefore no longer entitled to receive such discount.

The Chief Internal Auditor confirmed that unfortunately there were insufficient resources available, to check situations such as this in their entirety. A lot of reliance was therefore given to single people coming forward and confirming that their circumstances had changed if they had become married, or were 18 years of age and no longer permitted to claim a discount. There were spot checks however carried out by staff.

RESOLVED: That Members considered and noted the NFI update report.

218. INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor submitted a report, in order to summarise for Members the actions and information requests made by the Audit Committee at its last meeting on 24 September 2015.

In this regard, the Committee had requested further information at its last meeting on the Public Sector Internal Audit Standards – External Assessment, and an update on the current status of this was shown in table format in paragraph 4.1 of the report.

The Chief Internal Auditor confirmed that a further report in respect of this item would be submitted to Members at the next scheduled Committee meeting in January.

RESOLVED: That the report be noted.

219. COMPLETED AUDITS

The Corporate Director – Resources submitted a report, that provided Members with a summary of the findings of the audits recently completed by the Internal Audit Shared Service.

The findings of these completed audits were summarised in Appendix A attached to the report, and covered the following work areas:-

1. Banking Contract
2. Timesheets

3. Money Laundering
4. Access to Records (Subject Access Requests)
5. Learner Transport Project Review
6. Supported People Grant
7. Communities First

The Chief Internal Auditor advised that the Management Implementation Plans that accompany the reports issued and which contains all the recommendations made by the Internal Audit Shared Service as a result of the audits undertaken had all been received, complete with the management responses on how and when the recommendations will be implemented and by whom.

A Member made the point that Timesheets should now be completed and authorised electronically rather than in paper format, and that individual Managers of staff who complete these should sign these off rather than a member of the HR Department in terms of authorising their payment. This would put in place a more accountable process in terms of authorising timesheets, which would then in turn, allow for a more effective audit trail in respect of monitoring that the Timesheets have been both completed and authorised correctly.

A Member enquired if there was planned sometime in the future, a review of back office staff for reasons of securing efficiency savings.

The Chief Internal Auditor replied that value for money related studies were carried out periodically, however, there was insufficient resources available for this in the current year though this would be revisited in the next financial year.

She also added that she would follow-up Members other queries raised above and update the Committee on these at the next scheduled meeting.

**RESOLVED:** That Members considered and noted the summary of Completed Audits, to ensure that all aspects of their core functions are being adequately reported.

**220. SCHOOLS SUMMARY REPORT 2014-15**

The Corporate Director – Resources submitted a report, in order to present to Members a copy of the report issued to the Corporate Director Children’s Services, summarising the findings made by Internal Audit in relation to the school based audits concluded in the 2014/15 audit year.

The Chief Internal Auditor confirmed that during 2014/15, a total of 12 audit visits were conducted, 10 were planned visits whilst one was a follow-up where the previous visit identified control weaknesses, and the other site visit was undertaken at the request of the Corporate Director Resources and Section 151 Officer. The report presented showed attached at Appendix A, provided Members with details of the key findings made during these audit visits.

The Chief Internal Auditor then gave a resume of the main points and findings outlined in the attached Appendix A, particularly with regard to School Audit visit findings, including any follow-up audits.

She added that any recommendations relating to Internal Audit’s findings will have been presented in a report directly to the School and Governing Body concerned.

The Chief Internal Auditor culminated her submission by confirming that in order to ensure that audit days available are used in the most effective way, changes will be



made to the school audit programme for 2015/16, which will allow for more in depth coverage of high risk areas. Therefore, a CRSA will be issued to all schools annually which will enable schools to self-evaluate the controls they have in place to mitigate risks.

Members also requested that the Control Risk Self-Assessment Questionnaires (CRSA) in respect of the schools outlined in the report, be shared with Members of the Committee at a future meeting, for their information.

**RESOLVED:** That the Committee gave due consideration to the Internal Audit Annual report on schools to ensure that all aspects of their core functions are being adequately reported.

221. **INTERNAL AUDIT SHARED SERVICE OUTTURN REPORT - APRIL TO SEPTEMBER 2015**

The Chief Internal Auditor presented a report, the purpose of which, was to inform the Committee of actual Internal Audit performance against the 6 months of the audit plan year covering April to September 2015.

She confirmed that the 2015/16 Internal Audit Plan was submitted to the Committee for consideration and approval in April 2015, and outlined the assignments to be carried out and their respective priorities. The Plan provided for a total of 1,296 productive days to cover the period April 2015 to March 2016.

The Chief Internal Auditor advised that a summary of audits commenced/ongoing and completed during the period April to September 2015, were detailed in Appendices A and B of the report.

The Table in paragraph 4.2 of the report, showed an analysis of work completed in relation to the plan (1,296 available days).

In respect of the issues set out in paragraph 4.4 of the report, ie outlining the vacancies in the Internal Audit Section presently that were not being filled due to savings that were required under the MTFs, it was inevitable explained the Chief Internal Auditor, that the commitment to deliver the above number of days for the financial year for 2015/16 will not be achieved, with a shortfall in this year being circa 90 productive days.

Referring to the attached Appendix A, the Chief Internal Auditor advised that a total of 22 reviews had been completed so far to date, 20 (91%) of which had been closed with either a substantial or reasonable assurance opinion level. Of the remaining 2 reviews (9%), although necessary, they did not culminate in an overall audit opinion.

With regard to performance and Performance Indicators that the joint service compiled annually as part of the Welsh Chief Auditors Group benchmarking exercise, these portrayed that the service was operating in the top quartile of local authorities that took part in this exercise.

The Chief Internal Auditor concluded her report, by advising that due to the issues outlined immediately above, there was likely to be a shortfall of productive days being delivered of around 90 days.

**RESOLVED:** That Members gave due consideration to the Internal Audit Outturn Report covering the period April to September 2015, to ensure that all aspects of their core functions are being adequately reported.

222. UPDATED FORWARD WORK PROGRAMME - 2015/16

The Corporate Director – Resources submitted a report, in order to present Members with an update on the 2015/16 Forward Work Programme attached to the report at Appendix A.

This Programme, the Chief Internal Auditor explained, helps assist the Audit Committee to give due consideration to all aspects of its core functions.

She added that one further item would be submitted before the Committee at its January meeting, namely the Annual Improvement Report that would firstly be considered by both Cabinet and Council at their meetings scheduled in December 2015.

RESOLVED: That Members noted the updated Forward Work Programme, to ensure that all aspects of its core functions are being adequately reported

223. URGENT ITEMS

None.

The meeting closed at 4.18 pm

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

28 January 2016

#### REPORT OF THE ASSISTANT CHIEF EXECUTIVE

#### WALES AUDIT OFFICE – ANNUAL IMPROVEMENT REPORT (AIR) ON BRIDGEND COUNTY BOROUGH COUNCIL SEPTEMBER 2015

#### 1. Purpose of Report

- 1.1 To introduce the report of the Auditor General to Audit Committee (attached as Appendix 1).

#### 2. Connection to Corporate Improvement Objectives / Other Corporate Priority

- 2.1 The report includes an assessment of whether the Council met statutory continuous improvement duties contained within the Local Government (Wales) Measure 2009. It focuses on the Council's delivery of its improvement objectives that were defined for 2014-15 and its planning of improvement for 2015-16.

#### 3. Background

- 3.1 Each year, the Auditor General is required to audit the improvement planning and reporting arrangements of each Welsh improvement authority and prepare an Annual Improvement Report (AIR) to summarise the findings.
- 3.2 For 2014-15, the Auditor General undertook improvement assessment work under three themes: performance; use of resources; and governance. Individual projects undertaken by the Wales Audit Office and other regulators are listed on pages 5-6 of the attached report.
- 3.3 The report also includes a summary of the key findings from reports issued by the Care and Social Services Inspectorate Wales (CSSIW), Her Majesty's Inspectorate for Education and Training in Wales (Estyn) and the Welsh Language Commissioner.

#### 4. Current situation / proposal

- 4.1 The overall conclusion of the report is positive, as follows:

The Council continued to make progress in delivering improvements in its priority areas and recognises the need to support improvement of children's services; its forward planning arrangements and track record suggest it is well placed to secure improvement in 2015-16 (p.5 of the attached report).

- 4.2 Headline findings under each theme are summarised below:

## **Performance**

- National indicators for 2013-14 showed a mixed picture of performance with a particular fall in performance in children's services indicators.
- The Council is driving improvement in education.
- The Council has made some progress in addressing the key areas for improvement identified by the Care and Social Services Inspectorate Wales but significant challenges remain.
- The Council is delivering most aspects of environmental health services above or at minimum standard.
- The Council made good progress in committing its discretionary housing payments but it is not able to judge the effectiveness of its work in addressing the impact of welfare reform.
- The Council continues to take action to extend the provision of Welsh in the delivery of its services.

## **Use of resources**

- The Council has complied with its responsibilities relating to financial reporting and use of resources (audit of the Council's accounts).
- The Council is maintaining a robust approach to its Medium Term Financial Strategy.
- Council arrangements for identifying and making savings demonstrate most of the factors required for achieving success.

## **Governance**

- The Council has successfully adopted alternative methods of service delivery in the past, is currently managing them effectively and is exploring options for the future.
- Arrangements for meeting safeguarding responsibilities to children were adequate.

4.3 The Auditor General did not make any statutory recommendations, but made 13 specific proposals for improvement. A summary of the key findings is included in the attached report (p.7) so is the summary of the proposals for improvement (p.9).

4.4 The attached report was presented to both Cabinet and Council by the Chief Executive in December 2015.

### **5. Effect upon Policy Framework & Procedure Rules**

5.1 There is no effect upon the Policy Framework and the Procedure Rules.

### **6. Equality Impact Assessment**

6.1 No equality impact assessment has been undertaken as the Auditor General's Annual Improvement Report is essentially a retrospective assessment of the Council's performance.

### **7. Financial Implications**

7.1 There are no financial implications in this report.

## **8. Recommendation**

- 8.1 That Audit Committee notes the Annual Improvement Report produced by the WAO.

**Andrew Jolley**  
**Assistant Chief Executive**  
**22 January 2016**

**Contact Officer:** Yuan Shen, Corporate Improvement Manager

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### **Background documents**

None

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2014-15

## Bridgend County Borough Council

Issued: September 2015

Document reference: 452A2015



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Steve Barry and Helen Keatley under the direction of Jane Holownia.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.



# Contents

<b>Summary report</b>	<b>4</b>
Purpose of this report	4
The Council continued to make progress in delivering improvements in its priority areas and recognises the need to support improvement of children's services; its forward planning arrangements and track record suggest it is well placed to secure improvement in 2015-16	5
2014-15 performance audit work	5
Headlines – a summary of key findings	7
Proposals for improvement and recommendations	8
<b>Detailed report</b>	<b>10</b>
Performance	11
Use of resources	17
Governance	20
<b>Appendices</b>	
Appendix 1 – Status of this report	23
Appendix 2 – Audit of the Council's 2014-15 Improvement Plan	24
Appendix 3 – Audit of the Council's assessment of 2013-14 performance	26
Appendix 4 – Annual Audit Letter	28
Appendix 5 – National report recommendations	30
Appendix 6 – Useful information about the Council's resources	35

# Summary report

## Purpose of this report

- 1 Each year, the Auditor General is required to audit the improvement planning and reporting arrangements of Welsh councils, fire and rescue authorities and national park authorities, and to assess whether each authority will meet statutory continuous improvement duties<sup>1</sup>. This work has been undertaken on behalf of the Auditor General by staff of the Wales Audit Office. **Appendix 1** provides more information about the Auditor General's powers and duties in local government.
- 2 In addition, the Auditor General undertakes an in-depth corporate assessment at each authority on a cyclical basis (currently at least once every four years). In the intervening years, in addition to audits of improvement planning and reporting, the Wales Audit Office, on behalf of the Auditor General, will keep track of developments and focus further assessment work on a number of key themes, developed in discussion with each authority.
- 3 This Annual Improvement Report (AIR) summarises the audit work undertaken at Bridgend County Borough Council (the Council) since the last such report was published in May 2014. This report also includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner (the Commissioner). Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.
- 4 Taking into consideration the work carried out during 2014-15, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2015-16.
- 5 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 6 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at [info@audit.wales](mailto:info@audit.wales) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

<sup>1</sup> Duties and requirements contained within the Local Government (Wales) Measure 2009 (the Measure).

The Council continued to make progress in delivering improvements in its priority areas and recognises the need to support improvement of children’s services; its forward planning arrangements and track record suggest it is well placed to secure improvement in 2015-16

7 The Auditor General has based this conclusion on the performance audit work carried out during the year by the Wales Audit Office and the inspection work of other regulators. The projects undertaken, together with the resultant findings and proposals for improvement, are summarised below.

2014-15 performance audit work

8 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the Council’s own mechanisms for review and evaluation. For 2014-15, we undertook improvement assessment work under three themes: performance; use of resources; and governance. Individual projects undertaken by the Wales Audit Office and the other regulators during the year included:

Project name	Brief description	Dates [when the work was carried out]
<b>Wales Audit Office Study of Performance Management Arrangements</b>	The effectiveness of the Council’s performance management arrangements.	October to December 2014
<b>Wales Audit Office Study: Delivering with Less: The Impact on Environmental Health Services and Citizens</b>	All-Wales review of the impact of financial pressures on the environmental health services and citizens.	April 2014 to January 2015
<b>Wales Audit Office Review of Discretionary Housing Payments</b>	The Council’s performance and effectiveness in administering Discretionary Housing Payments (DHP).	January to March 2015
<b>CSSIW Performance Evaluation Report 2013-14</b>	CSSIW’s review of the performance of the Council’s adult and children’s services.	April to October 2014
<b>Estyn Monitoring Visits</b>	An update on the Council’s progress to address areas requiring improvement as identified by Estyn in October 2012.	March 2014 and December 2014

Project name	Brief description	Dates when the work was undertaken
<b>Welsh Language Commissioner Review</b>	A review of the Council's adherence to Welsh language standards.	July to August 2014
<b>Wales Audit Office Study: Financial Planning Review</b>	Review of the Council's financial position and how it is budgeting and delivering on required savings.	July to September 2014
<b>Wales Audit Office Study: Arrangements for Identifying and Making Savings</b>	The effectiveness of the Council's current and planned future approach – to making savings.	January to March 2015
<b>Wales Audit Office Evaluation of Alternative Models of Service Delivery</b>	An assessment of how well prepared the Council is to evaluate future options for service delivery.	April to July 2015
<b>Wales Audit Office Study: Arrangements to Support Safeguarding of Children</b>	All-Wales review of councils' arrangements to support the safeguarding of children; includes review of the Council's whistleblowing arrangements.	April to October 2014
<b>Wales Audit Office Annual 'Improvement Plan' Audit</b>	Review of the Council's published plans for delivering on improvement objectives.	April to June 2014
<b>Wales Audit Office Annual 'Assessment of Performance' Audit</b>	Review of the Council's published performance assessment, including testing and validation of performance information.	October/November 2014
<b>Audit of Accounts</b>	Review of the Council's financial statements and whether they give a true and fair view of the financial position of the Council and of its expenditure and income for the year.	April to November 2014

## Headlines – a summary of key findings

- 9 The table below summarises the key findings of work undertaken by the Wales Audit Office, and the other regulators, in 2014-15.

Theme	Study
<b>Performance</b>	<p><b>Wales Audit Office:</b> Performance management arrangements. National indicators for 2013-14 showed a mixed picture of performance with a particular fall in performance in children's services indicators. The Council is continuing to focus improvement activity in the right areas and refining its reporting systems.</p> <p><b>Estyn's</b> final monitoring visit took place in December 2014 and found the Council had made significant progress in implementing the 2012 inspection recommendations and that no further monitoring was required.</p> <p><b>CSSIW</b> identified the Council had made some progress in addressing key areas for improvement but significant challenges remain.</p> <p><b>Wales Audit Office:</b> The Council is delivering most aspects of environmental health services above or at minimum standard.</p> <p><b>Wales Audit Office:</b> The Council made good progress in committing its DHP but it is not able to judge the effectiveness of its work in addressing the impact of welfare reform.</p> <p><b>Welsh Language Commissioner:</b> The Council continues to take action to extend the provision of Welsh in the delivery of its services.</p>
<b>Use of resources</b>	<p><b>Wales Audit Office:</b> The Council has complied with its responsibilities relating to financial reporting and use of resources.</p> <p><b>Wales Audit Office:</b> The Council is maintaining a robust approach to its Medium Term Financial Strategy.</p> <p><b>Wales Audit Office:</b> Council arrangements for identifying and making savings demonstrate most of the factors required for achieving success.</p>
<b>Governance</b>	<p><b>Wales Audit Office:</b> The Council has successfully adopted alternative methods of service delivery in the past, is currently managing them effectively and is exploring options for the future.</p> <p><b>Wales Audit Office:</b> Arrangements for meeting safeguarding responsibilities to children were adequate.</p>
<b>Improvement planning and reporting audits</b>	<p><b>Wales Audit Office:</b> The Auditor General issued audit certificates stating that the Council had discharged its duties under the Local Government (Wales) Measure 2009 (<a href="#">Appendices 2 and 3</a>).</p>
<b>Audit of accounts</b>	<p><b>Wales Audit Office:</b> On 10 November 2014, the Appointed Auditor issued an Annual Audit Letter to the Council. The letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Appointed Auditor issued an unqualified opinion on the Council's accounting statements confirming that they present a true and fair view of the Council's financial position and transactions (<a href="#">Appendix 4</a>).</p>

## Proposals for improvement and recommendations

- 10 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
  - a make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - c conduct a special inspection and publish a report and make recommendations; and
  - d recommend to Ministers of the Welsh Government that they intervene in some way.
- 11 During the course of the year, the Auditor General did not make any formal recommendations. However, lower-priority issues, known as proposals for improvement, are contained in our other reports but may be referred to later on in this report. We will continue to monitor proposals for improvement during the course of our improvement assessment work.
- 12 The Auditor General also makes recommendations that may be relevant to councils in his local government national reports. A list of relevant recommendations contained in reports issued in 2014-15 can be found in [Appendix 5](#).

## Proposals for improvement

Proposals for improvement	
<b>Performance</b>	
P1	Explain the reason for an improvement target and the scale of improvement expected.
P2	Review 'measures of success' to ensure they enable an evaluation of intended performance and that the explanation of performance is based upon that measure.
<b>Resources</b>	
<b>Medium Term Financial Strategy</b>	
P3	Further refine 'dashboard' reporting arrangements to enable evaluation of the impact of financial reductions on service quality.
P4	Include more details within the Medium Term Financial Strategy about how it addresses each improvement objective; this would allow the Council to illustrate investment in areas relating to its improvement priorities.
<b>Savings Strategy</b>	
P5	The Council should clarify its medium-term vision and what this means for corporate priorities and the future shape of the Council so that managers can better plan for service changes and cost reductions.
P6	The Council should encourage the wider use of management information by service managers to inform potential savings plans.
<b>Governance</b>	
<b>Alternative methods of service delivery</b>	
P7	Establish preferred options at service level based on the Council's values as a means of providing guidance for options appraisal.
P8	If alternative methods of delivery are to be pursued, ensure strategies provide clarity of purpose and are supported by clear measures of success.
P9	Evaluate the skills and knowledge required to successfully negotiate change of this nature and the means by which the Council will secure such skills and knowledge.
<b>Safeguarding</b>	
P10	Finalise a Corporate Safeguarding Policy that clearly specifies roles, responsibilities and procedures for safeguarding.
P11	Complete the Social Care Strategic Improvement Board review of performance information and produce measures that provide adequate assurance that systems are working effectively.
P12	Ensure that the corporate induction programme for all new staff includes training on safeguarding and child protection issues and the Council's corporate policy on safeguarding.
P13	Identify and agree an appropriate internal audit programme of work for safeguarding.

## Detailed report

The Council continued to make progress in delivering improvements in its priority areas and recognises the need to support improvement of children's services; its forward planning arrangements and track record suggest it is well placed to secure improvement in 2015-16





# Performance

## National indicators for 2013-14 showed a mixed picture of performance with a particular fall in performance in children's services indicators

- 13 The Welsh Government requires all councils to report on a common set of indicators to enable a comparison of performance in key service areas across Wales. Thirty national strategic indicators have been set that cover the Welsh Government's strategic priorities. Councils in Wales have also adopted 14 public accountability measures because they reflect issues of local importance such as support for carers, school attendance and the condition of highways.
- 14 In summary, of the total of 43 indicators and measures where a comparison can be made, results for 2013-14 showed the Council:
  - a was ranked in the top six in Wales for 10 of the 43 indicators;
  - b was ranked in the bottom six in Wales for 17 of the 43 indicators;
  - c improved in 22 of the 43 indicators compared to the previous year;
  - d declined in 21 of the 43 indicators, most notably across children's services indicators; and
  - e achieved significant improvement in three indicators.
- 15 The data has to be treated with caution because it does not necessarily indicate the quality of service provided, nor does it alone, demonstrate that the Council is making the best use of available resources.
- 16 Last year, we reported that the Council had introduced a new performance management framework and that the majority of service management teams were carrying out effective performance reviews. In the past year, the Council has driven further development of these arrangements with a view to ensuring consistency of approach and improving the collection of performance information. Given continuing financial pressures, the Council is also seeking to bring together financial and service delivery information so that it is better able to assess the impact of reduced funding and how effectively it is using its resources.
- 17 In its own performance report, the Council used national indicators and local success measures to help assess performance. Our review of the Council's assessment of its performance last year identified further opportunities for refining systems and introducing greater rigour to performance assessment by:
  - a Being clearer about the reason for setting an improvement target. For example, clarity about whether a target is being set with the objective of achieving 'top' performance; sustaining performance with reduced resources; or to drive relative improvement against previous Council performance.

- b Being more specific about the scale of improvement expected by explaining by 'how much' and 'how well'. For example, the Council reported the proportion of people aged 16 to 18 not in education, employment or training reduced by 2.7 per cent between 2011-12 and 2012-13. The aim was to reduce the proportion so although a reduction was achieved it is not clear whether this was in line with what the Council intended. By specifying the scale of improvement sought, together with the standard expected, the Council will be better placed to assess resource requirements to drive improvement and to make decisions about its priorities in the context of the resources it has available.
- c Reviewing the 'measures of success' and ensuring that the explanation of performance is clearly based upon that measure. For example, the Council has a measure of success that the 'number of visitors to the borough increases' but what it actually reports is the number of visitors to Bridgend town centre and to Porthcawl.

## Proposals for improvement: performance

P1	Explain the reason for an improvement target and the scale of improvement expected.
P2	Review 'measures of success' to ensure they enable an evaluation of intended performance and that the explanation of performance is based upon that measure.

## The Council is driving improvement in education

- 18 Reflecting its priorities, the Council has sought to provide a degree of protection to education budgets as part of its overall Savings Strategy. Stats Wales data for 2013-14 shows the gross revenue out-turn expenditure on education at £125,811,000. Taking account of inflation, in real terms out-turn expenditure on education<sup>2</sup> has remained relatively stable since 2011-12.
- 19 The Council was subject to Estyn monitoring, following the outcome of an inspection in October 2012. Estyn's final monitoring visit, which took place in December 2014, found the Council had made significant progress in implementing the inspection recommendations and that no further monitoring was required.
- 20 Estyn found that the Council has put arrangements in place to support pupils and schools and improve performance. The Council has continued to prioritise 'driving up educational achievement' in its corporate improvement plan for 2014-15.

<sup>2</sup> As measured by Treasury GDP deflators April 2015.

- 21 Furthermore, Estyn noted that over the last two years the rate of improvement for most indicators has been faster than the Wales average. Performance on the Foundation Phase indicator and the main indicators at key stages 2, 3 and 4 that included English or Welsh first language and mathematics were all close to the Welsh averages in 2014. The numbers of pupils achieving five good GCSEs, including English or Welsh first language and mathematics, improved on the previous year, though was 0.7 per cent below the Wales average.

### **The Council has made some progress in addressing the key areas for improvement identified by the Care and Social Services Inspectorate Wales but significant challenges remain**

- 22 Stats Wales data for 2013-14 shows the gross revenue out-turn expenditure on social services was £72,914,000. Taking account of inflation, in real terms out-turn expenditure on social services<sup>3</sup> has reduced by £7,096,000 since 2011-12.
- 23 The CSSIW publishes an annual review and evaluation of Council social services, which sets out key areas of progress in the previous year and areas for future improvement. The most recent report about the Council was published in October 2014 and is available at [www.cssiw.org.uk](http://www.cssiw.org.uk).
- 24 The CSSIW reported that the Council has continued to work towards its change agenda and the development of new models of service delivery, in line with the expectations of the Social Services and Wellbeing (Wales) Act 2014.
- 25 The Council has experienced a number of changes to the corporate management team with new appointments to the roles of statutory director of social services and corporate director for children.
- 26 The Council faces particular challenges in respect of improving children's services and is taking action to tackle this. As well as monitoring some of the areas for improvement following on from the previous year, the CSSIW has also identified further challenges facing the service for 2014-15 and will be reviewing progress in its 2015 evaluation report.

### **The Council is delivering most aspects of environmental health services above or at minimum standard**

- 27 'Local environmental services' include environmental health; waste collection and disposal; street cleansing; and cemeteries, cremation and mortuary services. Stats Wales data for 2013-14 shows the gross revenue out-turn expenditure on local environmental services was £16,176,000. In real terms, revenue out-turn expenditure on local environmental services has reduced by £1,715,000<sup>4</sup> since 2011-12.

<sup>3</sup> As measured by Treasury GDP deflators April 2015.

<sup>4</sup> As measured by Treasury GDP deflators April 2015.

- 28 During 2014, the Auditor General undertook a study of environmental health services across Wales. The study made use of a Best Practice Standards model against which Council officers were asked to evaluate their services. These standards have been adopted by the Chartered Institute of Environmental Health and the all Wales Heads of Environmental Health Group to further define the range of statutory and discretionary environmental health services delivered by councils in Wales. The standards define activity in each of the service areas and set out the characteristics that constitute: a minimum standard service; a good standard of service; and best practice in each of the areas. These broadly reflect the statutory obligations for all environmental health services covering 11 areas of activity.
- 29 Our local summary report was issued to the Council in January 2015. In most environmental health areas, the Council is delivering services that are above minimum standard. Overall, the Council is delivering:
- a 25 per cent of environmental health services to the highest standard compared to an all Wales average of 37 per cent;
  - b 19.9 per cent assessed as being delivered to a good standard compared to an all-Wales average of 30 per cent;
  - c 27.8 per cent at the minimum standard of service set compared to an all-Wales average of 22 per cent;
  - d 5.2 per cent below the minimum standard; and
  - e 22.1 per cent of the services covered were not included within the environmental health services audited.

## The Council made good progress in committing its discretionary housing payments but it is not able to judge the effectiveness of its work in addressing the impact of welfare reform

- 30 The Welfare Reform Act 2012 required significant changes to the administration and distribution of benefits and will have a major impact on many citizens. In April 2011, the UK Government embarked on a programme of reform, which will culminate with the phased introduction of universal credit between October 2013 and 2017. A major focus of the UK government's plans are changes to housing benefit, which are aimed at reducing national annual expenditure by around £2.3 billion.
- 31 In January 2015, the Auditor General published his report on how well councils are managing the impact of welfare reform changes on social housing tenants in Wales. His report reviewed the management and use of DHP<sup>5</sup> by councils in Wales and concluded that the allocation, distribution, administration and use of these payments have significant inconsistencies and weaknesses. Work was also undertaken to review implementation of changes by councils and feedback provided to the Council is being used to improve arrangements locally.

<sup>5</sup> A discretionary housing payment is a payment people may receive at the discretion of their local authority to provide extra help with housing costs on top of housing benefit.

- 32 In summary, our local feedback identified:
- a The need for a publically available Council policy on DHP that explains how the Council prioritises DHP to supports its work on addressing the impact of welfare reform changes.
  - b The Council's online application form is easy to access but information is limited and only provides basic advice with few examples of what DHP can be used to fund.
  - c The application form is lengthy (eight pages) and asks for detailed information about income and expenditure, which is used to profile the customer's spending patterns. The level and detail of information requested may prevent some applicants from applying because it is could be perceived as onerous.
  - d Positively, the application form can be completed online and submitted to the Council by email. Housing associations have also been provided with an electronic copy of the application form and DHPs are extensively promoted by customer services and housing benefit staff to encourage take-up.
- 33 The Council has systems in place to monitor the amount spent against the amount of money provided by the Department for Work and Pensions. The Council also monitors how many customers have been helped but does not note how many landlords have been assisted to ensure there is good coverage across all sectors and areas. Neither does the Council monitor the impact of DHP payments nor how these funds have helped social housing tenants affected by, for example, the spare room subsidy or those threatened with becoming homeless.
- 34 At the end of January 2015, the Council had spent £302,642 (97 per cent) of its £310,253 allocation from the Department of Works and Pensions. The Council has assisted 890 customers. This indicates that the Council is positively trying to use DHP to support those who need it but needs to link DHP into a wider strategic welfare policy to better demonstrate the impact of its work. In April 2015, most councils in Wales agreed to adopt a uniform approach to the future distribution of DHP payments, in part to address the significant inconsistencies and weaknesses identified in our review.

## The Council continues to take action to extend the provision of Welsh in the delivery of its services

- 35 The role of the Commissioner was created by the Welsh Language (Wales) Measure 2011. New powers to impose standards on organisations came into force through subordinate legislation on 31 March 2015. The Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.

- 36 The Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.
- 37 The Commissioner reported that an exercise to collect better data about the linguistic skills of staff had been initiated and completed by the end of March 2015. The updated information is to be utilised during the implementation of the Council's Welsh language training plan. The Youth Service held a consultation, in order to identify gaps in provision and to ensure that the linguistic needs of its users are catered for.
- 38 The Adult Social Care Service revisited the issue of external providers' compliance with the requirements of the Welsh Language Scheme, and found evidence of a general improvement in comparison to the findings that were noted during 2012-13.
- 39 The Council has worked in conjunction with Urdd Gobaith Cymru and contributed to the costs of financing an apprentice, in order to provide a range of Welsh-medium sports and exercise classes (including swimming lessons) for children. This provision will be expanded during 2014-15.

# Use of resources

## The Council has complied with its responsibilities relating to financial reporting and use of resources (audit of the Council's accounts)

- 40 On 10 November 2014, the Appointed Auditor issued an Annual Audit Letter to the Council. The letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Appointed Auditor issued an unqualified opinion on the Council's accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. The Annual Audit Letter can be found in [Appendix 4](#) of this report.

## The Council is maintaining a robust approach to its Medium Term Financial Strategy

- 41 In previous annual reports, we have identified positive practice in the Council's medium-term financial management and over the past year, the Council has further refined its arrangements. The Council approved its Medium Term Financial Strategy for 2015 to 2019 on 25 February 2015. The strategy identifies proposals for £39.4 million of the £48.8 million required reductions, including all of the £11.2 million required in 2015-16.
- 42 The Council regularly reviews its Medium Term Financial Strategy and the assumptions made within it. The Medium Term Financial Strategy is linked to other strategies, although the link with the Workforce Planning Strategy could be strengthened and clarified. The Council could also include more information as to how investment is helping the Council achieve its improvement priorities. The Council is also in the process of refining performance reporting arrangements to enable it to more easily identify how service savings are impacting upon service delivery.

## Proposals for improvement: Medium Term Financial Strategy

P3	Further refine 'dashboard' reporting arrangements to enable evaluation of the impact of financial reductions on service quality.
P4	Include more details within the Medium Term Financial Strategy about how it addresses each improvement objective; this would allow the Council to illustrate investment in areas relating to its improvement priorities.

## Council arrangements for identifying and making savings demonstrate most of the factors required for achieving success

- 43 The Council's Medium Term Financial Strategy sets out how the Council plans to use its resources over the next four years to support the achievement of its corporate priorities and statutory duties. The Council has estimated that it must find £48.8 million of savings over the next three years. The budget reductions are challenging and a number of proposals are dependent on changing the way in which services are provided. As part of this savings requirement, the budget for 2014-15 includes reductions of £11.274 million. The Council has established a Bridgend Change Programme to help it meet its savings and service change commitments.
- 44 The Council's Budget Research and Evaluation Panel reviews budget proposals, focusing specifically on the budget pressures and budget savings proposals for the year ahead. In view of the scale of savings needed, enhanced budget and performance monitoring has been introduced. The Council requested that we tested the enhanced arrangements for their effectiveness.
- 45 We tested arrangements against three key factors that research has shown supports effective savings programmes:
- a The quality of leadership, assessing whether there was evidence of:
    - effective executive-level sponsorship able to overcome internal barriers and build an appetite for change; and
    - the political will to be bold, open minded and not restricted to a narrow view of what can, or should, be changed.
  - b The quality of governance arrangements, assessing whether there was evidence of:
    - strong governance of the savings programme with senior level oversight and effective reporting structures;
    - a dedicated resource to manage the savings programme, for example a clearly accountable programme manager and programme support; and
    - 'tools' to allow effective management of the programme, for example an opportunities tracker, a validation process, a risks log and benefits tracking.
  - c The quality of challenge, assessing whether there was evidence of:
    - sufficient independent challenge that ensured an open-minded approach when considering options;
    - analysis that identifies service minimums (standards and costs) before deciding on changes;
    - benchmarking and learning from others; and
    - strong business cases that allowed informed decision making.



- 46 We found strengths in leadership in respect of elected members and managers understanding the savings they need to make in the medium term and an appetite for change. We also identified a need to establish a vision of the future shape of the Council and the impact on corporate priorities so that members and managers can base planning for service changes and cost reductions upon this vision. The Council has recognised this and has been reviewing its corporate priorities.
- 47 We found that the Council had sound governance arrangements in place for managing its savings programme. The Council uses a savings programme tracker that is reviewed on a monthly basis by each directorate, every six weeks by the Senior Management Team collectively (ie corporate directors plus heads of service), and quarterly via the Corporate Performance Assessment process. Quarterly budget monitoring reports are submitted to, and reviewed by, Cabinet and scrutiny. The Council has a good track record of delivering identified savings within year against the planned actions it approved and an effective corporate framework which links corporate objectives to financial planning.
- 48 We found some strengths in a challenge process that included Cabinet members, Scrutiny members and senior managers in the consideration and development of options. This has included a recognition of the need to include additional detail about proposals to explain their impact, so that members can better understand the likely impact on service. Like many other councils, the Council has also recognised the need to develop a thorough understanding of what each service costs, related to the service standard provided and its performance, and compared to other similar service providers. Whilst the Council has a robust approach to performance monitoring, there is inconsistent use of management information such as unit costs, and caseload comparators to determine the costs of services and inform decision making.
- 49 We made two proposals for improvement:

## Proposals for improvement: Savings Strategy

### Leadership

- P5 The Council should clarify its medium-term vision and what this means for corporate priorities and the future shape of the Council so that managers can better plan for service changes and cost reductions.

### Challenge

- P6 The Council should encourage the wider use of management information by service managers to inform potential savings plans.

# Governance

## The Council has successfully adopted alternative methods of service delivery in the past, is currently managing them effectively and is exploring options for the future

- 50 The Council has recognised that the prospect of continuing significant financial pressures brings with it the need to consider the possibility of changing methods of service delivery in order to achieve the required savings and ultimately long-term financial sustainability. Legislative changes are also drivers to change. For example, the Wellbeing of Future Generations Act 2015 requires the Council to think more about the long term, work with people and communities and other agencies, looking to prevent problems and take a more joined-up approach.
- 51 The Council requested that we assess its readiness for considering alternative methods of service delivery. In order to do so, we looked at the Council's track record, how well it was managing services that were currently being delivered by other means and how new options were being assessed.
- 52 We found that the Council:
- a has successfully adopted alternative models of service delivery in the past;
  - b has effective arrangements in place to review performance of services being delivered by alternative methods; and
  - c is open minded about initial suggestions for alternative options of service delivery.

## Proposals for improvement – alternative methods of service delivery

P7	Establish preferred alternative delivery options at service level based on the Council's values as a means of providing guidance for options appraisal.
P8	If alternative methods of delivery are to be pursued, ensure strategies provide clarity of purpose and are supported by clear measures of success.
P9	Evaluate the skills and knowledge required to successfully negotiate change of this nature and the means by which the Council will secure such skills and knowledge.

## Arrangements for meeting safeguarding responsibilities to children were adequate

- 53 The Council has a statutory duty to have in place safeguarding arrangements, which include strategic planning, support and guidance for all providers of relevant services in its area, and the direct provision of some services itself. In particular, it has a duty to work in partnership with others to secure the safeguarding and well-being of children in their area, principally by means of the Local Safeguarding Children Board.
- 54 The Auditor General undertook a national study to assess the safeguarding arrangements councils in Wales have in place. The study also included the provision of individual reports to each council.
- 55 The study found strengths in the Council's arrangements but also identified areas where they could be improved. Strengths included:
- a The use of the All Wales Policies and Procedures to guide work on safeguarding of children. This was supported by a suite of related policies and procedures. These include policies for grievance, disciplinary, adult education safeguarding and taxi licensing. A Corporate Safeguarding Policy was being developed and the aim is to emphasise that safeguarding is 'everyone's business'.
  - b Various systems were in place to monitor, review and challenge performance. The Council's Social Care Strategic Improvement Board was reviewing the performance information it uses to evaluate how well it is performing with the aim of identifying more meaningful measures to judge success.
  - c Scrutiny arrangements for safeguarding were good and the Chair of the Children and Young People Overview and Scrutiny Committee was aware of the importance of safeguarding. There was evidence of this committee influencing policies and strategies agreed by the Portfolio Lead for Children.
  - d The senior leadership team had a good awareness of safeguarding and the subject is a standing item on each joint Corporate Management Board and Cabinet monthly meeting.
  - e There was evidence that the Council was learning from its evaluations and making improvements accordingly.
  - f The Council was taking appropriate action to improve its compliance with data protection legislation.
  - g Overall, whistleblowing arrangements were generally sound, but some weaknesses in training needed to be addressed. Clear guidelines for managers on application of the policy have also been published.

## Proposals for improvement: safeguarding

P10	Finalise a Corporate Safeguarding Policy that clearly specifies roles, responsibilities and procedures for safeguarding.
P11	Complete the Social Care Strategic Improvement Board review of performance information and produce measures that provide adequate assurance that systems are working effectively.
P12	Ensure that the corporate induction programme for all new staff includes training on safeguarding and child protection issues and the Council's corporate policy on safeguarding.
P13	Identify and agree an appropriate internal audit programme of work for safeguarding.

# Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority’s likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority’s track record of improvement. The Auditor General will summarise his audit and assessment work in a published annual improvement report for each authority (under section 24).

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

# Appendix 2 – Audit of the Council’s 2014-15 Improvement Plan

## Certificate

I certify that I have audited Bridgend Council’s (the Council) Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

## Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Council’s auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

## Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council’s Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas

**Auditor General For Wales**

CC: Leighton Andrews, Minister for Local Government and Government Business

Steve Barry, Manager

Helen Keatley, Performance Audit Lead

# Appendix 3 – Audit of the Council’s assessment of 2013-14 performance

## Certificate

I certify that I have audited Bridgend Council’s (the Council) assessment of its performance in 2013-14 in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

## Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to annually publish an assessment which describes its performance:

- in discharging its duty to make arrangements to secure continuous improvement in the exercise of its functions;
- in meeting the improvement objectives it has set itself;
- by reference to performance indicators specified by Welsh Ministers, and self-imposed performance indicators; and
- in meeting any performance standards specified by Welsh Ministers, and self-imposed performance standards.

The Measure requires the Council to publish its assessment before 31 October in the financial year following that to which the information relates, or by any other such date as Welsh Ministers may specify by order.

The Measure requires that the Council has regard to guidance issued by Welsh Ministers in publishing its assessment.

As the Council’s auditor, I am required under sections 17 and 19 of the Measure to carry out an audit to determine whether the Council has discharged its duty to publish an assessment of performance, to certify that I have done so, and to report whether I believe that the Council has discharged its duties in accordance with statutory requirements set out in section 15 and statutory guidance.



## Scope of the audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information. Other assessment work that I will undertake under section 18 of the Measure may examine these issues. My audit of the Council's assessment of performance, therefore, comprised a review of the Council's publication to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the assessment complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing it.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas

### **Auditor General For Wales**

CC: Leighton Andrews, Minister for Local Government and Government Business

Steve Barry, Manager

Helen Keatley, Performance Audit Lead

# Appendix 4 – Annual Audit Letter

Councillor M E J Nott  
The Leader  
Bridgend County Borough Council  
Civic Offices  
Angel Street  
Bridgend  
CF31 4WB

Dear Councillor Nott

## **Annual Audit Letter – Bridgend County Borough Council 2013-14**

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

### **The Council complied with its responsibilities relating to financial reporting and use of resources**

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; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me 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 I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards.

On 29 September 2014, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 25 September 2014.

This report stated that:

- we had no concerns about the qualitative aspects of your accounting practices and financial reporting, although we identified the need to review the approach to the valuation of the Council's property portfolio to be able to ensure and demonstrate that the carrying value of assets is not materially different to fair value at each year-end;
- we did not encounter any significant difficulties during the audit; and
- there were no significant matters discussed and corresponded upon with management which we needed to report.

Officers have agreed actions to address this property portfolio issue in future years.

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

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2014.

The financial audit fee for 2013-14 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely



Darren Gilbert  
**KPMG LLP**

**For and on behalf of the Appointed Auditor**

## Appendix 5 – National report recommendations 2014-15

Date of report	Title of review	Recommendation
May 2014	Good Scrutiny? Good Question!	R1 Clarify the role of executive members and senior officers in contributing to scrutiny.
		R2 Ensure that scrutiny members, and specifically scrutiny chairs, receive training and support to fully equip them with the skills required to undertake effective scrutiny.
		R3 Further develop scrutiny forward work programming to: <ul style="list-style-type: none"> <li>• provide a clear rationale for topic selection;</li> <li>• be more outcome focused;</li> <li>• ensure that the method of scrutiny is best suited to the topic area and the outcome desired; and</li> <li>• align scrutiny programmes with the council's performance management, self-evaluation and improvement arrangements.</li> </ul>
		R4 Ensure that scrutiny draws effectively on the work of audit, inspection and regulation and that its activities are complementary with the work of external review bodies.
		R6 Ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes.
		R7 Undertake regular self-evaluation of scrutiny utilising the 'outcomes and characteristics of effective local government overview and scrutiny' developed by the Wales Scrutiny Officers' Network.
		R8 Implement scrutiny improvement action plans developed from the Wales Audit Office improvement study.
		R9 Adopt Participation Cymru's 10 Principles for Public Engagement in improving the way scrutiny engages with the public and stakeholders.

Date of report	Title of review	Recommendation
July 2014	Young people not in education, employment or training - Findings from a review of councils in Wales	R1 Together with partners, map and review expenditure on NEETs services to better understand the resources required to deliver the Framework.
		R2 Clarify their strategic approach to reducing the proportion of 19 to 24 year olds who are NEET as well as their approach for 16 to 18 year olds.
		R3 Focus on young people with significant or multiple barriers to engaging with education, employment or training rather than those who are more likely to re-engage without significant additional support.
		R4 Develop their objectives and targets for reducing the number of young people NEET so that they can be held to account and their work aligns with the Welsh Government's targets and objectives.
		R5 Ensure that elected members and partners fully understand that councils have a clear responsibility for leading and co-ordinating youth services for 16 to 24 year olds.
		R6 Improve the evaluation of the effectiveness and relative value for money of the services and interventions in their area that are intended to reduce the proportion of young people who are NEET.

Date of report	Title of review	Recommendation
October 2014	Delivering with less – the impact on environmental health services and citizens	<p>R1 Revise the best practice standards to:</p> <ul style="list-style-type: none"> <li>• align the work of environmental health with national strategic priorities;</li> <li>• identify the wider contribution of environmental health in delivering strategic priorities of the Welsh Government; and</li> <li>• identify the benefit and impact of environmental health services on protecting citizens.</li> </ul> <p>R2 Provide scrutiny chairs and members with the necessary skills and support to effectively scrutinise and challenge service performance, savings plans and the impact of budget reductions.</p> <p>R3 Improve engagement with local residents over planned budget cuts and changes in services by:</p> <ul style="list-style-type: none"> <li>• consulting with residents on planned changes in services and using the findings to shape decisions;</li> <li>• outlining which services are to be cut and how these cuts will impact on residents; and</li> <li>• setting out plans for increasing charges or changing standards of service.</li> </ul> <p>R4 Improve efficiency and value for money by:</p> <ul style="list-style-type: none"> <li>• Identifying the statutory and non-statutory duties of council environmental health services.</li> <li>• Agreeing environmental health priorities for the future and the role of councils in delivering these.</li> <li>• Determining an 'acceptable standard of performance' for environmental health services (upper and lower) and publicise these to citizens.</li> <li>• Improving efficiency and maintaining performance to the agreed level through: <ul style="list-style-type: none"> <li>– collaborating and/or integrating with others to reduce cost and/or improve quality;</li> <li>– outsourcing where services can be delivered more cost effectively to agreed standards;</li> <li>– introducing and/or increasing charges and focusing on income-generation activity;</li> <li>– using grants strategically to maximise impact and return; and</li> <li>– reducing activities to focus on core statutory and strategic priorities.</li> </ul> </li> </ul> <p>R5 Improve strategic planning by:</p> <ul style="list-style-type: none"> <li>• identifying, collecting and analysing financial, performance and demand/need data on environmental health services;</li> <li>• analysing collected data to inform and understand the relationship between 'cost: benefit: impact' and use this intelligence to underpin decisions on the future of council environmental health services; and</li> <li>• agree how digital information can be used to plan and develop environmental health services in the future.</li> </ul>

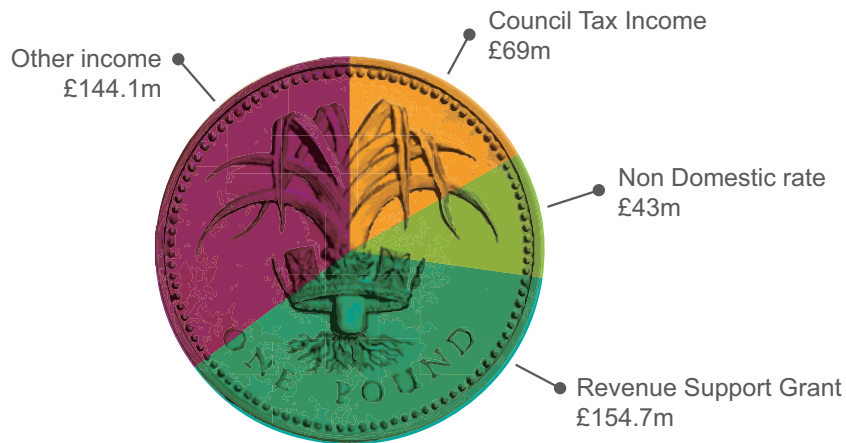
Date of report	Title of review	Recommendation
January 2015	<b>Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales</b>	R1 Improve strategic planning and better co-ordinate activity to tackle the impact of welfare reform on social-housing tenants by ensuring comprehensive action plans are in place that cover the work of all relevant council departments, housing associations and the work of external stakeholders.
		R2 Improve governance and accountability for welfare reform by: <ul style="list-style-type: none"> <li>• appointing member and officer leads to take responsibility for strategic leadership on welfare reform and be accountable for performance; and</li> <li>• ensuring members receive adequate training and regular briefings on welfare reform to be able to challenge and scrutinise performance and decisions.</li> </ul>
		R3 Ensure effective management of performance on welfare reform by: <ul style="list-style-type: none"> <li>• setting appropriate measures to enable members, officers and the public to judge progress in delivering actions;</li> <li>• ensuring performance information covers the work of all relevant agencies and especially housing associations; and</li> <li>• establishing measures to judge the wider impact of welfare reform.</li> </ul>
		R4 Strengthen how welfare-reform risks are managed by creating a single corporate-level approach that co ordinates activity across the Council and the work of others to provide adequate assurance that all the necessary and appropriate actions to mitigate risk are taking place.
		R5 Improve engagement with tenants affected by the removal of the spare-room subsidy through: <ul style="list-style-type: none"> <li>• the provision of regular advice and information on the options open to them to address the financial impact of the change in their circumstances;</li> <li>• the promotion of the ‘Your benefits are changing’ helpline; and</li> <li>• the provision of support to tenants specifically affected by the removal of the spare-room subsidy to participate in regional/national employment schemes.</li> </ul>

Date of report	Title of review	Recommendation
January 2015	<p><b>Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales</b></p>	<p>R7 Improve management, access to and use of Discretionary Housing Payments by:</p> <ul style="list-style-type: none"> <li>• establishing a clear policy or guide that is available in hard copy and online to the public that sets out the Council's policy and arrangements for administering Discretionary Housing Payments;</li> <li>• clearly defining eligible and non-eligible housing costs covered by Discretionary Housing Payments in application forms, policy documentation and applicant guidance leaflets;</li> <li>• clearly setting out the maximum/minimum length of time that such payments will be provided;</li> <li>• setting and publishing the timescale for the Council making a decision on Discretionary Housing Payments applications;</li> <li>• including information within public literature on the Council's policy for right to review or appeal of a decision and the timescales and process to be followed in deciding on these; and</li> <li>• clearly define the priority groups for Discretionary Housing Payments in public literature to ensure that those seeking assistance, and those agencies supporting them, can assess whether such payments are a viable option to address their housing and financial needs.</li> </ul>

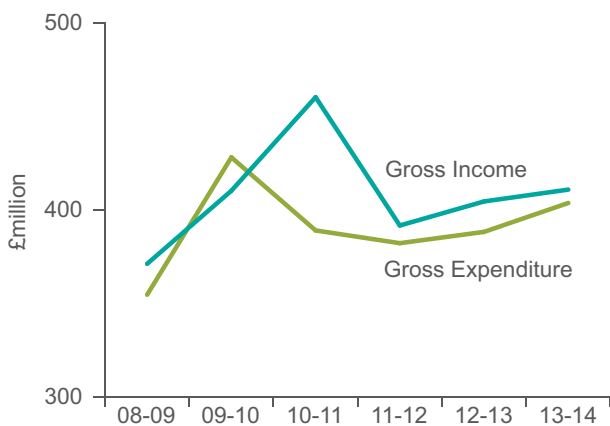


# Appendix 6 – Useful information about the Council’s resources

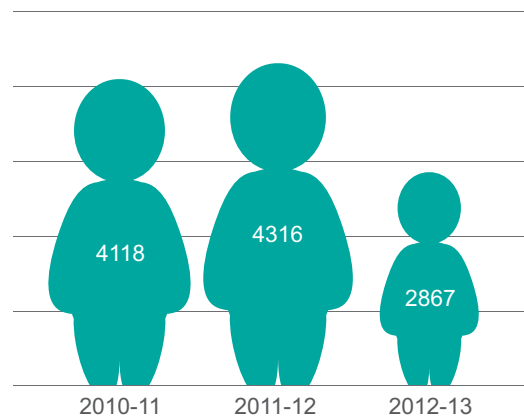
Total Gross Income 2013-14



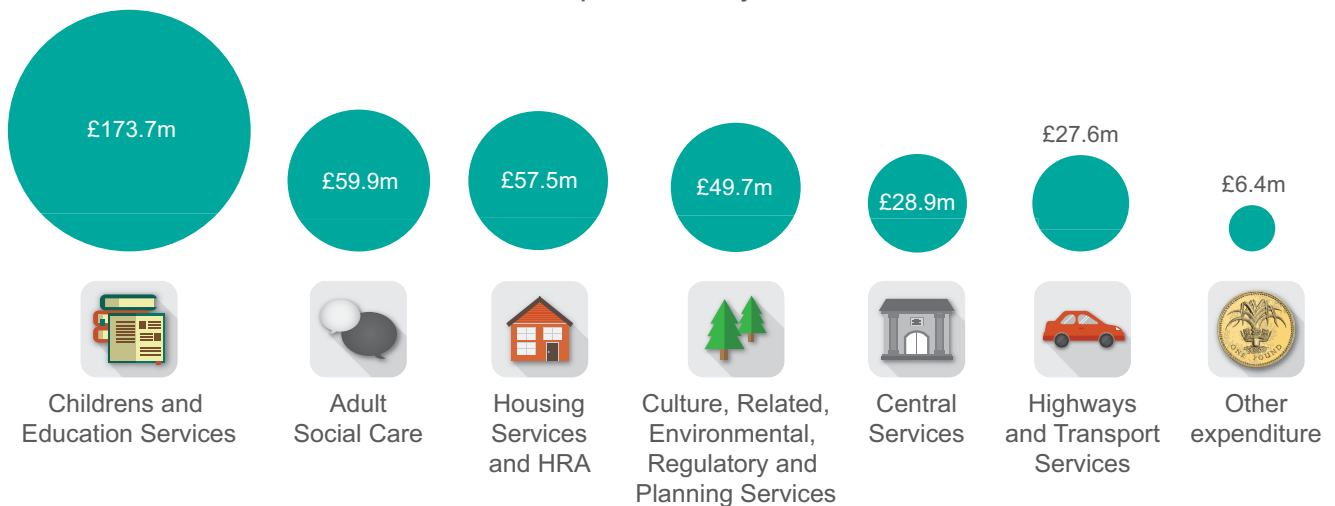
Total Income and Expenditure



Number of whole time equivalent staff 2010-11 to 2012-13



Total Gross Expenditure by service area



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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE AUDIT COMMITTEE

28 JANUARY 2016

#### REPORT OF THE CORPORATE DIRECTOR - RESOURCES

##### CERTIFICATION OF GRANTS AND RETURNS 2014-15

#### 1 Purpose of Report.

- 1.1 The purpose of this report is to present the Council's External Auditor's report on the grant work undertaken for 2014-15.

#### 2 Connection to Corporate Improvement Plan / Other Corporate Priorities.

- 2.1 This report is consistent with the Council's Corporate Priorities.

#### 3 Background

- 3.1 KPMG LLP as appointed auditors of the Council, are asked on behalf of the Auditor General for Wales, to certify larger grant claims made by the Council. For 2014-15 they audited 23 grant claims and returns (including 5 Welsh European Funding Office (WEFO) claims) and certified:-

- 23 grants claims and returns with a total value of £142.3 million (24 grant claims with a total value of £124.8 million in 2013-14)

#### 4 Current situation / proposal

- 4.1 A summary of all claims and returns subject to certification is provided with the report attached at Appendix A, together with the certification fee and outcome of the External Auditor's review.

- 4.2 The certification results are summarised as follows:-

- 100% of the non-WEFO grant claims were submitted in accordance with the awarding body's deadline (this is consistent with 2013-14), but there were delays due on one of the WEFO grants due to the grant claim for not being available on the WEFO system;
- 14 non-WEFO certificates were unqualified with no adjustments, but qualifications were necessary for 4 grants, one qualification related to the Housing benefit subsidy as a result of input errors and the other three qualifications related to historic land reclamation scheme grants that was due to a lack of supporting information due to the historic nature of these schemes which in two cases pre-dated Bridgend County Borough Council;
- There were no adjustments made to grants and returns as a result of auditor certification work.

4.3 Overall the Council's External Auditors have concluded that the Council has good arrangements in place for the production and submission of its 2014-15 grant claims, but there is one recommendation in relation to the NNDR claim.

**5 Effect upon Policy Framework & Procedure Rules.**

5.1 None

**6 Equality Impact Assessment.**

6.1 There are no equality issues.

**7 Financial Implications.**

7.1 As outlined within the report.

**8 Recommendation.**

8.1 That Members note the content of the External Auditor's report on the grant work undertaken for 2014-15 attached as Appendix A.

**Ness Young**  
**Corporate Director - Resources**  
**12 January 2016**

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**Background Documents**

Certification of Grants and Returns 2014-15

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## Certification of Grants and Returns 2014-15

# **Bridgend County Borough Council**

**Audit year:** 2014-15

**Issued:** 13 January 2016

**Document reference:** BCBC-CGR2015

## Status of report

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This document has been prepared for the internal use of Bridgend County Borough Council as part of work to be performed in accordance with statutory functions.

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# Contents

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Summary	4
Headlines	5
Summary of certification work outcomes	7
Recommendations	13
Fees	14

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## Summary

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1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
2. We undertook our work with the aim of certifying individual claims and to answer the question:  
'Does Bridgend County Borough Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
3. We have completed our certification work and conclude that the Authority had generally good arrangements in place for the production and submission of its 2014-15 grant claims. The value and amount of issues identified by our certification work (excluding the historic land reclamation claims) is broadly in line with 2013-14. We continue to support the Authority to deliver improvements in the grants process for 2015-16 and have set out one recommendation in the 'Recommendations' section of this report.
4. For 2014-15 we certified 18 non-WEFO grant claims and returns (reduced from 22 in 2013-14 due to certain claims being audited at a regional level or dropping out of scope for audit), and 5 WEFO returns (increased from 2 in 2013-14 due to timing issues and the requirement to audit final returns on two of the projects).
5. The Authority submitted all of its 2014-15 non-WEFO grant claims to us on time. We can confirm that we have certified all of the claims relating to the 2014-15 audit year as well as three historic land reclamation grants commenced during 2012-13 for which the work was previously suspended awaiting a Welsh Government decision.
6. This work was carried out at a total audit cost of some £38,724. There were no amendments made impacting on amounts claimable in any of the non-WEFO grants certified. 4 of the 18 (ratio of 1:4.5) non-WEFO claims were qualified; however this includes 3 historic land reclamation claims certified this year but related to previous years - excluding these, the ratio is 1:18.



# Headlines

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## Introduction and background

### **This report summarises the results of work on the certification of the Authority's 2014-15 grant claims and returns**

- We have been asked on behalf of the Auditor General to certify grant claims made by the Authority.
- For 2014-15, we certified 23 grants & returns (including five WEFO claim returns) with a total value of £142.3m.
- At the start of our grant audit work for 2014-15, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed our proposed plan for completing grant work in the coming months.
- We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.

Pages 7-9

## Timely receipt of claims

- Our analysis shows that 100 per cent of non-WEFO grants received during the year were received by the Authority's deadline. This is consistent with the 2013-14 audit year.
- There were some delays in our work around one WEFO project in particular due to the Authority not being able to provide us with the final claim form for certification – we understand that this was due to them awaiting the release of the form on the system by WEFO. This has now been resolved and we have issued our Accountant's Report for this project.

Pages 7-9

## Certification results

### **We issued unqualified certificates for 14 non-WEFO grants and returns but qualifications were necessary in 4 cases (22 per cent)**

- The qualifications relate to two areas: the Housing Benefit subsidy, for which two overpayments due to user input error were identified in our testing, and three historic land reclamation scheme grants, which we qualified due to a lack of supporting evidence.
- The land reclamation grants all relate to projects dating back several years (with two of the three having expenditure pre-dating Bridgend CBC) and for which work was commenced in 2012-13 but concluded this year following the lifting of an embargo placed on the work by WAO/Welsh Government.

Pages 7-9

<b>Audit adjustments</b>	<p><b>There were no adjustments made to the Authority's grants and returns as a result of our auditor certification work this year although we did identify one minor error</b></p> <ul style="list-style-type: none"> <li>• There has been a change in relation to the certification of Welsh Government grants this year as the Welsh Government has asked us to apply a 'materiality' threshold of £10,000. This means that where claim adjustments are over £10,000, we ask authorities to adjust the claim form. If adjustments are under £10,000, we do not ask authorities to adjust the claim form but we do issue written feedback note to the Authority detailing the error. This change does not apply to non Welsh Government grants (e.g. Housing Benefit).</li> <li>• There were no adjustments over £10,000 but we did identify errors amounting to under £10,000 in one grant (National non-domestic rates return), for which we issued a feedback note.</li> </ul>	Pages 10-12
<b>The Authority's arrangements</b>	<p><b>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work</b></p> <ul style="list-style-type: none"> <li>• There is possibility for improvement in some areas as set out in our recommendations section.</li> </ul>	Page 13
<b>Fees</b>	<p><b>Our overall fee for certification of grants and returns for 2014-15 is £38,724 which was lower than the fee for the work for 2013-14 (£45,930)</b></p> <ul style="list-style-type: none"> <li>• This is mainly the result of a reduction in the overall amount of claims being certified following some claims moving to a regional basis or becoming out of scope.</li> </ul>	Pages 14-15

## Summary of certification work outcomes

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7. Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2013-14 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
8. A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

### Key information for 2014-15

#### Overall, we certified 23 grants and returns:

- 13 were unqualified with no amendment and no errors identified
- 1 were unqualified but with a feedback note issued to management due to errors under £10,000
- 4 required a qualification to our audit certificate
  - 3 reports to the Welsh European Funding Office drew no matters to the attention of that body
  - 2 reports to the Welsh European Funding Office included matters raised to the attention of that body

Ref – Para 9	CI Ref	Grants and returns	Claim due	Claim received	Qualified certificate	Adjustment made (error > £10,000)	Feedback note issued (error < £10,000)	Comments to WEFO included in report	No comments to WEFO included in report	Unqualified certificate with no adjustments
1	BEN01	Housing Benefit	30/04/15	30/04/15	1					
	EDU15	Schools Effectiveness Grant	30/09/15	30/09/15						1
	EDU18	21 <sup>st</sup> Century Schools	30/09/15	30/09/15						1
2	EUR01	WEFO Structural Funds (x5)	various	various				2	3	
	EYC01	Flying Start (Revenue & Capital)	30/09/15	30/09/15						2
	EYC14	Families First	30/09/15	30/09/15						1
	HLG01	Pooled Budget Memoranda	09/05/15	09/05/15						1
3	LA01	NNDR Final Contributions	30/05/15	30/05/15			£8,885			
	LA12	Sustainable Waste Management	30/09/15	30/09/15						1
	PEN05	Teachers Pensions	30/06/15	21/05/15						1
	RG03	Communities First (Clusters x 3)	30/09/15	30/09/15						3
4	RG15	Derelict Land Grants	N/A	N/A	3					
	SOC07	Social Care Workforce Development Programme	30/09/15	30/09/15						1

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4	TRA 23	Free Concessionary Fares	30/09/15	30/09/15						1
	<b>TOTAL (number)</b>				4		1	2	3	13

9. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 7 to 9.

Ref	Summary observations	Adjustment
1	<p><b>Housing benefit subsidy return – claim qualified</b></p> <ul style="list-style-type: none"> <li>The Authority submits a return to DWP in order to claim subsidy support for expenditure on statutory housing benefit.</li> <li>During our testing, we identified two cases of overpayment of benefit which had not been recorded by the Council (one in our initial sample and one in an extended sample). These were both as a result of the claimant’s weekly income being incorrectly recorded when being input into the system; we identified the errors when we were agreeing the income figures on the system back to source documentation. The total of these two errors amounted to £3.74.</li> <li>Given the size of the population and the nature of the errors found, it was unlikely that even significant additional work would result in amendments to the claim form that would have allowed us to conclude that it was fairly stated. Therefore we were obliged to issue a qualification letter to DWP in relation to this issue.</li> </ul>	N/A
2	<p><b>Welsh European Funding Office (WEFO) structural funds returns - two reports issued with comments</b></p> <ul style="list-style-type: none"> <li>We are requested to issue an Accountant’s Report on each of the Authority’s four WEFO structural fund project returns on an annual basis. As these projects have now ended during the year, we have also been requested to issue reports on the final returns where this does not overlap with an annual return. Five reports have been issued in total during the year.</li> <li>Two of these reports were issued with comments: the Bridgend Convergence annual return as a result of a transposition error of £9,000 (already notified to WEFO by the Authority), and the Maesteg Phase Four final return as a result of defrayment issue where the wrong supplier had been paid (this had been identified and resolved by the Authority prior to our audit but after the claim period end – WEFO rules state that expenditure should be defrayed (i.e. paid) before the end of the claim period).</li> </ul>	N/A

Ref	Summary observations	Adjustment
3	<p><b>National non-domestic rates (NNDR) return – feedback note issued to management</b></p> <ul style="list-style-type: none"> <li>• The Authority submits a return to Welsh Government detailing its NNDR receipts and various reliefs and adjustments applied during the year, which we are asked to certify.</li> <li>• Two errors were identified in our certification of the form, but as both amounted in aggregate to under £10,000, we were not required to ask the Authority to adjust the form under the new Welsh Government grants regime. We have instead issued a feedback note to management to draw these issues to their attention.</li> <li>• The issues were <ul style="list-style-type: none"> <li>1) certain properties being given empty premises relief at 50% although their initial exemption period had expired so this relief should not have been applied – impact of £8,612 (Recommendation 1).</li> <li>2) a figure being included in the form for a historic transitional relief adjustment which ended in 2003, and therefore should not have been included – impact of £273.</li> </ul> </li> <li>• As the Authority was not required to adjust these two issues, there is no impact on the Authority's NNDR balance due to/from Welsh Government.</li> </ul>	N/A

Ref	Summary observations	Adjustment
4	<p><b>Derelict Land Grants – three claims qualified</b></p> <ul style="list-style-type: none"> <li>• This relates to historic projects under the public sector land reclamation programme (previously administered by the Welsh Development Agency and now by Welsh Government) which all ended several years ago. In 2013, WG wrote to authorities seeking financial closure of the schemes by submission of a final claim and requested auditors to certify the final claims (including all expenditure over the life of the scheme). Bridgend has three such projects which we have been asked to certify.</li> <li>• However, due to the age of these schemes and the passing of time, for all three schemes we have been asked to certify, we experienced a lack of supporting evidence for the expenditure as records have been archived or disposed. In particular we were unable to fully complete the test requiring us to reconcile the Council's grant expenditure and receipts records to the Council's general ledger, and we were also unable to agree internal staff costs expenditure to payroll records as payroll information has been archived. In addition, for two of the schemes which dated back to prior to local government reorganisation in 1996, we were unable to agree much of the expenditure to any prime documents such as invoices.</li> <li>• As a result, we were obliged to issue qualification letters for all three schemes. The issue of these was delayed since early 2014 by an embargo which was placed on the schemes while the approach to the programme was discussed with Welsh Government, but this was released in late 2015 allowing us to issue the letters.</li> <li>• It should be noted that officers have informed us that as part of the Welsh Development Agency (WDA) Land Reclamation Grant programme, all claims were 100% evidence supported to WDA before payment was made.</li> </ul>	N/A
<b>Total effect of amendments to the Authority</b>		<b>Nil</b>



# Recommendations

10. We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority 1	Priority 2	Priority 3
Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>In relation to the NNDR claim:</p> <ul style="list-style-type: none"> <li>Certain properties had been granted empty premises relief at 50% although their initial exemption period had expired so this relief should not have been applied – the total of the ineligible relief granted was £8,612</li> <li>As the error was under £10,000, it did not need reporting to Welsh Government under the new regime, but was reported to management in a feedback note</li> </ul>	<p>If ineligible relief surpasses £10,000, the Authority will need to amend its claim form. In addition, if the error is not resolved, it will result in additional audit work and costs in future years.</p>	<p>R1 Review all empty premises reliefs to ensure they are appropriately cancelled after the expiry of the exemption period</p>	2	<p>Following identification of the error all empty property cases were reviewed and no other cases were found. The error came about due to a member of staff applying the wrong relief type. The NNDR system parameters have now been amended to reduce the risk of an incorrect relief being applied.</p>	<p>E Johnson September 2015</p>

# Fees

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11. Our overall fee for the certification of grants and returns is set out below:

Breakdown of fee by grant/return	2014-15 - £	2013-14 - £
Housing and Council Tax Benefits (BEN01)	11,009	10,124
Schools Effectiveness Grant (EDU15)	-	1,145
Transitional School Buildings Improvement Grant & 21 <sup>st</sup> Century Schools (EDU18)	1,032	1,288
Learning Pathways local and regional return (EDU43)	-	2,252
Welsh in Education (EDU44)	-	1,200
WEFO – 80256 - Bridgend Convergence Fund (EURO1) (two claims in 2014-15)	2,418	2,349
WEFO – 80583 – S Wales Interchange (EURO1)	-	477
WEFO – 80616 – Prevent 14 - 19 (EURO1)	2,668	-
WEFO – 80255 - Maesteg (EURO1) (two claims in 2014-15)	2,550	731
Flying Start capital and revenue (EYC01)	2,577	1,877
Families First (formerly Cymorth) (EYC14)	2,121	1,587
Pooled Budgets x 1 (HLG01)	1,133	833
National non-domestic rates return (LA01)	3,275	2,994
Sustainable Waste Management (LA12)	776	1,257

Teachers Pensions (PEN05)	1,643	1,920
Communities First (RG03)	1,924	2,821
Derelict land grant (RG15) <sup>1</sup>	470	6,541
Strategic Regeneration Areas (RG19)	-	2,721
Social Care Workforce Development Programme (SOC07)	1,536	1,387
Concessionary Fares (TRA23)	1,889	2,387
Annual report for previous year <sup>2</sup>	1,703	2,291
Annual report for this year (estimate) <sup>2</sup>	2,000	
<b>Total fee</b>	<b>40,724</b>	<b>45,930</b>

<sup>1</sup> The work relating to the certification of three historic land reclamation grants commenced during 2012-13 (billed in 2013-14) and has been concluded in 2014-15 following the lifting of an embargo on the work.

<sup>2</sup> In previous years, we have included the fee for writing the annual report in the following year's report – therefore fee of £1,703 noted above relates to the 2013-14 report and the fee in 2013-14 relates to the 2012-13 report. As KPMG is rotating off the Bridgend CBC audit next year, we have included an estimate of the fee for this report in the above return. This will be finalised and billed following presentation of the report to the Audit Committee.

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE 28 JANUARY 2016

#### REPORT OF THE CORPORATE DIRECTOR - RESOURCES

##### THE CORPORATE RISK ASSESSMENT 2016-17

#### 1. Purpose of Report.

- 1.1 The purpose of the report is to explain the outcome of the annual risk assessment (Appendix 1) and inform the Committee of the proposed risk management timeline contained in Appendix 2 of the Risk Management Policy.

#### 2. Connection to Corporate Plan / Other Corporate Priority.

- 2.1 Effective risk management is an essential part of the framework for ensuring good corporate governance and supports delivery of the Council's Corporate Improvement Priorities.

#### 3. Background.

- 3.1 Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risks.
- 3.2 The Audit Committee's Terms of reference requires the Committee to review, scrutinize and issue reports and recommendations on the appropriateness of the Council's risk management, internal control and corporate governance arrangements.
- 3.3 The Corporate Risk Assessment is considered and reviewed by the Senior Management Team, Audit Committee and Cabinet. It is used to inform the Overview and Scrutiny Committees forward work programme, budget process and contributes to the Council's quarterly Corporate Performance Assessment framework.
- 3.4 The 2016-17 Corporate Risk Assessment is fully aligned with the Council's Medium Term Financial Strategy and Corporate Plan.
- 3.5 The Council has always recognised the importance of risk management. A formal policy, outlining the risk assessment process, was adopted in 1998. The policy is reviewed and updated on a regular basis with the last update undertaken in 2014.

#### 4. Current situation / proposal.

- 4.1 The risk assessment has been reviewed in consultation with Corporate Directors, Business Managers and Heads of Service and was considered by Senior

Management Team on 11 January 2016. It is attached as **Appendix 1**. It identifies the main risks facing the Council, their links to the new proposed priority themes, the likely impact of these on Council services and the wider County Borough, what is being done to manage the risks and which individual is responsible for the Council's response.

4.2 A scoring matrix is used which takes into account both the likelihood of the risk taking place and the impact if it did. The inherent risk is measured and then the residual risk; after the risk mitigation measures are applied. The scoring matrix is within the Risk Management Policy. For information, **Appendix 2** contains a summary of how the residual risk scores have changed over the last three years.

4.3 The risk assessment will be subject to review on a quarterly basis by Senior Management Team, as part of the Corporate Performance Assessment and twice yearly by Audit Committee.

4.4 The main changes are:

- Making the cultural change necessary to deliver the Medium Term Financial Strategy

The title of the previous "Using resources effectively" risk has been changed to "Making the cultural change necessary to deliver the Medium Term Financial Strategy". This emphasizes the change in culture required to deliver large scale transformation, which is necessary for the Council to be both smaller and better. Following the release of the draft Welsh Government budget the revised budget reductions targets have also been included.

- Local Government reorganization

The risk has been updated because in November 2015 the Welsh Government published the Local Government (Wales) Bill and this is now in a consultation phase. It also reflects the statement made by the UK Government, in the Comprehensive Spending Review, about the Cardiff Capital Region city deal saying that they would make "an in principle commitment to contribute to an infrastructure fund for the Cardiff region".

- Supporting vulnerable people

The risk has been updated to emphasize the extent of transformation including responding to the Social Services and Wellbeing Act, commencing use of the Community Care Information System, caring for increased numbers of people with Dementia, encouraging the greater use of direct payments, managing the risks associated with the use of independent providers and the transfer of more homecare to the independent sector.

- Supporting vulnerable children, young people and their families

The risk description has been updated to emphasize the challenges around the implementation of the Social Services and Wellbeing Act and the implementation of the Community Care Information System. The risk impact notes that the number of Looked After Children has been reduced safely from

390 in March 2015 to 370 at December 2015. The risk mitigation column notes that the Council is ensuring that robust mechanisms are in place to identify and provide appropriate services to children at risk from sexual exploitation.

- The economic climate and austerity

The risk mitigation measures have been updated to reflect the latest position with the development and delivery of different projects including those in the Llynfi Valley and Porthcawl. It also notes the potential of the Cardiff Capital Region city deal.

- Disposing of waste

The risk mitigation measures have been updated to reflect that the Council is considering various options and their implications, for the provision of services.

- Healthy lifestyles

The risk description notes that the Council must continue to find innovative ways of working to maximize the impact of reduced resources and that this includes Community Asset Transfer. The mitigation measures state that the success of the proposals depend on the proactive participation of Town and Community Councils and community organisations, together with their ability to manage the asset portfolio. Different assets will generate different levels of interest within communities.

- Maintaining infrastructure

The risk to the condition of the highway infrastructure is made greater because the Local Government Borrowing Initiative has ended and also reductions must be found in the budget. Consideration is being given to how much would have to be spent to maintain the highway network in its existing condition. A business case for additional investment will be made.

- The impact of homelessness

The risk mitigation measures note both the support provided by Welsh Government for the implementation of the Housing (Wales) Act and also the difficulties caused by funding only being guaranteed for one year.

- Educational Provision

“Educational Provision” is a new risk around the adoption of a strategic approach for sustainable educational provision in the County Borough. It has been identified that there is a risk that the Council may not be able to offer sufficient educational provision or of the right type in the right locations in the County Borough. The Council may not be able to deliver fit for purpose schools capable of delivering high quality educational experiences for all pupils. The principal risk mitigation measure is that a strategic review into the development and rationalisation of the curriculum and estate provision of Primary, Secondary and Post 16 Education will be undertaken. This will provide an evidence based

rationale for change and will help the Council reach informed conclusions about the nature of provision moving forward.

- Educational Attainment

The risk mitigation measures note that there has been a significant improvement in narrowing the attainment gap between Looked After Children and other pupils. The Council is working with Central South Consortium and other partners to ensure that governing bodies are effective in providing challenge to schools. This includes working with the Bridgend Governors Association (BGA) which will relaunch in January 2016. Strong senior management teams are being developed at the Access and Inclusion Service and in schools including at Coleg Cymunedol Y Dderwen where a new Interim Headteacher and Consultant Governor have been appointed.

- Health and Safety

The risk mitigation measures have been updated noting the methodical review of hazards and the newly developed Directorate Risk Registers, the establishment of an awareness raising campaign promoting a positive safety culture and the requirement to cascade health and safety within staff appraisals.

- School Modernisation

Good progress is being made but there is an ongoing risk around capital receipts and the future costs of projects. The residual risk score has been reduced from 16 to 12. The risk mitigation measures note that the demand for Welsh Medium education is up and the actions that the Council is taking to meet the need.

- 4.5 A risk around the procurement of regeneration projects funded via the Welsh European Funding Office was looked at. However, upon consideration the residual risk score was not sufficiently high to warrant inclusion within the Corporate Risk Assessment.
- 4.6 The city deal features in the “Local Government reorganization” and “Economic climate and austerity” risks. As the project progresses during 2016-17 it is likely that this will become the subject of a separate risk.
- 4.7 A scoring matrix is used which takes into account both the likelihood of the risk taking place and the impact if it did. The inherent risk is measured and then the residual risk, after the risk mitigation measures are applied. The scoring matrix is within the Risk Management Policy. For information, Appendix 2 contains a summary of how the residual risk scores have changed over the last three years.
- 4.8 The risk assessment will be subject to review in July 2016 and October 2016 by Senior Management Team, as part of the Corporate Performance Assessment and in November 2016 by Audit Committee.
- 4.9 The current Risk Management Policy and risk assessment monitoring arrangements have been reviewed and the risk management timeline at Appendix 2 of the policy has been updated.



**5. Effect upon Policy Framework& Procedure Rules.**

5.1 None as a direct consequence of this report.

**6. Legal Implications.**

6.1 Equality issues permeate many of the risks identified and where appropriate equality impact assessments are undertaken within the process of approving the mitigating actions.

**7. Financial Implications.**

7.1 There are no financial implications directly associated with the risk assessment. Actions planned to mitigate each risk are required to be progressed within approved budgets.

**8. Recommendation.**

8.1 It is recommended that Members consider the annual risk assessment (Appendix 1) and updated risk management timeline contained within Appendix 2 of the Risk Management Policy.

**Ness Young**  
**Corporate Director - Resources**  
**13 January 2016**

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**Background documents**  
**Annual Risk Assessment**  
**Risk Management Policy**

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Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
Links to all priority themes	<p><b>Making the cultural change necessary to deliver the Medium Term Financial Strategy:</b></p> <p>Whilst better than anticipated, the draft settlement for 2016-17 from Welsh Government (WG) of a reduction in AEF of 1.2% provides significant challenges.</p> <p>The updated MTFS and draft budget report to Cabinet is based on an assumption that AEF will reduce by 3.2% per annum to 2019-20 plus an increase in Council Tax of 3.9% in 2016-17 rising to 4.5% in 2019-20. The revised savings targets are:</p> <p>2016-17: £7.495m 2017-18: £10.190m 2018-19: £9.697m 2019-20: £9.167m</p> <p>Budget reduction proposals over the term of the MTFS have been formulated but currently £19.177m have not yet been developed or given consideration.</p> <p>The successful delivery of the MTFS is increasingly at risk as it becomes ever harder to make savings from more efficient services and substantial savings are relying on single projects that may not deliver.</p> <p>The budget reductions required will mean that deep transformational change is needed impacting the culture of the entire Council. There is a risk that the Council will not achieve the degree of change required due to increasingly difficult choices having to be made, the length of time it takes to make</p>	<p>The Council's budget for 2016-17 to 2019-20 forecasts a £36.549m budget reduction requirement.</p> <p>More obvious savings have already been made and increasingly difficult spending decisions will have to be made including those which have difficult political implications that may have previously been rejected.</p> <p>In the future the Council will look very different as it becomes a different sort of Local Authority that will do less but be better. The cost of redundancy payments will be a significant item given that around two thirds of expenditure is staff, as will funding a pension deficit that will increase as fewer people contribute and outgoings increase.</p> <p>If there is a shortfall in savings the Council might fail to deliver the MTFS. This could necessitate the unplanned use of reserves to bridge the funding gap or unplanned cuts to services which could put vulnerable people at risk.</p> <p>Citizens may become increasingly dissatisfied with the council, damaging its reputation, as Council Tax bills increase year on year whilst discretionary and preventative services are cut and statutory services come under increasing pressure.</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>There will be an ever increasing focus on the main aims of the Council. The Council has consulted on a revised set of three Corporate Improvement Priorities to replace the previous six.</p> <p>The Improvement Priorities will inform the allocation of resources in the MTFS period 2016-20. Prioritisation may be afforded to specific budget areas which deliver against the new priorities.</p> <p>The Council will continue to manage its resources very carefully and make difficult spending decisions. This will have to carry on for some years as the outlook for the public finances continues to look difficult.</p> <p>An MTFS budget reduction contingency reserve will be created to enable the Council to manage delays or unforeseen obstacles to the delivery of significant budget reduction proposals.</p> <p>The workforce will reduce over the life of the MTFS. The reduction will be managed through a continuation of the employment freeze, redeployment, early retirements, voluntary redundancies and some compulsory redundancies.</p> <p>The way that staff work will change. Raven's Court will be leased out and staff transferred to Civic Offices and Sunnyside House. There will be an increase in agile working as we move to a ratio of three staff to every two desks, which in turn will require more staff to work remotely. The increase in agile working can only be achieved through capital investment in IT infrastructure.</p> <p>Delivery of the MTFS will be supported as the Council finds the best management arrangements for property assets including Community Asset Transfer. Priority 1 proposals include public toilets, parks pavilions, bus shelters and Community Centres. Playgrounds, playing fields and bowling greens may follow. Up to £200,000 will be set aside in the Change Management ear marked reserve to fund a fixed term dedicated Community Asset Transfer post and to meet additional legal and property requirements.</p> <p>A corporate approach to income generation is being developed which will bring greater consistency.</p>	Corporate Director Resources	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
	change or because the Council does not have the necessary skills and experience needed.					
Links to all priority themes	<p><b>Local Government Reorganisation:</b></p> <p>Geographically Bridgend County Borough straddles both East and West Wales. The Williams Commission recommended a merger with Neath Port Talbot and perhaps Swansea, but because of economic and other benefits BCBC made an expression of interest for a merger with Vale of Glamorgan but this was rejected.</p> <p>In June 2015 WG announced its preference for the future. This included a reduction in the number of Councils in Wales to eight or nine with Bridgend merging with Rhondda Cynon Taff (RCT) and Merthyr Tydfil. In November 2015 WG published the Local Government (Wales) Bill and this is now in a consultation phase.</p> <p>The costs of Local Government Reorganisation are unknown, but will be high. These costs have not been factored into the MTFS which already requires savings of £36.549m.</p> <p>Any merged authority is likely to receive an overall reduction in WG funding, as the expectation will be for merger efficiencies. There is the risk that expected efficiencies may be based on out of date information and therefore be difficult or impossible to implement.</p>	<p>Delivering the transformative change required to make MTFS budget reductions, at a time when demand for some services is up, is already challenging.</p> <p>Without specific funding Local Government Reorganisation will add to these cost pressures and mean that larger savings will be required to balance the budget. This will make it harder to provide good quality public services.</p> <p>There is uncertainty about the eventual outcome. If senior management are focussed on reorganisation whether it is to the north, west or east they may fail to deliver the required services to the public in conjunction with the budget reductions needed for the MTFS. There is also a danger of inertia as managers feel unable to make decisions required now because of a merger that is due to take place in the future.</p> <p>The precise mechanism for harmonisation of Council Tax and pay and conditions between authorities is unknown. However, this may increase costs which would make it harder to realise benefits from reorganisation.</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>WG has considered the findings of the Williams Commission report and has now indicated its preferred option for a merger with RCT and Merthyr Tydfil.</p> <p>The Local Government (Wales) Bill has been agreed by the Assembly. This enables the next Welsh Government to proceed with voluntary mergers of authorities after the Assembly election. The Bill does not allow for compulsory mergers and a further Bill has been proposed for these.</p> <p>As part of the Comprehensive Spending Review the UK Government announced “an in principle commitment to contribute to an infrastructure fund for the Cardiff region”. The proposed merger would have the benefit of the County Borough being part of the Cardiff Capital Regional City Deal which, if additional funds are spent on the correct projects, will grow the economy and bring benefit to citizens. If monies are spent unwisely then central government tax take will not increase and some funds would need to be paid back by the Council.</p> <p>Whilst uncertainty remains the Council will continue to collaborate with a range of partners on a pragmatic basis but will not take any action which would make merger more difficult.</p>	Chief Executive	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
	<p>The MTFS is also at risk because greater demands will be placed on senior management as they plan for Local Government Reorganisation, whilst bringing about the transformative change required to deliver services within reduced budgets.</p> <p>In the longer term there are also other risks as two workforces and sets of financial arrangements are brought together necessitating harmonisation of pay and conditions and Council Tax.</p>					
<p>Helping people to be more self sufficient</p> <p>Smarter use of resources</p>	<p><b>Supporting vulnerable people:</b></p> <p>If the Council in partnership with Western Bay and other partners do not transform how services are delivered, they will not be able to meet the challenges brought about by high public expectations, a significantly worsening budget and a population that is both older and has more complex physical and mental health needs.</p> <p>Transformation is very significant and includes:</p> <ul style="list-style-type: none"> <li>Responding to the Social Services and Wellbeing Act 2014 including duties to prisoners</li> <li>Commencing use of the Community Care Information System (CCIS) which allows professionals across health and social care to share information</li> <li>Caring for increased numbers of persons with Dementia</li> <li>Encouraging greater use of direct payments</li> <li>Managing risks associated with the use of independent providers</li> </ul>	<p>The population is aging. Between 2014 and 2020, the number of people aged 65 and over is estimated to increase by 12.1% whilst the number of people over 85 is projected to increase by 24.4%. This changing demographic means that there will be more people with Dementia, It is estimated that need will double between 2001 and 2030.</p> <p>At the same time there are more young people with complex health needs living into adulthood. Whilst this is good, it means that more citizens are living with long term health problems that lead to an increasing need for support. This increasing demand will place additional cost pressure on the service.</p> <p>Failure to remodel services will:</p> <ul style="list-style-type: none"> <li>Restrict the Council's ability to respond to assessed needs as set out in the Social Services and Wellbeing Act (Wales) 2014.</li> </ul>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>Transformation is being driven forward as the Council works with a range of partners to deliver a broad range of support and services, across adult social care. The Remodelling Adult Social Care (RASC) Board continues to be the foundation of the transformation journey as the Council continues to change the emphasis from a model of "caring" to a more preventative approach of working with partners such as the NHS and third sector organisations to assist and support adults as they live independently in their own communities. The Council is exploring ways to include service users and communities within aspects of commissioning especially in the development of new service models for the future. There is an earmarked reserve that has been created to support the remodelling of adult social care that the service can draw on as appropriate.</p> <p>The RASC is aligned to corporate priorities and work is also ongoing to develop a corporate approach to Prevention and Wellbeing. Most of the projects under the Board have progressed to implementation stage and require specific focus and monitoring, Eg the tenders for Extracare and Homecare are due in December 2015.</p> <p>The Social Services and Wellbeing (Wales) Act 2014 and CCIS will be implemented in April 2016. A competent and skilled workforce is required in order to deliver this significant change agenda. The Social Care Workforce Development Programme will provide an extensive programme of training for staff to ensure that all are trained to deliver the Act and at the same time operate the new CCIS.</p> <p>The Council has worked with ABMU to develop a joint Dementia Strategy which provides an overarching context in respect of the current service provision, gaps in services, the challenges ahead and priorities. Beneath this is a Dementia Delivery Plan showing</p>	<p>Corporate Director Social Services &amp; Wellbeing</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
	<ul style="list-style-type: none"> <li>The transfer of more homecare to the independent sector.</li> </ul> <p>Demand for services is increasing and at the same time resources are decreasing. This makes the MTFS challenging. There is currently a shortfall in the savings identified. It is imperative that the Council continues to identify further savings to meet the MTFS.</p>	<ul style="list-style-type: none"> <li>Mean that the Council will be unable to meet its essential obligations and deliver the MTFS.</li> <li>Result in longer lengths of stay in acute hospital services.</li> <li>Result in a greater need for expensive hospital treatment.</li> <li>Mean that vulnerable people lead less fulfilled lives.</li> <li>Mean that the Council does not meet the public's expectations and consequently the reputation of the organisation will suffer.</li> </ul>		<p>milestones, target dates and responsible officers.</p> <p>In appropriate cases the Council is seeking to increase the number of service users receiving direct payments. In the future these may be used to purchase services from the Council as well as external providers.</p> <p>The remodelling homecare implementation plan is ongoing. At this stage, fewer hours have been transferred to the independent sector than was anticipated. The implementation plan is being reviewed and corrective actions have been identified to bring hours back in line with the original target. In addition to this a formal contingency plan is being drawn up with planned actions to take if an external provider goes into administration.</p> <p>The project to change the residential care model will be subject to market conditions. Buildings are old and not future proof. It will become increasingly difficult to keep them at an acceptable standard. The Council is planning to develop two Extracare homes to replace three care homes although the timetable has slipped due to the need to ensure that legal rules are adhered to.</p> <p>Independent residential care providers have been helped by the production of a Regional Quality Framework for their sector. It gives providers knowledge of the level of care expected.</p> <p>Robust monitoring of absence levels continues including scrutiny on a case by case basis.</p>		
Links to all key priority themes	<p><b>Welfare reform:</b></p> <p>The UK Government has introduced a number of significant welfare reforms over the last three years and Universal Credit (UC) was implemented in the County Borough in June 2015. Further reforms were introduced in the July 2015 Budget which will mean that more citizens in the County Borough will be impacted.</p>	Changes being made by the UK Government to benefit entitlements mean that some citizens will be in greater poverty including increased child poverty. Demands on services for vulnerable people are likely to increase at the same time as the Council's resource base reduces. This will be exacerbated by the further changes introduced in the July 2015 UK Government budget. These include a freeze on most benefits for 4 years, a further reduction in the benefit cap, no automatic entitlement to Housing Benefit for 18 to 21 year olds and Tax Credits and UC being restricted to a	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The Council will monitor the impact of welfare reforms on citizens in terms of their needs across the range of Council services including housing and is developing proposals for dealing with changes in demand.</p> <p>The Benefits Service works closely with Housing Associations to support the people affected by the caps by identifying those that are exempt from it, providing debt and money management advice and in qualifying cases awarding Discretionary Housing Benefit payments. The grant for payments in 2015-16 was £252,060.</p> <p>The Council's Housing Section has agreed a protocol with registered social landlords for dealing with existing tenants who fall in arrears specifically due to the application of the bedroom cap. Bridgend Housing Partnership meets quarterly and discusses the impact as an agenda item.</p> <p>When advised by the DWP of a new benefit cap case, the Benefits Service contacts the affected claimants to discuss their options. Appropriate cases are referred to the Council's debt advice service</p>	Corporate Director Resources	<p>Likelihood - 6</p> <p>Impact - 3</p> <p>Total - 18</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		<p>maximum of two children.</p> <p>Since 15 July 2013 there has been a limit on the total benefit a working age person can receive. This currently affects 82 households in Bridgend. This number will increase when the benefit cap reduces from £23,000 to £20,000.</p> <p>From April 2013, maximum rent has been reduced in the social rented sector depending on the number of bedrooms required. 1,241 households are affected which represents 29% of the total working age Housing Association benefit claimants. The total number of households in Bridgend is about 59,000.</p> <p>The Council will need to manage the Council Tax Reduction (CTR) scheme within its budget. WG has renewed the regulations and the scheme will be based on 100% liability. Provision has been made in the Council's annual revenue budget for 2015-16 to fund the projected additional budget requirement of £1m.</p> <p>UC commenced in October 2013 and was implemented in Bridgend for certain claim categories in June 2015. The potential number of persons who may claim UC is estimated at 180 per month, with around 40 of these receiving support with housing costs.</p> <p>The UC caseload will build from 2016 onwards until the benefit is established for all claimants by the end of 2019.</p> <p>It is too early to say what the</p>		<p>or Housing Options. The Benefits Service works closely with these families to ensure that they are adequately equipped to deal with the reduction in their income, or, in conjunction with DWP, assist the family where possible with the transition into employment.</p> <p>Officers are fully apprised of UK Government and WG plans to ensure that the Council understands and can deal with the staff implications of moving from Housing Benefit (etc) to UC.</p> <p>During the rollout of UC the Council is required to provide support services to claimants and DWP UC staff as follows:</p> <ul style="list-style-type: none"> <li>• Helping to prepare landlords for the change</li> <li>• Supporting claimants with online administration</li> <li>• Supporting claimants with complex needs and those that require personal budgeting</li> <li>• Provide expertise to UC service centre staff on housing issues</li> <li>• Process CTR for UC claimants</li> </ul> <p>The Benefits Service has been discussing UC changes with landlords since its announcement and has procured budgeting support and advice via Caer Las.</p> <p>The Council has developed other support services</p> <ul style="list-style-type: none"> <li>• an on-line resource (the moodle) which provides links to a wide range of support, including job search sessions, financial inclusion advice, credit unions, fuel poverty advice, foodbanks and DWP information sheets</li> <li>• Secured funding to provide support in libraries and community venues with digital applications, eg Universal Jobmatch and UC</li> <li>• Developed a draft directory of training, employment and other support</li> </ul> <p>As part of the MTFs, the Council has an earmarked reserve specifically for welfare reform.</p> <p>As part of the July 2015 budget it is proposed that the compulsory living wage will increase from £7.20 to £9.00 by 2020.</p>		

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		impact will be on the number of households affected by the latest welfare reform proposals.				
<p>Helping people to be more self sufficient</p> <p>Smarter use of resources</p>	<p><b>Supporting vulnerable children, young people and their families:</b></p> <p>If the Council in conjunction with partner organisations does not transform services it will not be able to meet the challenges of:</p> <ul style="list-style-type: none"> <li>providing high quality care to vulnerable children and their families,</li> <li>the implementation of the Social Services and Wellbeing (Wales) Act</li> <li>the implementation of CCIS</li> </ul> <p>at a time when budgets are stretched.</p>	<p>Between 2007-08 and 2012-13 the number of Looked After Children increased by 40%, from 292 to 412. As at December 2015 the number has now safely reduced to 370 and is on a downward trend. Likewise the number of Children In Need is also reducing.</p> <p>If services are not transformed the wellbeing and safety of children might be compromised. They may be unable to:</p> <ul style="list-style-type: none"> <li>Thrive and make the best use of their talents</li> <li>Live healthy and safe lives</li> <li>Be confident and caring throughout their lives</li> <li>Know and receive their rights</li> </ul> <p>Patterns of behaviour, such as poor parenting will be repeated in subsequent generations.</p> <p>A potential increase in the proportion of young people identified as not in education, employment or training (NEET).</p> <p>A less skilled and flexible workforce.</p> <p>Increased social and economic costs.</p> <p>A loss of reputation to the Council.</p> <p>An increase in the need to commission expensive placements with independent</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>Part 6 of the Social Services and Wellbeing Act concerns children who are looked after by the Council. The Act will be implemented on 6 April 2016 and stipulates that:</p> <ul style="list-style-type: none"> <li>The child should have a care and support plan</li> <li>The Council should make it easy for the child to stay in touch with parents, family and friends where it is safe to do so</li> <li>Each child should have an independent reviewing officer</li> <li>The Council should provide support and advice for young people coming out of care</li> </ul> <p>Significant training is being put in place to ensure that the Council meets its duties under the Act.</p> <p>The Council is taking a lead role in the development of a national approach to statutory advocacy for Looked After Children and Children In Need.</p> <p>There is an earmarked reserve for Looked After Children that will support the service area and help cushion any sudden increases in Looked After Children numbers,</p> <p>The CCIS will allow professionals across different organisations to access and share information. Training is being undertaken to ensure that staff are able to use this system.</p> <p>Childrens Safeguarding and Early Help and Prevention teams will work closely together to deliver both the Early Help and Intervention Strategy and the Placement and Permanency Strategy to vulnerable groups. The re-structure of Family Intervention Services which was completed in March 2015 is working well. Three Early Help locality hubs (North, East and West) have been created to work with families in a more joined-up way. Family Support Workers, Education Welfare Officers, Family Engagement Officers, Counsellors and Youth Workers have been co-located in each of the hubs as well as Safeguarding Social Work Teams to support a whole system approach to ensuring that the needs of all our children and young people will be met at the earliest opportunity. In addition, the Council has created a central hub of specialist Family Support Services (e.g. Connecting Families) who provide a range of services across the whole County Borough.</p> <p>These initiatives will help the Council to continue to safely reduce both the numbers of Looked After Children and children on the Child Protection Register.</p>	<p>Corporate Director Social Services and Wellbeing</p> <p>Corporate Director of Education and Transformation</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>



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		<p>fostering and adoption providers.</p> <p>Increased demands on social work teams, reviewing officers and support teams.</p>		<p>The Council will strive for stability and permanence for Looked After Children. This will include using increased numbers of adoptions, special guardianship orders, residence orders and other long term arrangements with Foster Carers or extended family. The Western Bay Regional Adoption Service has been established and will help make the best use of resources so that improvements can be made to ensure that children requiring adoptive placements are speedily and appropriately matched with adopters who can meet their needs for their entire childhood. The development of a new local parent and child fostering service will also improve use of resources.</p> <p>The Council is ensuring that robust mechanisms are in place to identify and provide appropriate services to children at risk from child sexual exploitation (CSE). Practitioners have either received CSE training or are part of an ongoing programme to enhance their knowledge. The Council is part of a focused multi-agency "CSE Task Force" including Police and ABMU Health.</p> <p>The current respite arrangements for disabled children will be reviewed. An options appraisal is being undertaken.</p>		
Supporting a successful economy	<p><b>The economic climate and austerity:</b></p> <p>If the economy continues to perform badly the quality of life for residents will suffer. There will be no positive long lasting economic, environmental and social change as our towns, local businesses and deprived areas suffer decline.</p> <p>Individuals, particularly young people, may be unable to secure employment because they lack the basic skills and confidence necessary and suitable jobs are not available in the economy.</p> <p>Severe cuts in Welsh Local Government spending will happen over the MTFS period 2016-17 to 2019-20. These cuts will impact on the local economy disproportionately because the Council is one of the key local employers.</p>	<p>There will be cuts in the public sector and these will disproportionately affect regeneration activities as spending on other services are protected.</p> <p>Reductions in regeneration funding have a disproportionate affect because each £1 of Council funding leverages between £8 and £13 from other sources.</p> <p>There could be further job losses and business failures in the local economy if the UK and European economies don't get stronger. The quality of life within the County Borough may decline.</p> <p>Pressure will be placed on diminishing Council services which support local businesses and employment.</p> <p>Town centres continue to suffer, predominantly the retail</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>Three Communities First teams are in place until at least April 2016. It is expected that these will continue after the Assembly election. Communities for Work will operate as a separate but complementary programme providing intensive employment skills support and mentoring to those furthest from the labour market.</p> <p>The Council supports the business community via the Business Forum, Bridgend Tourism Association, the Destination Management Partnership, Coastal Partnership, and town centres, through the Town Centre Manager, BID Partnership (Bridgend) and THI Programmes. Targeted investments have been made and successes achieved in key sectors such as tourism and the encouragement of micro business centres.</p> <p>The Council has an apprenticeship programme in operation.</p> <p>Increasing footfall via a greater number of residents living in town centres and by running high quality events.</p> <p>The Bridgend local development strategy under the Rural Development Plan for Wales has been approved with a funding allocation of £1.886m.</p> <p>Implement the Youth Engagement And Progression Framework.</p> <p>Strategic Regeneration Fund (SRF) allocations are committed to projects up to 2016-17. However, following the announcement of</p>	<p>Corporate Director Communities</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>

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		<p>sector. Without regeneration they will not be attractive places to visit or able to compete with retail developments in neighbouring centres such as Talbot Green and Neath. Even with regeneration, competition and resilience will be difficult, as the nature of town centres is changing.</p> <p>The proposed regeneration programme assumes £2.6m of capital receipts. This includes an anticipated receipt from Porthcawl Regeneration Phase 1.</p> <p>Existing capital schemes will be affected if there are cost over-runs on regeneration projects. There is no provision to fund unforeseen works.</p> <p>At a time when regeneration is being asked for more solutions and more input, budgets are being reduced.</p>		<p>the WG's Structural Funding Programme 2014-20, and the additional funding that can be secured using the SRF as matched funding, it has been agreed that the period of matched funding in the capital programme up to and including the 2020-21 financial year has been extended.</p> <p>A cross directorate working group will continue to co-ordinate the development and delivery of European funded projects. A package of employment support projects are being taken forward for European Social Fund grant aid. Bridges into Work 2 having been approved and Inspire 2 Achieve and Inspire 2 Work projects being close to approval.</p> <p><b>Bridgend</b> The Rhiw is being regenerated in partnership with Coastal Housing to bring footfall and vitality to the town centre. There will be a combination of residential development and car parking. The project, funded by WG via a Vibrant and Viable Places grant, is on track.</p> <p><b>Maesteg/Llynfi Valley</b> The first stage of desktop feasibility work on the Llynfi Valley sites has been completed. The town centre action plan is being implemented and is funding a range of activities in partnership with local stakeholders. The final evaluation of Maesteg THI has been issued, and confirms the success of the scheme in bringing historic buildings back into economic use in the town. A project submission has been made for Maesteg Town Hall under WG's Building for the Future programme.</p> <p><b>Porthcawl</b> Considerable progress has been made on regeneration in Porthcawl, including the sale of the Jennings building, completion of refurbishment of key buildings in the harbour quarter through THI and further development of the Maritime Centre project. The Partnership Action Plan for the town centre is being implemented.</p> <p>The Council has been successful in its bid for £4.5m of Attractor Wales money. This will fund a maritime and water sports centre and an extension of the coastal pathway. A bid is also being made to the Coastal Community fund.</p> <p>WG funding for a new town centre partnership is now delivering projects.</p> <p>The council with others is at an early stage of negotiating a Cardiff Capital Region City Deal. A £1.28bn City Deal submission has</p>		

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				been made to the UK Government, which indicated support during the Autumn Statement. The proposal outlines that economic growth will be generated through increased connectivity, digital technology, innovation, a skilled workforce and support to business.		
Supporting a successful economy  Smarter use of resources	<p><b>Disposing of waste:</b></p> <p>The EU Waste Framework Directive promotes waste prevention and increased recycling.</p> <p>WG's waste strategy 'Towards Zero Waste' sets challenging targets. Since 2012-13 there has been an obligation to recycle / compost 52% of waste and this will rise to 70% by 2025. A new service will commence in two years time. This will deliver improved performance, but in the meantime maintaining momentum behind the existing scheme and hitting the target is a challenge.</p>	<p>Failure to achieve recycling/composting targets could result in:</p> <ul style="list-style-type: none"> <li>Inefficient use of resources as waste goes to landfill sites</li> <li>Penalties of £200 per tonne if the Council fails to achieve landfill allowance targets</li> </ul> <p>Increased recycling has a knock on effect to the contract requirements of MREC.</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>The Kier contract has delivered a stable recycling performance and this is likely to continue until the end of the current contract term in March 2017.</p> <p>Any extension to the Kier contract or alternative delivery model will need to build in the requirement to meet the targets set by WG in their policy document "Towards Zero Waste". WRAP Cymru have assisted the Council to consider the future by modelling various options. Those being assessed include working with neighbouring authorities, pursuing a procurement strategy and also a negotiated extension to the existing contract which would take into account revised recycling targets.</p> <p>BCBC and Swansea CBC, under the South West Wales hub have procured an Anaerobic Digestion facility provided by Biogen. An interim contract of two years has been let which commenced on 1 August 2015. A business case for a longer term contract is being prepared for WG.</p> <p>A tender was let to allow an operator to provide residual waste handling facilities at MREC. The results and their implications are being considered.</p> <p>In the short term, maintaining recycling rates can only be achieved by educating citizens so that they maintain their participation with the existing scheme.</p>	Corporate Director Communities	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>
Corporate Governance	<p><b>Equal Pay Claims:</b></p> <p>The result of the Abdulla Group case involving former employees of Birmingham City Council means that there is a risk of further equal pay claims against the Council.</p> <p>The courts are reviewing rulings on male dominated claims which have been listed. To date the Council has refused to settle these as they are outside the scope of the Memorandum of Understanding. The court decision remains outstanding.</p>	<p>The ruling has created the possibility that employees who left the Council up to six years ago might claim under equal pay legislation. Previously, to make a claim, the person had to be either employed by the Council or have left its employment within the last six months.</p> <p>Claims for compensation can now be made through the Civil Courts rather than via an Employment Tribunal. This will increase Legal Costs.</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>The Council is aware of the issues and is monitoring developments.</p> <p>Following the equal pay exercise, the Council is in a good position to be able to respond to any further claims in an appropriate manner.</p>	Corporate Director Resources	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>

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Helping people to be more self-reliant	<p><b>Healthy Life Styles:</b></p> <p>There are significant health inequalities within the County Borough and national statistics show that some parts are amongst the least healthy in Wales. Many people in the County Borough live unhealthy lifestyles and this might deteriorate as welfare reform continues and some people become poorer.</p> <p>The Council must continue to find innovative ways of working to maximise the impact of reduced resources. This includes Community Asset Transfer (CAT) of assets including parks pavilions, playgrounds and playing fields. If the Council does not find ways to promote healthy living the emotional and physical wellbeing of citizens will suffer.</p>	<p>Unhealthy lifestyles have many affects. These include:</p> <ul style="list-style-type: none"> <li>Shortened life expectancy. Life expectancy in the County Borough is below the Welsh average.</li> <li>Shortened healthy life expectancy. Some areas of the County Borough have a healthy life expectancy which is 20 years longer than others.</li> <li>Higher rates of obesity. Over half the County Borough population is overweight or obese. This results in significant costs to the economy and health and social services.</li> <li>Worse emotional health.</li> <li>Less fulfilled lives as people lose their independence due to ill health.</li> </ul> <p>These result in greater demand on expensive medical and care services provided by ABMU and the Council.</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>The Council aims to support a wide range of people, at all stages of life, to achieve health gains by encouraging them to be more active, more often.</p> <p>The Welsh NHS confederation identifies that the all-cause mortality risk is reduced by 30% amongst those who are physically active and that physically active people will spend on average 38% fewer days in hospital. The Sport, Play and Active Wellbeing service targets collaborative working to increase physical activity rates. In addition the service has responded to the challenge of the Social Services and Wellbeing (Wales) Act by focussing on prevention and wellbeing based interventions that can reduce the need for higher cost provision or support in the future.</p> <p>The Council develops services and opportunities that encourage and promote life-long physical activity particularly amongst underrepresented groups by working in partnership with HALO Leisure and a range of community partners. This includes delivering the National Exercise Referral Programme in partnership with HALO Leisure to help reduce obesity levels and encourage better weight management across the County Borough.</p> <p>The number of physical activity visits to Council operated leisure facilities have increased by 92,508 over a two year period. Visits to HALO facilities have also increased. The total for 2014-15 of 1,148,616 is 5.6% higher than in 2011-12.</p> <p>Children and young people are encouraged to be physically active. The Sport, Play and Active Wellbeing Service have formal partnerships with many schools. In addition the National School Sport programme is being implemented as is the "Every Child a Swimmer" initiative. The wellbeing of Looked After Children is promoted because they receive additional support through free access to local facilities.</p> <p>The secondary schools programme achieved 71,352 participants and supported 5,448 physical activity sessions.</p> <p>Other examples of how the community is being encouraged to exercise are:</p> <ul style="list-style-type: none"> <li>Developing community based sporting opportunities with Disability Sport Wales for children and adults with disabilities. There are 923 junior and 623 senior participants.</li> <li>Increasing the activity levels of women and girls through initiatives such as "Us Girls".</li> </ul>	Corporate Director Social Services & Wellbeing	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>

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				<ul style="list-style-type: none"> <li>The "Move More Often" programme is being developed to support users of day care and residential services.</li> <li>The Love to Walk programme.</li> </ul> <p>The Council is pursuing CAT with priority given to assets that are linked to proposals within the MTFS. Up to £200k had been set aside in the Change Management earmarked reserve to fund a fixed term dedicated CAT Officer post for 3 years and to meet additional legal and property requirements. Priority 1 proposals include parks pavilions and priority 2 playgrounds and playing fields. The success of the proposals depends on the proactive participation of Town and Community Councils and community organisations, together with their ability to manage the asset. Different assets will generate different levels of interest. There is a £100,000 per annum ring fenced for capital investment as well as potentially £1m prudential borrowing for pavilions to ensure that they are in a good condition, to encourage take up of assets.</p> <p>The Council works with LSB partners and other parties to further develop targeted projects that tackle health issues such as weight management, harmful drinking and smoking.</p> <p>There are ongoing Responsible Authority meetings to review any emerging issues around the licence trade and the sale of alcohol.</p> <p>There is support for initiatives via Neighbourhood Networks and local partnership working that target evidence of alcohol related anti-social behaviour, with a review of data and evidence.</p> <p>The Council is seeking to reduce levels of tobacco consumption within the County Borough. The multi-agency Tobacco Control Steering Group developed an action plan for partnership working across the County Borough. There are various awareness raising initiatives across the County Borough and Trading Standards, as part of the newly formed regulatory service, inspects premises and enforces legislation concerning sales to those who are underage.</p>	Corporate Director Communities	
Supporting a successful economy	<p><b>Maintaining infrastructure:</b></p> <p>If there is further harsh weather there may be an increase in the number of roads in poor condition, more repairs being required in the future and the Council might fail to meet its statutory obligations. The risk is exacerbated because the Local Government Borrowing Initiative (LGBI) has ended and</p>	<p>Failure to maintain infrastructure will result in the Council not meeting its statutory obligations and the % of roads that are in overall poor condition increasing.</p> <p>A poor quality highway network leads to increased third party liability claims, a loss of reputation, a possible adverse</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>Additional maintenance has been undertaken in the past 5 years as a result of increased revenue budget and grants from WG. Funds have been targeted at Principal (A) roads. The Highways maintenance budget has increased by £800,000 since 2009 and further growth of £100,000 in 2013-14 resulted in investment in street furniture (lighting, traffic signals etc).</p> <p>The LGBI provided funding of around £6.8m over the period 2012-15 for highway infrastructure improvements. The principal adopted for the programme of works was to provide good quality resurfacing which will be sustainable in the long term rather than quick overlay</p>	Corporate Director Communities	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>

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	reductions must be found in the Highways budget.	<p>impact on economic activity and reduced quality of life for citizens.</p> <p>Further budgetary pressures could occur due to unpredictable weather patterns and the worsening condition of the infrastructure. This will lead to an increased requirement for emergency repairs.</p>		<p>which requires higher maintenance in future years. 2014-15 was the last year of the LGBI and there will now be reductions in maintenance budgets. Consideration is being given to how much would have to be spent to maintain the highway network in its existing condition. A business case for additional investment will be made. Unless there is further investment there will now inevitably be deterioration in the proportion of roads that are in a satisfactory condition.</p> <p>The Council's Highways Asset Management Plan provides information to assist the Council in considering the highway asset risk and apportion funding from the Council's budget strategy.</p> <p>The risk around the condition of the highway will be managed by a proactive system of highway inspections and by responding positively to highways complaints.</p>		
Helping people to be more self-reliant	<p><b>The impact of homelessness:</b></p> <p>Homelessness may increase because of the current economic climate and ongoing austerity measures and welfare reform. This may result in a greater dependence on the Council to provide temporary accommodation for residents.</p> <p>The Housing (Wales) Act 2014 has been enacted and places a duty on the Council to 'take all reasonable steps' for a period of 56 days to prevent homelessness. There will be uncertainty about what this means until WG Guidance is issued and cases come before the courts.</p> <p>In addition the duty to 'take all reasonable steps' for any former prisoner who is potentially homeless from Parc Prison, regardless of local connection, may increase the use of temporary accommodation until a solution is found or a homeless investigation is instigated.</p>	<p>Homelessness is often a culmination of several problems, such as debt, relationship difficulties, mental health issues and substance misuse. For many, homelessness leads to increased stress, depression, and isolation. It can lead to a need for other costly service interventions.</p> <p>The impact is greater on some groups e.g. 16/17 year olds and people with a chaotic housing history.</p> <p>The use of bed and breakfast accommodation results in high costs both in terms of finance for the Council and the wellbeing of individuals.</p> <p>Properties are standing empty and deteriorating because they cannot be sold.</p> <p>Changes to Housing Benefits might result in increased rent arrears and evictions leading to</p>	<p>Likelihood - 5</p> <p>Impact - 3</p> <p>Total - 15</p>	<p>The Housing (Wales) Act gives the Council a strategic role in the functioning of the local housing market. The Council is consulting on a draft strategy for the period 2016-18. It contains five proposed priorities. These are:</p> <ul style="list-style-type: none"> <li>• Take reasonable steps to prevent homelessness</li> <li>• Make the best use of existing homes</li> <li>• Work with partners to deliver the right type of new housing</li> <li>• Help vulnerable people to stay independent, safe and secure in accommodation that best meets their needs</li> <li>• Create sustainable town centres through housing led regeneration</li> </ul> <p>WG advise that grants will be available to support the implementation of the Housing (Wales) Act. However, the money is only guaranteed for one year. This means that it is difficult to find staff of the correct calibre to manage the project because there is no security of employment.</p> <p>The Council is taking a proactive prevention approach to the issue of homelessness by helping residents find solutions to their housing needs and getting to the root cause of why people become homeless.</p> <p>The Kerrigan Project aims to develop good practice in assisting those who are homeless or vulnerably housed and have co-occurring mental health and substance misuse issues.</p> <p>The Council, in conjunction with Registered Social Landlords, have implemented a Common Housing Register and Social Housing</p>	Corporate Director Communities	<p>Likelihood - 5</p> <p>Impact - 3</p> <p>Total - 15</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		<p>an increase in the number of homelessness cases. This would impact on the welfare of citizens, the Council's Housing Options Team, the homelessness budget and other welfare services.</p> <p>Unless resources can be reallocated within the Supporting People Programme there might be increased repeat homelessness.</p> <p>Fewer properties are being improved because the Housing Renewal Area programme is reducing. There will be no WG grant in 2016-17; however, the 2015-16 allocation of £417,000 can be extended and used up to September 2016. The result will be fewer properties being improved.</p>		<p>Allocations Policy. This is working well and is helping ensure the best use of available social rented property.</p> <p>A Supporting People review is currently underway and work has commenced on commissioning the provision of structured, professional floating support to vulnerable groups which will help support tenancies and prevent homelessness and repeat homelessness.</p> <p>Following the national review of the Supporting People Programme, Regional Collaborative Committees have been set up to support greater collaborative working.</p> <p>The impact of welfare reform has been reduced as far as possible. Three Communities First teams are delivering advice on financial inclusion.</p> <p>Working with partners to improve private sector housing conditions and bring empty homes back into use. This will be done via the Houses into Homes Scheme, Empty Homes Grants and the implementation of Phase 7 of the Caerau Housing Renewal Area.</p> <p>The location of Parc Prison means that there is an increased risk of homeless presentations with their associated costs. Additional resources have been made available by WG to facilitate the operational changes required by the Housing Act.</p> <p>The Council will continue to apply the "intentionality test" to all groups of homeless households.</p> <p>A one stop shop for domestic abuse has been set up in Civic Offices. The aim is to provide a holistic service to victims of domestic abuse and prevent unnecessary homelessness.</p>		
Smarter use of resources	<p><b>Collaboration with partners:</b></p> <p>If the Council does not undertake collaboration projects where they offer enhanced service quality, increased resilience or significant cost savings, it will not maximise cost effective, tangible, improvements to services.</p> <p>Budget reductions have the potential to affect collaboration where they result in restrictions of spend to single-agency priorities.</p>	<p>In a period of reducing budgets, successful collaborative working is even more essential for the efficient and effective delivery of quality public services. If the Council fails to collaborate successfully some of the most vulnerable people in the community will not have their needs met. This would lead to a loss of reputation with the public and WG and the potential for a drop in performance as measured against established KPI's.</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The Council works in partnership with other councils, public sector and third sector bodies based upon different geographical and service footprints. There is evidence that partnership working and good collaborative arrangements permeate all the main risk areas. Corporate Directors understand the challenges of collaborative working and the importance of recognising different organisational cultures and approaches (e.g. towards data sharing).</p> <p>The Bridgend Local Service Board (LSB) is led by the Council and has a strong and positive record of facilitating collaborative working.</p> <p>The LSB "Bridgend County Together" partnership plan was published in April 2013 and sets out the priorities aimed at improving the lives of people in the County Borough focussing on issues such as health, education, employment, the local economy, tourism, crime and the environment. Those priorities are being</p>	<p>Assistant Chief Executive, Legal &amp; Regulatory Service</p>	<p>Likelihood - 3</p> <p>Impact - 4</p> <p>Total - 12</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
	There are potential risks associated with collaborative projects such as the Regulatory Services initiative, the Western Bay Adoption Service, Youth Offending Service and other areas such as the roll out of Universal Credit for new single claimants commencing in June 2015, the closure of 20+ work club and the end of funding to "Get Bridgend On Line".	<p>As the Council moves towards multi-agency working, there is potential for service instability whilst transformation takes place.</p> <p>Reduction in other public sector partners' budgets may have an impact on their capacity for partnership working.</p> <p>If the collaborative Regulatory Services project is not supported the Service may not be as effective as the proposals would suggest.</p> <p>There needs to be a period of change where performance may dip or will be affected as the Council moves towards the new operating model and the staff and model start to function.</p> <p>Regulatory Services staff have now all transferred to the Vale of Glamorgan as host employers with the new structure having been populated during November and December 2015.</p>		<p>reviewed, along with the implications of the Well-being and Future Generations Act, which will move Local Service Boards to Public Service Boards (PSB's)</p> <p>The LSB also reviewed its structure, reducing the number of its delivering boards from 11 to 5. A refreshed Neighbourhood Network steering group was established to take forward citizen engagement and to plan and deliver 'place' based projects.</p> <p>The review resulted in a renewed focus for LSB, clearer priorities and the development of flagship projects which clearly demonstrate how they contribute to achieving the outcomes. Outcome of the review and new priorities have also been taken to scrutiny committee.</p> <p>BCBC partners with ABMU, Swansea and NPT Councils to deliver a model of integrated care across a range of services including care for older people, adults with disabilities and mental health provision.</p> <p>The Memorandum of Understanding with Vale of Glamorgan Council facilitates collaboration in many areas. There is also the joint working agreement with the Vale of Glamorgan and Cardiff in relation to Regulatory Services.</p> <p>The Central South Consortium will drive school improvement.</p> <p>The Data Centre collaboration project with RCT increases the resilience of service provision.</p> <p>Collaboration in the provision of Leisure Services reduces cost and has improved quality.</p> <p>The motor fleet maintenance depot, jointly run with South Wales Police, will increase efficiency.</p> <p>There are partnership agreements to support the management of these collaborative projects.</p>		
Links to all priority themes	<p><b>Educational provision</b></p> <p>If the Council does not adopt a strategic approach for sustainable educational provision in Bridgend then there is a risk that it may not be able to offer sufficient educational provision or of the right type in the right locations in the County Borough and with partners.</p>	<p>An inability to offer a broad range of educational opportunities will ultimately result in poorer outcomes for children and young people.</p> <p>Outcomes for groups of vulnerable learners may not improve quick enough or not at all.</p> <p>Continued falling school rolls</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>	<p>A strategic review into the development and rationalisation of the curriculum and estate provision of Primary, Secondary and Post 16 Education will be undertaken. This will provide an evidence based rationale for change and will help the council reach informed conclusions about the nature of future provision.</p> <p>The work of the school task group has provided a useful foundation to build on and will support the development of a specification for the strategic review.</p> <p>An increase in the pace of school improvement.</p>	Corporate Director Education & Transformation	<p>Likelihood - 3</p> <p>Impact - 4</p> <p>Total - 12</p>



Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
	Neither will the Council be providing 'fit for purpose schools' capable of delivering high quality educational experiences for all pupils.	<p>and a large number of surplus places.</p> <p>Challenges in the replacement of a number of Headteachers reaching retirement age in the near future.</p> <p>Financial constraints leading to a growing number of schools in a deficit budget situation.</p> <p>School improvement schemes continue to be reactionary rather than strategic.</p> <p>Insufficient Welsh medium provision to meet demand, especially in the centre of Bridgend.</p> <p>The strategic future of whole life learning across the County Borough will not be fully integrated into our strategy e.g., Bridgend College.</p> <p>The organisation of school places in Bridgend County Bough will not be supported by a clear strategy.</p>		<p>Succession planning for Headteachers.</p> <p>Band B of the school modernisation programme will provide the mechanism to deliver the developed strategy.</p> <p>Promotion of the Welsh language in particular through the Welsh in Education strategic plan.</p> <p>Growth in the provision of Welsh medium education in Bridgend.</p> <p>Strong collaboration with communities and strategic partners, in particular Bridgend College.</p> <p>Monitoring of the impact of the agreed changes to the Council's Learner Travel Policy from September 2016.</p> <p>Greater join up at both a strategic and operational level via the Safe Dry and Warm project.</p> <p>Close monitoring of surplus places and the development of opportunities to utilise surplus places with secondary schools in particular.</p>		
<p>Supporting a successful economy</p> <p>Helping people to be more self-reliant</p>	<p><b>Educational attainment:</b></p> <p>If school standards and pupil attainment do not continue to improve, including a narrowing of the gap between vulnerable pupils and others, there are significant risks to the emotional wellbeing of young people and their future employment prospects, the local economy and a range of Council services as young people leave education ill-equipped for</p>	<p>A possible increase in the number of young people not in education, employment and training (NEET).</p> <p>Greater deprivation as young people are unable to sustain a livelihood in the future.</p> <p>More young people with worse emotional health.</p> <p>More schools identified as</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>	<p>There has been a significant narrowing of the gap, with an improvement in the average point score for Looked After Children from 247 to 274 during 2014-15.</p> <p>The Central South Consortium (CSC) is recruiting Consultant Governors to help governing bodies which are in need of support.</p> <p>"Team Around The School" continues to support schools which are under performing. BCBC has recently appointed an Interim Headteacher at Coleg Cymunedol Y Dderwen and is working with the consortium to develop a strong senior management team and Governing body.</p>	<p>Corporate Director Education &amp; Transformation</p>	<p>Likelihood - 3</p> <p>Impact - 4</p> <p>Total - 12</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
	employment.	<p>requiring monitoring and intervention through inspection, with concern and eventual special status.</p> <p>Potential for a decline in Key Stage attainment results, PISA scores and other accreditation.</p> <p>Less capacity for provision for pupils with learning difficulties.</p> <p>Potential for parents to complain and/or take cases to SEN Tribunal.</p> <p>Possible intervention by WG.</p> <p>Continued Estyn monitoring in schools.</p> <p>A gap in achievement between pupils from vulnerable groups such as Free School Meals, Looked After Children, Children In Need and Special Educational Needs and other pupils.</p>		<p>A Consultant Governor has also recently been appointed at Coleg Cymunedol Y Dderwen and will support the interim Headteacher and governing body in responding to necessary change after the recent Estyn inspection.</p> <p>The Council is working with CSC and other partners to ensure that governing bodies are effective in providing challenge to schools. This includes working with the Bridgend Governors Association (BGA) which will relaunch in January 2016 following an election. The focus of the BGA will be to develop a strategy to roll out Governor Improvement Groups (GIGs) for the County Borough, the first of their kind in Wales.</p> <p>Poor attendance leads to a serious loss of learning which is likely to affect achievement and life chances. An attendance strategy is in place and fixed penalty notices are available for Headteachers to use as a sanction. This is supported by the CSC absence management toolkit, Callio. Approximately 17 Fixed Penalty Notices have already been issued for persistent unauthorised absences.</p> <p>To raise standards, the Council continues to implement the concept of self-evaluation across all its services in particular within Education. This includes the development of a self-evaluation action plan. A number of officer events have taken place throughout 2015 with the Children’s Directorate’s extended senior management team to focus on improving outcome focused self-evaluation.</p> <p>The new School Improvement Strategy will define outcomes for learners.</p> <p>The implementation of the Youth Engagement and Progression Framework is ensuring that an increasing number of 16 year olds remain in education.</p> <p>Implement an improvement plan with Band 4 Comprehensive Schools and the development of a ‘good to great’ programme as an integral part of the CSC School Improvement Strategy.</p> <p>There is a strong focus on raising standards of literacy and numeracy through structured and strategic programmes including:-</p> <ul style="list-style-type: none"> <li>• Identifying underperforming English and Maths Departments and support action to improve</li> <li>• Provide training for staff</li> <li>• Develop a whole school approach to basic skills</li> <li>• CSC literacy and numeracy plans</li> </ul> <p>The new senior management structure for the Access and Inclusion</p>		

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
				<p>service has demonstrated positive improvements in how Additional Learning Need (ALN) is supported across the Council's schools. The new Bryncethin Campus bring ALN support together on one site including the Bridge Alternative Provision, Ysgol Bryn Castell (YBC) and ALN support e.g., Educational Psychology, Looked After Children Education, etc.</p> <p>A specification for a strategic review of education in Bridgend is being developed for delivery following on from the work of the School's Task Group to be delivered by a strategic partner in 2016.</p> <p>A number of hard and soft federations are actively being considered with some schools.</p> <p>School Improvement Groups (SIGs) have been set up across the 5 Local Authorities in the CSC so that schools can share best practice and learn from each other.</p> <p>National categorisation of schools helps to identify which schools require support.</p>		
Corporate Governance	<p><b>Health and Safety</b></p> <p>The council has a duty to protect the health, safety and welfare of their employees and other people who might be affected by its activities. Areas for improvement in some health and safety arrangements have been identified.</p>	<p>Failure to manage health and safety could result in:</p> <ul style="list-style-type: none"> <li>• Injury, ill-health or loss of life to employees or members of the public.</li> <li>• Total or partial loss of services or buildings used to deliver services to vulnerable people.</li> <li>• Criminal prosecution by enforcement bodies such as South Wales Police, the Health and Safety Executive or South Wales Fire and Rescue Service. Sanctions include fines, imprisonment and disqualification from office.</li> <li>• Employers and Public Liability Claims.</li> <li>• Increased insurance premiums.</li> <li>• Reputational damage.</li> </ul>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>The newly developed Directorate Risk Registers will be used to methodically review the hazards on a priority basis to develop:</p> <ul style="list-style-type: none"> <li>• Business plans and health and safety objectives</li> <li>• Risk assessment planned programmes</li> <li>• Health and safety competencies and training plans</li> </ul> <p>Cascade health and safety objectives within staff appraisals.</p> <p>Monitor health and safety performance through Corporate Performance Assessment and Corporate Management Board.</p> <p>Continue to assess the health and safety impacts of the budget reductions required by the MTFS and relevant change programme projects.</p> <p>Establish an awareness raising campaign of regular communications to staff promoting a range of health and safety topics to develop a positive safety culture.</p>	Chief Executive	<p>Likelihood – 3</p> <p>Impact – 4</p> <p>Total - 12</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
Links to all key priority themes	<p><b>School modernisation:</b></p> <p>Budget pressures may reduce or delay the 21<sup>st</sup> Century school programme.</p> <p>WG has committed to fund 50% (£22.474m) of the total costs for the Band A programme. To receive this funding the council has to provide match funding of £22.474m. Whilst £5m is from core funding allocations the Council is also relying on raising £4m from S106 agreements and £13.475m from the sale of school and other sites.</p> <p>It continues to be a challenge to release sufficient land for sale to support the programme, If the Council is unable to do so, there may be a delay in new builds which may prejudice the Council's ability to provide for sufficient school places.</p> <p>Demand for disabled adaptations and repairs and maintenance are outstripping the budget. Failure to provide for disabled learners may result in litigation or tribunals.</p>	<ul style="list-style-type: none"> <li>Insufficient progress may have a negative impact on pupils' learning and wellbeing.</li> <li>There is a link between attendance, attainment and the school environment.</li> <li>It may affect the range of educational opportunity for pupils.</li> <li>There may be inefficient use of resources, due to a mismatch in the supply and demand for places in different schools.</li> <li>Deterioration in the state of school buildings will result in increased running costs and the need for emergency repairs. This could result in potential health and safety issues. Resources that could be better spent on direct support to children (BCBC schools are relatively poorly funded) will be diverted to less productive use.</li> <li>New schools are designed as community facilities and in the case of Coleg Cymunedol Y Dderwen is also a multi- agency hub.</li> </ul> <p>Inadequacies in buildings maintenance have been identified, including fire safety within schools.</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The Council continues to implement a phased schools modernisation programme but within a revised timetable.</p> <p>WG has committed to fund 50% (£22.474m) of the total costs for the Band A programme through a combination of Capital Grant and LGBI. To receive this funding the Council needs to submit detailed business cases for each project including how its match funding will be provided.</p> <p>It is essential that the planned capital receipts already committed and ring fenced from the sale of school sites are retained for school modernisation. Any change to this commitment would require Council approval.</p> <p>Maintain strong programme and project management arrangements. There is a track record of delivering projects to time, cost and quality.</p> <p>Procurement through the South East Wales Schools &amp; Capital Programme Contractor Framework will continue via the new framework SEWSCAP2.</p> <p>Maintain good links with Welsh Local Government Association and WG.</p> <p>Review catchment area boundaries to ensure supply meets demand.</p> <p>Provide temporary accommodation.</p> <p>Regular health and safety audits and condition surveys will enable the Council to prioritise improvement works and respond to emerging issues.</p> <p>The Safe, Dry and Warm project has commenced including the development of condition surveys of all school buildings. The Council has appointed a Fire Safety Officer.</p> <p>Demand for Welsh medium education is up and the council is proposing to move YGG Cwm Garw to the Betws school site where it will be more accessible from other areas of the County Borough. In addition, it is proposed that a Welsh medium starter class in the centre of Bridgend be explored, along with other ideas to increase the number of Welsh medium primary places in the centre of the County Borough.</p>	<p>Corporate Director Education &amp; Transformation</p>	<p>Likelihood - 3</p> <p>Impact - 4</p> <p>Total - 12</p>

## Draft Appendix 2 - The movement of residual risk scores over time

	2016-17 Score			2015-16 Score	2014-15 Score	2013-14 Score
	Likelihood	Impact	Total	Total	Total	Total
Cultural change to deliver the MTFS	6	4	24	24	20	20
Local Government reorganisation	6	4	24	24	N/A	N/A
Supporting vulnerable people	5	4	20	20	20	20
Welfare reform	6	3	18	24	24	24
Supporting vulnerable children	4	4	16	20	16	16
The economic climate and austerity	4	4	16	16	20	20
Disposing of waste	4	4	16	16	16	16
Equal pay claims	4	4	16	16	16	16
Healthy lifestyles	4	4	16	16	16	16
Maintaining infrastructure	4	4	16	16	16	16
Impact of homelessness	5	3	15	15	15	15
Collaboration with partners	3	4	12	12	12	12
Educational provision	3	4	12	N/A	N/A	N/A
Educational attainment	3	4	12	12	16	16
Health and safety	3	4	12	N/A	N/A	N/A
School modernisation	3	4	12	16	20	20
New pay and grading system	N/A	N/A	N/A	N/A	12	15

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# **Bridgend County Borough Council**

## **Corporate Risk Management Policy**

January 2016

# Index

<u>Section</u>	<u>Page No</u>
Introduction	3
Definition of risk	3
Aims and objectives	4
Strategy	4
Accountabilities and roles	5
Risk Management methodology	8
Part 1 - Identifying risks	8
Part 2 – Assessing the inherent risk	9
Part 3 – Managing and controlling risks	11
Part 4 – Assessing the residual risk	12
Part 5 – Recording and reviewing risks	13
Appendix 1 – Insurance strategy	14
Appendix 2 – Risk Management Timeline	16



# **Bridgend County Borough Council** **Corporate Risk Management Policy**

## **Introduction**

Good corporate governance structures are essential if the Council is to achieve its vision of working together to improve lives within the County Borough. An essential part of governance is the mechanisms for the control and management of risk. There must be a clear focus on the significant risks that could prevent the Council achieving its corporate improvement priorities and this policy seeks to address those risks.

Good governance requires that risk management is embedded into the culture of the Council with Members, managers and staff at all levels recognising that risk management is part of their job. It is important that the changing nature of how we deliver services is acknowledged. In particular, the increasing use of partnerships, shared services and business transformation programmes provide fresh risks to manage.

This policy facilitates the management of corporate risk within the Council; it focuses attention on key areas and its outcomes will inform the budget process and the Medium Term Financial Strategy.

## **Definition of Risk**

The definition of risk the Council uses is:

Any potential development or occurrence which, if it came to fruition, would jeopardise the Council's ability to:

- achieve its corporate improvement priorities
- provide services as planned
- fulfil its statutory duties, including the duty to make arrangements to secure continuous improvement.

## **Aims and Objectives**

The aim of the policy is to facilitate effective corporate risk management throughout the Council so that risks are identified, evaluated, managed and monitored to enable the Council to achieve its corporate improvement priorities.

This will be done by:

- Managing corporate risk via a process that is integrated into usual business planning and is aligned to budget setting and the Medium Term Financial Strategy.
- Monitoring key corporate risks at the highest level within the Council, including:
  - Cabinet
  - Senior Management Team
  - Programme Management Board
  - Corporate Performance Assessment meetings, which are part of the 'informal' management arrangements involving Corporate Management Board/Heads of Service/Cabinet and Scrutiny
  - Overview and Scrutiny Committees
  - Audit Committee.
- Working closely with partner organisations and other bodies such as the Wales Audit Office and external auditors.
- Managing corporate risk via a process that is compatible with any guidance provided by regulatory bodies.

## **Strategy**

Risk will be managed by:

- Providing for risk identification within the business planning process
- Assessing risks against a common understanding of the Council's risk appetite set by Cabinet and Senior Management Team
- Establishing appropriate control measures or other actions to manage risks to appropriate levels
- Maintaining a register of corporate risks which enables them to be recorded and regularly reviewed
- Establishing clear accountabilities and roles
- Ensuring that the risk assessment is considered within the budget setting process and the Medium Term Financial Strategy
- Making the link to corporate improvement priorities

- Having arrangements to monitor risks involving elected Members and senior management. (Corporate Performance Assessment Meetings and Corporate Working Groups are examples of these)

## **Accountabilities and Roles**

A key part of the strategy is to establish clear roles, responsibilities and reporting lines within the Council.

### **Audit Committee**

The Audit Committee will monitor the effective development and operation of risk management and corporate governance within the Council. The Committee will consider the report on the annual risk assessment in January and a further interim report in November detailing changes in the course of the year.

### **Cabinet**

Together with the Senior Management Team the Cabinet will set the Council's risk appetite. They will also work with Senior Management Team and Heads of Service to provide oversight and information on the management of risk and opportunities arising from the various options facing the Council.

### **Cabinet Members**

Cabinet Members provide risk management oversight of service provision in the Directorates aligned with their portfolio.

They must be made aware of the key risks within their portfolio of services and within any projects or partnerships related to these.

### **Chief Executive**

The Chief Executive leads the Corporate Management Board, Senior Management Team and the wider corporate governance agenda of which risk management is a part. The Chief Executive will review an annual governance statement and together with the Leader consider this and sign it off as appropriate.

### **Corporate Directors**

Together with the Chief Executive they are integral to the risk management process providing leadership to achieve cultural and organisational change. They are involved in the management of risks arising from corporate initiatives, business transformation, major projects, external environment, partnership working and assessing the wider implications of risk assessments associated with service provision.

They also need to make arrangements to embed risk management within the services that they have responsibility for, in order to provide assurance to the Chief Executive. They have responsibility for the delivery of Directorate plans, including service improvements and efficiencies and the delivery of corporate priorities.

## **Corporate Performance Assessment Meetings**

Led by the Chief Executive; Cabinet, Corporate Management Board and Overview and Scrutiny Chairs will consider the extent to which business plans are being delivered and challenge senior officers about progress towards the achievement of improvement priorities. This will include review of the risks which are relevant to each priority.

## **Directorate and Service Management Teams**

Managers and management teams have responsibility for delivering services. For successful delivery, many factors such as objectives, people, budget etc must be considered. Risk management is just one aspect of the overall management task. Risks which threaten the successful delivery of services must be identified through the business planning process. Managers will put in place actions to reduce the risks. These will be monitored and reviewed to ascertain the effectiveness of actions taken.

## **Heads of Service**

Heads of Service develop and implement service plans to deliver agreed objectives. They should ensure that risks and the management of those risks has been explicitly considered in framing these plans.

## **Internal Audit**

Internal Audit is an assurance function that primarily provides an independent opinion on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's improvement priorities. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic and effective use of resources.

## **Members**

Members collectively are the ultimate policy makers. They will represent their communities and bring their views into the Council decision making process being advocates of and for their communities. They contribute to the continual improvement of Council services and directly to risk management via membership of the Audit and Overview and Scrutiny Committees.

## **Overview and Scrutiny Committees**

Overview and Scrutiny Committees develop a forward work programme having regard to the Council's corporate priorities and risk management framework. They review and scrutinise the decisions made by and the performance of Cabinet and Council officers. They scrutinise the performance of the Council in relation to its policy objectives and performance targets. They make recommendations to the Cabinet and Council arising from the outcome of the scrutiny process.

## **Programme Management Board**

The Programme Management Board will ensure that programmes contribute to delivering the aims and objectives of the Council. The Board will ensure that assessments of risk are kept under review and risk mitigation plans monitored.

## **Risk Management & Insurance Officer**

The Risk Management and Insurance officer will co-ordinate work on the annual risk assessment and subsequent reviews and act as a point of reference and support.

## **Section 151 Officer**

The Section 151 Officer is responsible for the proper administration of the Council's financial affairs and oversees the production of the risk register prior to its consideration by Senior Management Team. They must ensure that risks are fully considered and aligned with the Council's Medium Term Financial Strategy.

## **Senior Management Team**

Together with the Cabinet the Senior Management Team will set the Council's risk appetite. They will also "scan the horizon" for new risks to the Council and the County Borough. They will provide a view of the medium to long term impacts of Government policy, financing, business transformation and partnership working.

Senior Management Team will work with Cabinet to produce an annual risk assessment which should be approved by them in December. They will review the effectiveness of actions put in place by Corporate Directors and Heads of Service to mitigate risk at other meetings though out the year.

Senior Management Team will endeavour to ensure that the resources of the Council are utilised efficiently so that the objectives of the Council are delivered.

## **Staff**

All staff have responsibility for identifying opportunities as well as risks in performing their day to day duties, and for taking appropriate action to take advantage of opportunities or limit the likelihood and impact of risks.

# **Risk Management Methodology**

The risk management methodology describes the way in which risks are managed within the Council.

## **Part 1 - Identifying Risk**

Risk identification is not a stand alone activity which is completed in isolation from the management of service delivery. It is part of the strategic business planning and performance management processes.

It is concerned with identifying events and their consequences which could impact on the Council's corporate improvement priorities. Consequently, the starting point is understanding what these are; they are set out within the Corporate Plan.

It can help to use prompts which identify different sources of risk. These include:

- Customer/citizens: Failure to deliver services of a required standard or misunderstanding their needs
- Strategic: doing the wrong things as an organisation; missing opportunities
- Finance: losing monetary resources or incurring unacceptable liabilities
- Reputation: the Council's image, loss of public confidence
- Legal and regulatory: claims against the Council, non-compliance, new regulations resulting in new or more severe risks
- Information: loss or inaccuracy of data, systems or reported information
- Environmental: things outside of our control; environmental impact
- People: risks associated with employees, management and Members
- Political: political embarrassment, not delivering local or national policies
- Partnerships: the risks the Council is exposed to as a result of partnerships

These categories can be used in discussion to identify events that could prevent or hinder the council from achieving its objectives.

The ideas from these discussions need to be grouped into common themes and developed into the actual risk.

The risk description should have an event which leads to a consequence which then has an impact. Eg. A loss of xxxxxxx, will lead to xxxxxxx, resulting in xxxxxxx.

### **When will risks be identified?**

Risk identification is not a stand alone activity. It forms part of good governance, business planning, decision making and performance management. A key opportunity to identify risk is during the budget process, when the Medium Term Financial Strategy is being agreed and when Directorate business plans are considered.

## Part 2 - Assessing the inherent risk

Once the risks that threaten the achievement of the Council's corporate improvement priorities have been identified, the next step is to assess them in terms of the likelihood that they will occur and the impact if they do. This information will then be used as a tool to inform professional judgements as to the significance of the risks to the Council.

The Council has agreed criteria for the levels of likelihood and impact. These are shown in Tables 1 and 2 below. The definitions for likelihood of occurrence are quite short. However, because the impact of the risk, should it occur, can be much wider, there is a more comprehensive set of definitions.

When considering likelihood and impact you should not take into consideration any existing controls that are in place. The risk score you have will be an inherent or uncontrolled score.

When both the likelihood and impact have been considered, multiply the likelihood by the impact to get the overall risk score. This should be mapped on to the matrix in Table 3. The colours of the matrix are a traffic light system that denotes the risk appetite of the Council. High risks are the **red zone**, medium risks are the **amber zone** and low risks are the **green zone**.

The risk score should be used to inform your judgement, rather than dictate how risks compare and what the priorities should be. The scores help you to identify the most serious threats and to make decisions about the significance of those risks to the Council and how, or whether, they should be treated.

**Table 1: Description and definitions of LIKELIHOOD of the RISK occurring**

Score	Description
6	Almost certain - More than a 90% chance
5	Highly likely – 70% to 90% chance
4	More likely than not – 50% to 70% chance
3	Might happen, but probably not – 30% to 50% chance
2	Unlikely to happen - A 10% to 30% chance
1	Very unlikely - Less than a 10% chance

**Table 2: Description and definitions of IMPACT of the RISK**

Impact	Example Detail Description
4	Medium term loss of service capability Adverse UK wide publicity Litigation almost certain and difficult to defend Corporate budget realignment Breaches of law punishable by imprisonment
3	Short term loss of service capability Adverse Wales wide publicity Litigation to be expected Budget adjusted across service areas Breaches of law punishable by fines only
2	Short term disruption to service capability Adverse local publicity High potential for complaint, litigation possible Financial implications contained within the Directorate Breaches of regulations/standards
1	No significant disruption to service capability Unlikely to cause any adverse publicity Unlikely to cause complaint or litigation Financial implications contained within service area Breaches of local procedures or standards.

Now that the inherent risk score has been calculated, you can plot the risks on to the risk prioritisation matrix in Table 3. This will be a guide of their relative significance to the Council, and how they will be managed.

**Table 3: Risk Prioritisation Matrix**

	Impact			
<b>Likelihood</b>	<b>6</b>	<b>12</b>	<b>18</b>	<b>24</b>
	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>
	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>
	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>
	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>



## Part 3 - Managing and controlling risks

Having considered how corporate risks should be identified and assessed for likelihood and impact, it is necessary to consider how risks can be managed and controlled. The risk score should not dictate the level of management required, however it should be taken into consideration as it does point to matters that will require managing.

This involves:

### Assessing the inherent risk against the Council's risk appetite

The degree to which an inherent risk is tolerable should be considered against the Council's risk appetite. Table 3 identifies which risks are high (**red zone**), medium (**amber zone**) or low (**green zone**).

### Assigning ownership to manage the inherent risk to specific officers

The following is a guide to what level ownership should be at.

**Red Risks** – These are high impact/high likelihood risks that require active management by senior officers. The risk owner will be a member of and report to the Corporate Management Board

**Amber Risks** – These risks should be closely monitored by the risk owner who will be a Director or Head of Service

**Green Risks** – These risks will be managed and monitored within the service.

### Assessing the method of control

The Council could tolerate the risk, treat it, terminate it or transfer it to a third party.

The cost and effectiveness of controls is a key consideration and needs to be balanced against the potential consequences (reputational, financial or otherwise) if the event occurred. The cost of implementing and operating the control should not normally exceed the maximum potential benefit.

Depending on the circumstances controls will probably fall under one of four basic approaches

- **Tolerate the risk.** The risks arising from an activity will be scored as part of a risk assessment process. If the score is low, the correct response might be to recognise that the activity brings risk, but still continue with it. You would typically take this approach when it is not cost effective to take action, because the likely impact of the risk, should it occur, is minimal. When a decision is made to tolerate a risk, the reason should be documented. In addition, you should continue to monitor the risk so that you can ensure that your decision remains sound.

- **Treat the risk.** This is the most widely used approach. The purpose of treating a risk is to continue with the activity, but at the same time take action to bring the risk to an acceptable level. This is done through either:
  - containment actions. These lessen the likelihood or consequences and are applied before the risk materialises
  - or
  - contingent actions. These are pre planned responses that will reduce the impact after the risk has happened.
- **Terminate the risk.** This involves stopping an activity altogether, or doing things differently so that the risk is removed.
- **Transfer some aspects of the risk to a third party.** The transfer of risk to another organisation can be used to reduce the financial exposure of the Council and/or pass the risk to another organisation which is more capable of effectively managing it. An example would be the transfer of a risk through the terms of a legal contract, such as an insurance policy. The Council has an Insurance Strategy which is shown in Appendix 1.

The cost of management and control should be understood and be proportionate to the risk being addressed. Resources should be expended on the higher level risks that need active management.

The reasons why a particular course of action has been taken should be documented and the decision implemented by the risk owner.

#### **Part 4 – Assessing the residual risk**

By this stage the risks have been identified and analysed and each has an inherent or uncontrolled risk score. In addition you have assessed the available controls and made decisions about which are appropriate and will be put in place. These controls will either make the likelihood that the risk will come to fruition less or they will reduce the impact of the risk in the event that it takes place.

As the likelihood or impact of the risk has changed you now need to rescore the risk, taking these changes into consideration. The resulting number is the residual risk score.

The mapping of the score on to the matrix in Table 3 should be repeated to record the residual risk. This will show what influence the controls have had. The residual risk score should be lower than the inherent risk score. If it isn't, the mitigation measures are just having the effect of stopping the risk from deteriorating. The residual risk score needs to be at an acceptable level when considered against the Council's risk appetite. If the score does not reduce the risk to an acceptable level you should consider the effectiveness and adequacy of the controls.

## Part 5 - Recording and Reviewing Risks

It is necessary to monitor action plans to regularly report on the progress being made in managing risk. Alternative action will be needed if those actions initially taken prove ineffective.

All the information relating to the identified risks should be recorded in a risk register. This information should, as a minimum, include: the link to the corporate improvement priorities, a description of the risk; its impact; the inherent risk score, the controls in place or being put in place; the residual risk score and the risk owner. This document needs to be formally approved by the Council and this will be done by the Audit Committee in January each year following prior review by Senior Management Team and Cabinet in December.

Circumstances and business priorities can change, and therefore risks need to be regularly reviewed. The higher the risk, the more frequent the review. The corporate risk register will be reviewed quarterly by Senior Management Team and at Corporate Performance Assessment meetings. This is required because:

- Previously identified risks will change over time.
- New risks arising will need to be added.
- It might be appropriate to delete risks. However, when this is done a record of the reasons for this should be kept.

Prior to review at Senior Management Team, the Risk Management & Insurance Officer will contact the Directorate Business Managers and ascertain what changes to the risk assessment are proposed by the Directorate. These proposals will be included within the report to Senior Management Team for their consideration.

A timeline for the review process is shown as Appendix 2.

Whilst there is no prescribed process for review, the following is an example of how it could be approached.

Go through the risks listed in the register to consider:

- Are the risks still relevant?
- Have circumstances surrounding the risks changed?
- What progress has been made in managing the risk?
- Given the progress made, do the risk scores need revising?
- Are any further controls needed? If so, what should these be?
- Have any new risks arisen. Perhaps arising out of an adverse event or a new partnership or legislation.

The risk register should then be updated to reflect these changes. A report will be made to the Audit Committee each November.

## **Appendix 1 - Insurance Strategy**

### **What is Insurance?**

All activities involve a certain degree of risk, for example of fire or accident. If these risks come to fruition they will have a financial impact. Insurance is a risk mitigation measure whereby one organisation can transfer the financial impact of the risk to another.

This transfer is achieved when a business which provides insurance agrees to take on some of the risks of another organisation in exchange for a fee, known as a premium. It does this by providing an insurance policy, which is a legally binding contract. The premium, and the terms and conditions of the policy are based on the likelihood of the risk happening and its value. The insurer collects premiums on a number of policies and pools these funds, which it then invests to increase the amount of money held. Should the insured make a claim on a policy; the insurer will meet the claim from the pool of funds. The insurer will seek to make a profit and will be planning for the total premiums it receives in any one year, together with any money it can make through investments, to exceed the total claims it has to pay out.

### **The benefits of Insurance to Bridgend County Borough Council**

Insurance provides the council with many benefits:

- 1) It protects it against the financial consequences of unexpected incidents.
- 2) It encourages the council to undertake activities, and invest with confidence, knowing that losses will be shared with the Insurer. This will benefit the local economy and the community.
- 3) Insurance companies provide expert advice about how the council can prevent or control losses.
- 4) The council does not need to maintain such significant sums of money in reserve to fund future possible losses. Funds can be released for more productive use.
- 5) There are social benefits. If someone is injured and it is as a result of the council's negligence, insurance provides them with compensation for their injuries.
- 6) We have access to external claims handling expertise.

However, Insurance does not provide a panacea to all issues around risk of loss. This is because it rarely provides full financial compensation for the loss, it may be considered uneconomic, there are exclusions and there will be some delays in the restoration of assets to full use.

## **What risks can be insured?**

Not all risks are insurable. To be insurable, the risk must have certain characteristics:

- 1) The loss must be fortuitous. It can't be inevitable and must be unexpected.
- 2) It must be possible to allocate a financial value against the results of the incident.
- 3) The council must have an "insurable interest". This exists if the council would suffer a loss if an event happened. Typically, insurable interest is established by ownership, possession, or a direct relationship.
- 4) The only possible result of the event happening must be a loss rather than a profit.
- 5) The loss must be tied in to a specific identifiable event having happened.

## **What risks will the council insure?**

The council's activities result in a certain amount of predictable financial loss. There is no point in insuring these losses because the Insurance Company will want a pound in premium for each pound it anticipates it will pay in claims. In addition it will charge a further amount for its administrative expenses, profit and insurance premium tax. In these circumstances the purchase of insurance is uneconomic.

The council will insure losses which would have a significant impact on budgets and the provision of services. This is generally achieved by purchasing insurance with a deductible. The overall exposure to financial loss is controlled by an aggregate deductible. This caps losses incurred in any one year to a certain amount.

The council will also buy insurance when it has to by law or where the provision of the insurance provides additional benefits which enable the activity to take place.

## **The pitfalls of purchasing insurance**

The council will seek to keep its insurance arrangements in order so that if a loss occurs they respond in the way intended. In particular the council will:

- 1) Undertake a quinquennial review of its buildings sums insured. Between reviews sums insured will be amended in line with indices provided by the Royal Institute of Chartered Surveyors.
- 2) Be aware of the policy wordings and understand what they mean.
- 3) Keep insurers apprised of changing risk features which will have a material impact on the way Insurers perceive risk.
- 4) Maintain comprehensive records of insurance including Insurance Policy documentation.
- 5) Employ the services of a professional insurance broking company who can provide expert advice
- 6) Only transfer risks to Insurance Companies which are financially strong.

## Appendix 2 - Risk Management Timeline 2016 - 17

Timeline	Responsibility	Action
January 2016	SMT	Considers the 2016-17 risk assessment
	Audit Committee	Considers the 2016-17 risk assessment
February 2016	Cabinet/Council	Considers the 2016-17 risk assessment in conjunction with the Medium Term Financial Strategy
March 2016	CPA	Risk assessment considered at quarter 3 2015-16 CPA
April 2016		
May 2016		
June 2016	CPA	Risk assessment considered at quarter 4 2015-16 CPA
July 2016	SMT	Review of the 2016-17 risk assessment
August 2016		
September 2016		
October 2016	SMT	Review of the 2016-17 risk assessment
November 2016	CPA	Risk assessment considered at quarter 2 2016-17 CPA
	Audit Committee	Audit Committee considers the changes made to the 2016-17 risk assessment
December 2016	SMT	Consider draft 2017-18 risk assessment and agree proposed changes to the risk management policy
January 2017	Audit Committee	Considers the 2017-18 risk assessment
February 2017	Cabinet/Council	Considers the 2017-18 risk assessment in conjunction with the Medium Term Financial Strategy
March 2017	CPA	Risk assessment considered at quarter 3 2016/17 CPA

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

28 JANUARY 2016

#### REPORT OF THE CORPORATE DIRECTOR – RESOURCES

#### TREASURY MANAGEMENT HALF YEAR REPORT 2015-16 AND TREASURY MANAGEMENT STRATEGY 2016-17

#### 1. Purpose of the Report

1.1 The purpose of the report is to present the:

- Half Year Treasury Management report which was approved by Council on 25 November 2015;
- Proposed Treasury Management Strategy for 2016-17, which includes the:-
  - Borrowing Strategy 2016-17
  - Investment Strategy 2016-17
  - Treasury Management and Prudential Indicators for the period 2016-17 to 2019-20
  - Annual Minimum Revenue Provision Statement 2016-17

#### 2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

2.1 The work of the Audit Committee supports corporate governance and assists in the achievement of all corporate and service objectives. Prudent treasury management arrangements will ensure that investment and borrowing decisions made by officers on behalf of the Council make best use of financial resources and hence assist achievement of corporate priorities.

#### 3. Background

3.1 The Audit Committee has delegated responsibility for ensuring effective scrutiny of the Treasury Management Strategy and policies.

3.2 The Council manages its Treasury Management activities in accordance with the Local Government Act 2003, and associated guidance:-

- The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code), requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year (TMS 2016-17 in **Appendix B**)

- The Welsh Government (WG) issued revised Guidance on Local Authority Investments in April 2010, which requires the Council to approve an Investment Strategy prior to the start of each financial year (**Appendix B-Section 5**)
  - In addition to the CIPFA Code which requires treasury management indicators to be set, CIPFA's Prudential Code for Capital Finance in Local Authorities 2011 Edition requires the Council to set a number of Prudential Indicators (**Appendix B-Schedule A**)
  - The Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008, requires the Council to produce an Annual Minimum Revenue Provision (MRP) Statement that details the methodology for the MRP charge (**Appendix B-Schedule B**)
- 3.3 The CIPFA Code which was formally adopted by the Council in February 2012, requires all Local Authorities to conduct a mid-year review of its treasury management policies, practices and activities and a report was presented to Council 25 November 2015 (**Appendix A**). As a result of this review for 2015-16, it was not deemed necessary to make any changes to the main parts of the Treasury Management Strategy 2015-16, however, it was beneficial for the Council to make some minor revisions to the Investment Strategy included within this Statement (section 5 of the Treasury Management Strategy) to enable increased flexibility in an ever changing financial market and increase the investment opportunities available to the Council whilst still maintaining security.
- 3.4 Following consultation with the Council's treasury advisor, Arlingclose, the changes approved by Council were:
- reduce the UK Local Authorities individual counterparty limit from £15 million to £12 million
  - increase the unsecured investments with Building Societies group limit from £5million to £6million
  - add additional wording to clarify the counterparty limits:
    - These cash limits are per counterparty and relate to principal only and exclude any accrued interest.

In addition to these changes there were some minor grammatical changes for clarification purposes only.

#### **4. Current Situation / Proposal**

- 4.1 The Treasury Management Strategy for 2016-17 (**Appendix B**) confirms the Council's compliance with the CIPFA Code, which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of Treasury Management activities, and that the effective management and control of risk are the prime objectives of these activities.



4.2 The Treasury Management Strategy is to be presented to Council for approval in March 2016 and whilst the main body will remain unchanged there may be variations to some of the figures if there are any changes (such as the capital programme) to reflect the most up to date information.

## **5. Effect upon Policy Framework & Procedure rules**

5.1 Paragraph 17.3 of the Financial Procedure Rules (FPR) within the Council's Constitution requires that all investments and borrowing transactions shall be undertaken in accordance with the Council's Treasury Management Strategy as approved by Council. Paragraph 17.8 of the FPR sets the Audit Committee's responsibility to ensure effective scrutiny of the Treasury Management policies and practices and to review the half year monitoring report.

5.2 This report is designed to ensure compliance with the above requirements.

## **6. Equality Impact Assessment**

6.1 There are no equality implications.

## **7. Financial Implications**

7.1 These are reflected within the report.

## **8. Recommendation**

8.1 That members note the Half-Year Treasury Management Report which was approved by Council in November 2015 (**Appendix A**);

8.2 That Members give due consideration to the Treasury Management Strategy 2016-17 before it is presented to Council for approval in March 2016 as part of the Medium Term Financial Strategy (**Appendix B**).

**Ness Young**  
**Corporate Director - Resources**  
**31 December 2015**

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**Background documents**

CIPFA Code of Practice on Treasury Management in Local Authorities (2011)

CIPFA The Prudential Code for Capital Finance in Local Authorities (2011)

Treasury Management Strategy 2015-16

**BRIDGEND COUNTY BOROUGH COUNCIL**

**REPORT TO COUNCIL**

**25 NOVEMBER 2015**

**REPORT OF THE SECTION 151 OFFICER**

**HALF-YEAR TREASURY MANAGEMENT REPORT 2015-16**

**1. Purpose of Report**

1.1 The purpose of the report is to:-

- Comply with the requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice 2011 Edition (the Code) to report as part of a mid-year review an overview of treasury activities;
- Report on the projected Treasury Management and Prudential Indicators for 2015-16;
- Inform Council of the proposed changes to the Investment Strategy 2015-16 included in the Treasury Management Strategy.

**2. Connection to Corporate Improvement Objectives / Other Corporate Priorities**

2.1 The Treasury Management Report is integral to the delivery of the Corporate Improvement Objectives as the allocation of resources determines the extent to which the Corporate Objectives can be delivered.

**3. Background**

3.1 The Council's Treasury Management activities are regulated by the Local Government Act 2003 which provides the powers to borrow and invest as well as providing controls and limits on this activity. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, develops the controls and powers within the Act.

3.2 The Council is required to operate the overall treasury function with regard to the Code and this was formally adopted by the Council in February 2012. This includes a requirement for the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year which sets out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements. Council approved the TMS 2015-16 on 25 February 2015.

- 3.3 The Welsh Government (WG) issued revised Guidance on Local Authority Investments in April 2010, which requires the Council to approve an Investment Strategy prior to the start of each financial year and this is included in the TMS.
- 3.4 The Council is also required to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council's adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 3.5 This report covers the following areas:
- The Council's treasury position for the period 1 April to 30 September 2015
  - Borrowing Strategy 2015-16
  - Borrowing Outturn for the period 1 April to 30 September 2015
  - Investment Strategy 2015-16
  - Investment Outturn for the period 1 April to 30 September 2015
  - Review of the Treasury Management Strategy 2015-16
  - Treasury Management and Prudential Indicators 2015-16

## 4. Current Situation

### 4.1.1 The treasury position for 1 April to 30 September 2015:

		Principal as at 01-04-15	Average Rate	Principal as at 30-9--15	Average Rate
		£m	%	£m	%
Fixed rate long term funding	PWLB*	77.62	4.70	77.62	4.70
Variable rate long term funding	PWLB*	-	-	-	-
	LOBO**	19.25	4.65	19.25	4.65
<b>Total Long Term External Borrowing***</b>		<b>96.87</b>	<b>4.69</b>	<b>96.87</b>	<b>4.69</b>
Other Long Term Liabilities*** (including PFI)		21.58		23.62	
<b>TOTAL GROSS DEBT</b>		<b>118.45</b>		<b>120.49</b>	
Fixed rate investments		18.00	0.51	35.60	0.42
Variable rate investments		1.50	0.50	6.20	0.63
<b>TOTAL INVESTMENTS****</b>		<b>19.50</b>	<b>0.51</b>	<b>41.80</b>	<b>0.45</b>
<b>TOTAL NET DEBT</b>		<b>98.95</b>		<b>78.69</b>	

\* Public Works Loan Board (PWLB)

\*\* Lender's Option Borrower's Option (LOBO)

\*\*\* Long term borrowing include all instruments with an initial term of 365 days or more and long term liabilities includes the short term element of the liability

\*\*\*\* The investment totals include instant access deposit accounts which are included as "Cash" in the Council's balance sheet in the Statement of Accounts and also investments shown as "Cash Equivalents" in the Council's balance sheet that mature in 1 month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value

Fixed rate in the above table includes instruments which are due to mature in the year

4.1.2 The £19.25 million is due to mature in 2054, and relates to Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the next trigger date being January 2016 however it is not expected to be repaid on this date) and therefore, the Council being given the option to accept the increase or to repay the loan without incurring a penalty. The current average interest rate for these

LOBO's is 4.65% compared to the PWLB Loans average interest rate of 4.70%.

4.1.3 The long term liabilities figure of £23.62 million at 30 September 2015 includes £19.04 million for the Council's Private Finance Initiative (PFI) arrangement (for the provision of a Secondary School in Maesteg) and a new Long Term Liability of £2.40 million relating to a loan from the WG Central Capital Retained Fund for regeneration works within the Llynfi Valley.

4.1.4 It should be noted that the accounting practice required to be followed by the Council requires financial instruments in the accounts (debt and investments) to be measured in a method compliant with International Financial Reporting Standards (IFRS). The figures shown in the above table and throughout the report are based on the actual amounts borrowed and invested and so may differ from those in the Statement of Accounts which include accrued interest or are stated at fair value in different instances.

4.1.5 The Council's Treasury Management Advisers are currently Arlingclose and the services provided to the Council include:-

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

## **4.2 Borrowing Strategy and Outturn for 1 April to 30 September 2015**

4.2.1 The Bank Rate started the financial year at 0.50% and remained at that level from 1 April to 30 September 2015. It is currently expected that it will remain at that level for the remainder of the 2015-16 financial year.

4.2.2 The Council's primary objective for the management of its debt is to ensure its long term affordability. The majority of its loans have therefore been borrowed from the PWLB at long term fixed rates of interest.

4.2.3 With short-term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either borrow short term loans or use internal resources. Short term and variable rate loans expose the Council to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates as shown in the treasury management indicators in **Schedule A**. However, with long term rates forecast to rise in the coming years, any such short term savings will need to be balanced against the potential longer-term costs. The Council's

Treasury Management advisers assist the Council with this 'cost of carry' and breakeven analysis.

4.2.4 No long or short term borrowing has been taken during the period 1 April to 30 September 2015 and it is not expected that there will be a requirement for any long term borrowing in the second half of 2015-16, however for cash-flow purposes short term borrowing may be required. Market conditions have meant that there has been no loan rescheduling so far this year, however, in conjunction with Arlingclose, the loan portfolio will be reviewed for any potential savings as a result of any loan rescheduling.

### **4.3 Investment Strategy 2015-16 (Extract from TMS 2015-16)**

4.3.1 Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, balancing the risk of incurring losses from defaults against receiving unsuitably low investment income.

The major objectives to be followed in 2015-16 are:-

- To maintain capital security;
- To maintain liquidity so funds are available when expenditure is needed;
- To achieve the yield on investments commensurate with the proper levels of security and liquidity.

4.3.2 The Annual Investment Strategy incorporated in the Council's Treasury Management Strategy 2015-16 includes the credit ratings defined for each category of investments and the liquidity of investments. The Council's investments have historically been placed in short term bank and building society unsecured deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the minimum credit criteria specified in the Investment Strategy.

4.3.3 Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In the current climate, relying mainly on credit ratings is considered to be inappropriate and the Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

4.3.4 A half year review of the Annual Investment Strategy will be undertaken and any changes will be reported to Council.

#### 4.4 Investment Outturn for 1 April to 30 September 2015

4.4.1 On a day to day basis, the Council typically has surplus cash balances arising from the cash flow e.g. timing differences between grants being received and making various payments. These are invested on the market via brokers, direct with the institution or held in deposit accounts. The Council usually invests for a range of periods dependent on cash flow requirements and the interest rates on offer having regard to the Investment Strategy. All investments in the first half of 2015-16 were short term i.e. less than 12 months duration and placed in fixed term deposits or deposit accounts. The table below details these investments by counterparty type:

Investment Counterparty Category	Balance 01 April 2015 (A) £m	Investments Raised (B) £m	Investments Repaid (C) £m	Balance 30 Sept 2015 (A+B-C) £m	Weighted Average Investment Balance Apr - Sept 2015 £m	Weighted Average Duration Investments in force during Apr - Sept 2015 Days	Weighted Average Rate Apr - Sept 2015 %
UK Govt. DMO	-	76.40	76.40	0.00	2.49	6	0.25
UK Local Authorities	9.00	108.53	86.93	30.60	26.22	42	0.38
Building Societies	5.00	7.00	9.00	3.00	4.77	73	0.55
Banks (Fixed Maturity)	4.00	4.00	6.00	2.00	2.71	62	0.53
Banks Instant Access/Notice Period Accounts *	1.50	28.95	24.25	6.20	6.38	n/a	0.53
<b>Total/Average</b>	<b>19.50</b>	<b>224.88</b>	<b>202.58</b>	<b>41.80</b>	<b>42.57</b>	<b>38</b>	<b>0.42</b>

\* An average duration is not shown as money is frequently added / withdrawn to/from these accounts as required by cash-flow

4.4.2 Occasionally, investments are placed with the UK Debt Management Office (DMO - Executive Agency of UK Government) but only for very short term deposits. The interest rates offered by this facility are lower than some other counterparties but this is commensurate with the high level of security and reduced risk offered. It provides another option when examining potential investments and ensures compliance with the Council's investment objective that security takes priority over yield. There were no deposits with the DMO as at 30 September 2015.



4.4.3 Favourable cash flows have provided positive cash balances for investment and as shown above the balance on investments at 30 September 2015 was £41.80 million. The table below shows a breakdown based on the maturity profile and counterparty type as at 30 September 2015.

Counterparty Category	Instant Access Deposit Accounts £m	Notice Period Deposit Accounts £m	Deposits Maturing Within 1 Month £m	Deposits Maturing Within 1-3 Months £m	Deposits Maturing Within 4-6 Months £m	Deposits Maturing Within 6-12 Months £m	Total £m
UK Local Authorities	-	-	9.50	13.60	2.00	5.50	30.60
UK Building Societies	-	-	3.00	-	-	-	3.00
Banks*	2.20*	4.00	-	2.00	-	-	8.20
<b>Total</b>	<b>2.20</b>	<b>4.00</b>	<b>12.50</b>	<b>15.60</b>	<b>2.00</b>	<b>5.50</b>	<b>41.80</b>

\* All these are UK registered banks apart from £1.2m with Svenska Handelsbanken which is a Swedish bank incorporated in the EEA and entitled to accept deposits through a branch in the UK and are classed as a UK Bank in the Government's Borrowing Statistical Return

4.4.4 The Council's primary objective for the management of its investment portfolio is to give priority to the security and liquidity of its funds before seeking the best rate of return. As shown above, the majority of its surplus cash has been held as short term investments with UK Local Authorities and banks and building societies of high credit quality. This has therefore resulted in more of the investment portfolio being moved into investment instruments with lower rates of return but higher security and liquidity.

## 4.5 Review of the Treasury Management Strategy 2015-16

4.5.1 Cipfa's Code of Practice for Treasury Management requires all Local Authorities to conduct a mid-year review of its treasury management policies, practices and activities. As a result of this review it was not deemed necessary to make any changes to the main parts of the Treasury Management Strategy 2015-16, however, it would be beneficial for the Council to make some minor revisions to the Investment Strategy included within this Statement to enable increased flexibility in an ever changing financial market and increase the investment opportunities available to the Council whilst still maintaining security.

4.5.2 Following consultation with Arlingclose the proposed main changes are summarised below:

- reduce the UK Local Authorities individual counterparty limit from £15million to £12million
- increase the unsecured investments with Building Societies group limit from £5million to £6million

- add additional wording to clarify the counterparty limits:
  - These cash limits are per counterparty and relate to principal only and exclude any accrued interest.

4.5.3 In addition to these there were some minor grammatical changes for clarification purposes only.

#### **4.6 Treasury Management and Prudential Indicators 2015-16**

4.6.1 The 2011 Treasury Management Code and Prudential Code require the Council to set and report on a number of Treasury Management Indicators within this report, however, the Council has decided to report on all indicators in this report so the Prudential Indicators are also included. The indicators either summarise the expected activity or introduce limits upon the activity, and reflect the underlying capital programme. **Schedule A** details the estimate for 2015-16 set out in the Council's Treasury Management Strategy and also the projected indicators for 2015-16.

#### **5. Effect upon Policy Framework and Procedure Rules**

5.1 As required by Financial Procedure Rule 17.3 within the Council's Constitution, all investments and borrowing transactions have been undertaken in accordance with the Treasury Management Strategy Statement 2015-16 approved by Council.

#### **6. Equality Impact Assessment**

6.1 There are no equality implications.

#### **7. Financial Implications**

7.1 The financial implications are reflected within the report.

#### **8. Recommendation**

8.1 It is recommended that:

- Council approve the changes to the Investment Strategy within the Treasury Management Strategy 2015-16 as highlighted in the report;
- Council note the treasury management activities for the first half of 2015-16;
- Council note the projected Treasury Management and Prudential Indicators for 2015-16.

**Ness Young**  
**Section 151 Officer**  
**Corporate Director - Resources**  
31 October 2015

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**Background documents:**  
Treasury Management Strategy 2015-16

## SCHEDULE A

### 1 TREASURY MANAGEMENT INDICATORS 2015-16

1.1.1 The following indicators (which are forward looking parameters) form part of the CIPFA Code of Practice on Treasury Management. They enable the Council to measure and manage its exposure to Treasury Management risks using the following indicators.

The Council needs to set the upper limits to its **Interest Rate Exposure** for the effects of changes in interest rates. There are two treasury management indicators that relate to both fixed interest rates and variable interest rates. These limits have been calculated with reference to the net outstanding principal sums and are set to control the Council's exposure to interest rate risk.

No.		Treasury Management Strategy 2015-16 £m	Projection 31-03-2016  £m
	Total Projected Principal Outstanding on Borrowing 31 March 2016	101.87	<b>96.87</b>
	Total Projected Principal Outstanding on Investments 31 March 2016	8.00	<b>15.00</b>
	<b>Net Principal Outstanding</b>	<b>93.87</b>	<b>81.87</b>
<b>1.</b>	<b>Upper Limit on fixed interest rates (net principal) exposure</b>	140.00	<b>64.12</b>
<b>2.</b>	<b>Upper Limit on variable interest rates (net principal) exposure</b>	50.00	<b>17.75</b>

The Section 151 Officer will manage interest rate exposures between these limits in 2015-16.

1.1.2 A further indicator for Treasury Management measures the **Maturity Structure of Borrowing** and is the amount of projected borrowing that is fixed rate, maturing in each period as a percentage of total projected fixed rate borrowing. This indicator is set to control the Council's exposure to refinancing risk and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk.

The 19.87% shown in the table below relates to £19.25 million Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054, as detailed in paragraph 4.1.2 of the report. The Code requires the maturity of LOBO loans to be shown as the earliest date on which the lender can require payment, i.e. the next call date, however, the lender is not expected to exercise this option due to current low interest rates, so the maturity date is actually uncertain but is shown in the "Under 12 months" category as per the Code.

No	Maturity structure of fixed rate borrowing during 2015-16	Upper limit	lower limit	Projection 31-03-16
3.	Under 12 months	50%	0%	19.87%
	12 months and within 24 months	25%	0%	0.00%
	24 months and within 5 years	50%	0%	0.00%
	5 years and within 10 years	60%	0%	0.00%
	10 years and above	100%	40%	80.13%

1.1.3 The **Upper Limit for Total Principal Sums invested over 364 days** indicator controls the amount of longer term investments which mature beyond the period end. This is set to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

No.		Treasury Management Strategy 2015-16 (Limit) £m	Projection 31-03-16 £m
4.	<b>Upper Limit for Total Principal Sums Invested for more than 364 days</b>	15	4

## 2 PRUDENTIAL INDICATORS 2015-16

The Prudential Indicators are required to be set and approved by Council in accordance with CIPFA's *Prudential Code for Capital Finance in Local Authorities*.

Council is required to formally adopt CIPFA's Treasury Management Code and the revised version of the 2011 code was adopted by Council on 22 February 2012.

### 2.1 Prudential Indicators for Prudence

2.1.1 The following Prudential Indicators are based on the Council's capital programme which is subject to change.

The Council's capital expenditure plans are summarised below and this forms the first prudential indicator for Prudence. The total capital expenditure is funded from capital grants and contributions, capital receipts and revenue with the remainder being the **Net Financing Need for the Financial Year** to be met from borrowing.

No.	Prudential indicators For Prudence	Estimate Treasury Management Strategy	Projection 31-03-16
		2015-16 £'000	£'000
<b>1</b>	<b>Estimates of Capital Expenditure</b>		
	Non – HRA	36,441	38,523
	<b>Total Capital Expenditure</b>	<b>36,441</b>	<b>38,523</b>
	<b>Financed by :-</b>		
	Capital Grants and Contributions	12,575	17,364
	Capital Receipts	9,322	9,167
	Revenue	3,055	3,369
	<b>Net Financing Need for Year</b>	<b>11,489</b>	<b>8,623</b>

The capital expenditure figures have changed from the Treasury Management Strategy 2015-16 as the capital programme approved by Council on 25 February 2015 has been amended to include new approved schemes and to incorporate slippage of schemes identified as part of the capital monitoring and a change in the profile of prudential borrowing. This has resulted in a decrease in the Net Financing Need for 2015-16.

2.1.2 The second Prudential Indicator is the **Capital Financing Requirement (CFR)** for the Council. This shows the total outstanding capital expenditure that has not been funded from either revenue or other capital resources. It is derived from the actual Balance Sheet of the Council. It is essentially a measure of the underlying need to finance capital expenditure and forms the basis of the charge to the General Fund under the Prudential Code system.

The process for charging the financing of capital expenditure to revenue is a statutory requirement and is called the Minimum Revenue Provision (MRP). The actual MRP charge needs to be prudent and the methodology is detailed in the Council's MRP policy in the TMS 2015-16. The MRP requirement for the PFI Scheme, Innovation Centre and HALO will be equivalent to the write down of the liability for the year and is met from existing budgets.

No.	Prudential indicators For Prudence	Est. Treasury Management Strategy 2015-16 £'000	Projection 2015-16 £'000
<b>2</b>	<b>Capital Financing Requirement (CFR)</b>		
	Opening CFR (1 April 2015) excluding PFI	157,078	154,980
	Opening PFI CFR	19,300	19,300
	Opening Innovation Centre	769	769
	Opening HALO	1,150	962
	<b>Total Opening CFR</b>	<b>178,297</b>	<b>176,011</b>
	Movement in CFR excluding PFI & other liabilities	4,801	2,133
	Movement in PFI CFR	(512)	(512)
	Movement in Innovation Centre CFR	(51)	(51)
	Movement in HALO CFR	(117)	(117)
	<b>Total Movement in CFR</b>	<b>4,121</b>	<b>1,453</b>
	<b>Closing CFR (31 March 2016)</b>	<b>182,418</b>	<b>177,464</b>
	Movement in CFR represented by :-		
	Net Financing Need for Year (above)	11,489	8,623
	Minimum and Voluntary Revenue Provisions*	(7,368)	(7,170)
	<b>Total Movement</b>	<b>4,121</b>	<b>1,453</b>

Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) represent the revenue charge for the repayment of debt and includes MRP for the Public Finance Initiative (PFI), Finance Leases, Innovation Centre and Halo

## 2.2 Limits to Borrowing Activity

2.2.1 The Council's long term borrowing at the 30 September 2015 was £96.87 million as detailed in section 4.1.1 the Treasury Position. External Borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. Because the Council has an integrated Treasury Management Strategy there is no association between individual loans and particular types of expenditure. Therefore, the Capital Financing Requirement and actual external borrowing can be very different.

The **Gross Debt** position (Borrowing and Long Term Liabilities) is shown below:

No.	Prudential indicators For Prudence	Estimate Treasury Management Strategy 2015-16 Est. £'000	Projection 31-03-16 £'000
	<b>Gross Debt 31 March</b>		
<b>3</b>	External Borrowing	101,867	96,867
	Long Term Liabilities (including PFI)	20,539	23,251
	<b>Total Gross Debt</b>	<b>122,406</b>	<b>120,118</b>

2.2.2 Within the Prudential Indicators, there are a number of key indicators to ensure the Council operates its activities within well-defined limits. One key

control is to ensure that over the medium term, debt will only be for a capital purpose. The Council needs to ensure that external debt does not, except in the short term, exceed the Capital Financing Requirement for 2015-16. The table below shows that the Council is on target to comply with this requirement.

No.	Prudential indicators For Prudence	Estimate Treasury Management Strategy  2015-16 £'000	Projection 31-03-16  £'000
<b>4</b>	<b>Gross Debt &amp; the CFR</b>		
	Total Gross Debt	122,406	120,118
	Closing CFR (31 March 2016)	<b>182,418</b>	<b>177,464</b>

2.2.3 A further two Prudential Indicators control the Council's overall level of debt to support Capital Expenditure. These are detailed below and confirms that the Council is well within the limit set :-

- The **Authorised Limit** for External Debt – this represents the limit beyond which borrowing is prohibited. It reflects a level of borrowing that could not be sustained even though it would be affordable in the short term. It needs to be set and approved by Members.
- The **Operational Boundary** for External Debt – this is not an actual limit and actual borrowing could vary around this boundary during the year. It is based on the probable external debt during the course of the year.

No.	Prudential indicators For Prudence	Treasury Management Strategy 2015-16 £m	Projection 31-03-16  £m
<b>5</b>	<b>Authorised limit for external debt -</b>		
	Borrowing	140	
	Other long term liabilities	30	
	<b>Total</b>	<b>170</b>	
<b>6</b>	<b>Operational Boundary</b>		
	Borrowing	105	
	Other long term liabilities	25	
	<b>Total</b>	<b>130</b>	
	<b>Borrowing</b>		<b>97</b>
	<b>Other long term liabilities</b>		<b>23</b>
	<b>Total</b>		<b>120</b>



## 2.3 Prudential Indicators for Affordability

2.3.1 The Prudential Code Indicators Numbered 1 to 6 above in section 2.1 and 2.2 cover the overall controls on borrowing and financing of capital expenditure within the Council. The second suite of indicators detailed below assesses the affordability of capital investment plans and the impact of capital decisions on the Council's overall finances.

The indicator the **Ratio of Financing Costs to Net Revenue Stream** demonstrates the trend in the cost of capital against the Total Revenue amount to be met from local taxpayers and the amount provided by the Assembly in the form of Revenue Support Grant. The estimates of capital financing costs include interest payable and receivable on Treasury Management activities and the Minimum Revenue Provision charged to the Comprehensive Income and Expenditure Statement. The revenue stream is the amount to be met from government grants and local taxpayers.

No.	Prudential Indicators for Affordability	Estimate Treasury Management Strategy 2015-16	Projection  2015-16
7.	<b>Ratio of Financing Costs to Net Revenue Stream</b>		
	<b>Ratio</b>	5.05%	<b>5.33%</b>

2.3.2 The indicator of the **Incremental Impact of Capital Investment Decisions on Council Tax** identifies the estimate of the incremental impact to the Council Tax from the capital expenditure proposals, particularly changes in borrowing requirements that have occurred since the Capital Programme was approved for the year. This is a purely notional calculation designed to show the effect of changes in capital investment decisions.

No.	Incremental Impact of Capital Investment Decisions on Council Tax	Estimate Treasury Management Strategy  2015-16	Projection  2015-16
8.	Increase in Band D Council Tax as per Capital Programme	£ 3.91	£ <b>3.87</b>

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# TREASURY MANAGEMENT STRATEGY 2016-17



## **1.0 Introduction**

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) in February 2012 which requires the Council to approve a treasury management strategy before the start of each financial year. In addition to the CIPFA Code, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year. This Strategy fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

The Council has an integrated Treasury Management Strategy (TMS) where borrowing and investments are managed in accordance with best professional practice. The Council borrows money either to meet short term cash flow needs or to fund capital schemes approved within the capital programme. Therefore any actual loans taken are not associated with particular items of expenditure or assets. The Council is exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's TMS.

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's strategy, Treasury Management Practices (TMP) and CIPFA's Standard of Professional Practice on Treasury Management. Council will receive reports on its treasury management activities, including as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after its financial year end. Quarterly reports will also be received by Cabinet.

The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## **2.0 Economic Context and Forecasts for Interest Rates**

**Economic background:** Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 82<sup>nd</sup> consecutive month at its meeting in December 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.

The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

**Credit outlook:** The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the

government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain stubbornly low.

**Interest rate forecast:** The Council's treasury adviser Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.50% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.30% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

***Arlingclose (Council's TM Advisers) central interest rate forecast – December 2015***

	Bank Rate	3 month LIBID rate	1 Year LIBID rate	5-year gilt yield	10 year gilt yield	20 year gilt yield	50 year gilt yield
Dec 2015	0.50	0.55	1.10	1.50	2.00	2.45	2.45
Mar 2016	0.50	0.60	1.20	1.55	2.05	2.50	2.50
June 2016	0.50	0.70	1.35	1.60	2.10	2.55	2.55
Sept 2016	0.75	0.80	1.45	1.70	2.20	2.55	2.60
Dec 2016	0.75	0.95	1.55	1.80	2.30	2.60	2.65
Mar 2017	1.00	1.05	1.70	1.90	2.40	2.65	2.70
June 2017	1.00	1.15	1.80	2.00	2.50	2.70	2.75
Sept 2017	1.25	1.30	1.95	2.10	2.60	2.75	2.80
Dec 2017	1.25	1.40	2.00	2.20	2.65	2.80	2.85
Mar 2018	1.50	1.55	2.10	2.25	2.70	2.85	2.90
Jun 2018	1.50	1.65	2.15	2.30	2.75	2.90	2.95
Sept 2018	1.75	1.80	2.15	2.35	2.80	2.95	3.00
Dec 2018	1.75	1.85	2.15	2.35	2.80	2.95	3.00

### 3.0 The Council's Current Treasury Management Position

**Table 1: Council's debt and investment position as at 31 December 2015**

		Principal as at 31-12-15	Average Rate
		£m	%
Fixed rate long term funding	PWLB(i)	77.62	4.70
Variable rate long term funding	PWLB	-	-
	LOBO(ii)	19.25	4.65
<b>Total Long Term External Borrowing(iii)</b>		<b>96.87</b>	<b>4.69</b>
Other Long Term Liabilities(iii) (including PFI)		23.44	
<b>TOTAL GROSS DEBT</b>		<b>120.31</b>	
Fixed rate investments (iv)		32.00	0.49
Variable rate investments		8.00	0.58
<b>TOTAL INVESTMENTS(v)</b>		<b>40.00</b>	<b>0.51</b>
<b>TOTAL NET DEBT</b>		<b>80.31</b>	

- (i) Public Works Loan Board (PWLB)
- (ii) Lender's Option Borrower's Option (LOBO)
- (iii) Long term borrowing/liabilities include all instruments with an initial term of 365 days or more and long term liabilities includes the short term element of the liability
- (iv) The investment totals include instant access deposit accounts which are included as "Cash" in the Council's balance sheet in the Statement of Accounts and also investments shown as "Cash Equivalents" in the Council's balance sheet that mature in 1 month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value

Fixed rate in the above table includes instruments which are due to mature in the year

The £19.25m relates to Lender's Option Borrower's Option (LOBO) loans which have a maturity date of 2054, however these may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points and therefore, the Council being given the option to accept the increase or to repay the loan without incurring a penalty. The next trigger point is 22 July 2016 and although the Council understands that the lender is unlikely to exercise this option in the current low interest rate environment, an element of refinancing risk remains and the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future. The long term liabilities figure of £23.44 million at 31 December 2015 includes £18.92 million for the

Council's Private Finance Initiative (PFI) arrangement (for the provision of a Secondary School in Maesteg) and a new Long Term Liability of £2.40 million relating to a loan from the WG Central Capital Retained Fund for regeneration works within the Llynfi Valley.

Investments are anticipated to drop from £40.00m on 31 December 2015 to approximately £15m by the 31 March 2016. As in previous years this is due partly to the reduction in income collected from Council Tax and National Non-Domestic Rates in February and March 2016 and expenditure expected for the capital programme.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Forecast changes in these sums are included in the Prudential Indicators shown in **Schedule A** which shows that the Council expects to comply with this recommendation during 2015-16, 2016-17 and the following three years.

#### **4.0 Borrowing Strategy**

The major **objectives** to be followed in 2016-17 are:-

- to minimise the revenue costs of debt,
- to manage the Council's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing ,
- to effect funding in any one year at the cheapest cost commensurate with future risk,
- to forecast average future interest rates and borrow accordingly,
- to monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movement,
- to reschedule debt if appropriate, in order to take advantage of potential savings as interest rates change, and
- to maximise the use of all capital resources including borrowing, both supported and unsupported, useable capital receipts and grants and contributions.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. With short-term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either borrow short term loans or use internal resources. Short term and variable rate loans expose the Council to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates as shown in the Treasury Management Indicators in **Schedule A**.

The Section 151 Officer will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, however, with long term rates forecast to rise in the coming years, any such short term savings will need to be balanced against the potential longer-term costs. The Council's Treasury Management advisers will assist the Council with this 'cost of carry' and breakeven analysis. No long term borrowing has been taken to date during 2015-16 and it is not expected that there will be a requirement for any new long term borrowing in 2015-16 or 2016-17. Alternatively, the Council may arrange forward starting loans during 2016-17 where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short term loans (normally for up to one month) to cover unexpected cash flow shortages.

The **approved sources** of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see Investment Strategy)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Council's Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable joint local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB, but will also investigate other sources of finance, such as Welsh Government and local authority loans and bank loans, that may be available at more favourable rates. The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

**Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some higher rate loans with new loans at lower interest rates, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.



## 5.0 Investment Strategy

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, balancing the risk of incurring losses from defaults against receiving unsuitably low investment income.

**Investment Balances:** The Council holds surplus funds representing income received in advance of expenditure plus balances and reserves held. Based on its cash flow forecasts, the Council anticipates its investment balances in 2016-17 to range from £10m to £50m with an average investment rate of 0.45% (based on current rates and investment types) but this will be reviewed at half year and reported to Council. The actual balance varies because of the cash flow during the month and year as to when income is received (such as specific grant income, housing benefits subsidy and Revenue Support Grant) and payments are made (such as salaries and wages, major capital expenditure and loan repayments).

The major **objectives** to be followed in 2016-17 are:-

- To maintain capital **security**;
- To maintain **liquidity** so funds are available when expenditure is needed;
- To achieve the **yield** on investments commensurate with the proper levels of security and liquidity.

The Council's investments have historically been placed in short term bank and building society unsecured deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the credit criteria detailed below. The Council is looking to diversify into more secure and/or higher yielding asset classes during 2016-17 but any new instruments used will be in full consultation with the Council's treasury management advisers.

With short term interest rates currently much lower than long-term rates, due consideration will also be given to using surplus funds to make early repayments of long term borrowing if appropriate.

**Credit Rating:** Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

**Approved Counterparties:** The Council may invest with any of the counterparty types shown in Table 2 below, subject to the cash limits (per counterparty) and the time limits shown. **These cash limits are per counterparty and relate to principal only and exclude any accrued interest. These must be read in conjunction with the notes immediately below the table and the combined secured and unsecured investments in any one bank must not exceed the cash limit for secured investments:**

**Table 2: Approved Investment Counterparties and Limits**

Credit Rating	Banks (including building societies) Unsecured	Banks (including building societies) Secured	Government	Corporates	Registered Providers
<b>UK Central Government</b>	N/A	N/A	£ Unlimited	N/A	N/A
			50 Years		
<b>UK Local Authorities *</b>	N/A	N/A	£12,000,000	N/A	N/A
			10 Years		
<b>AAA</b>	£3,000,000	£4,000,000	£4,000,000	£2,000,000	£2,000,000
	5 Years	20 Years	50 Years	20 Years	20 Years
<b>AA+</b>	£3,000,000	£4,000,000	£4,000,000	£2,000,000	£2,000,000
	5 Years	10 Years	25 Years	10 Years	10 Years
<b>AA</b>	£3,000,000	£4,000,000	£4,000,000	£2,000,000	£2,000,000
	4 Years	5 Years	15 Years	5 Years	10 Years
<b>AA-</b>	£3,000,000	£4,000,000	£4,000,000	£2,000,000	£2,000,000
	3 Years	4 Years	10 Years	4 Years	10 Years
<b>A+</b>	£3,000,000	£4,000,000	£2,000,000	£2,000,000	£2,000,000
	2 Years	3 Years	5 Years	3 Years	5 Years
<b>A</b>	£3,000,000	£4,000,000	£2,000,000	£2,000,000	£2,000,000
	13 Months	2 Years	5 Years	2 Years	5 Years
<b>A-</b>	£3,000,000	£4,000,000	£2,000,000	£2,000,000	£2,000,000
	6 Months	13 Months	5 Years	13 Months	5 Years
<b>BBB+</b>	£1,000,000	£2,000,000	£1,000,000	£1,000,000	£1,000,000
	100 Days	6 Months	2 Years	6 Months	2 Years
<b>BBB</b>	£1,000,000	£2,000,000	N/A	N/A	N/A
	Next day only	100 Days			
<b>None</b>	£1,000,000	N/A	N/A	N/A	£2,000,000
	6 Months				5 Years
<b>Pooled Funds</b>	£4,000,000				
	Per Fund				

\* excluding parish and community councils

**Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Council's current account bank. Any additional amounts received into our accounts with our own bankers which are received late in the day meaning it is too late to make an investment the same day, then the limit in the above table will not apply as this does not count as an investment.

**Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

**The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.**

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

**Registered Providers:** Loans and bonds issued by, guaranteed by, or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Welsh Government and, as providers of public services, they retain a high likelihood of receiving government support if needed.

**Money Market Funds (type of pooled fund):** These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Short term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts. To date the Council has not used money market funds.

**Other Pooled Funds:** The Council may consider using pooled bond, equity and property funds whose value changes with market prices and/or have a notice period will be used for longer investment periods as they offer enhanced returns over the longer term, and are potentially more volatile in the shorter term. To date the Council

has not used any pooled funds but if it did their performance and continued suitability in meeting the Council's investment objectives would be monitored regularly.

**Credit Rating Criteria and their Use:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes as they occur.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council's credit rating criteria are set to ensure that it is very unlikely the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other Information on the Security of Investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**Specified Investments:** This is an investment which offers high security and high liquidity. It is a low risk investment where the possibility of loss of principal or investment income is negligible and satisfies the conditions below as defined by *WG Investment Guidance*:-

- denominated in pound sterling,
- contractually committed to be paid within 12 months of arrangement (364 days),
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority,
  - a UK parish or community council or
  - body or investment scheme of “high credit quality”

The Council defines “**high credit quality**” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. Overseas subsidiaries of foreign banking groups will normally be assessed according to the country of domicile of the parent organisation.

**Non-specified Investments:** Any investment that does not fall into the criteria detailed above under the Specified definition. The Council does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to:

- long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement,
- those that are defined as capital expenditure by legislation, such as shares in money market funds and other pooled fund, and
- investments with bodies and schemes not meeting the definition on high credit quality.

All investments longer than 364 days will be made with a cautious approach to cash flow requirements and will only be entered into with prior advice from the Council’s Treasury Management Advisers.

The WG Guidance requires the Council’s Investment Strategy to set an overall limit for non-specified investments which is currently set at £25m. Table 3 below shows the non-specified categories and the relevant limits – the total of the individual limits exceed £25m, however at any one point in time a maximum of **£25m** of investments could be in one of the following non-specified categories with the following category limits:

**Table 3: Non-Specified Investment Limits**

	<b>Category Total Cash limit</b>
Total long-term investments	£15m
Total Money Market Funds	£10m
Total other pooled funds	£10m
Total investments without credit ratings or rated below the Council’s definition of “high credit quality”	£ 6m
Total investments (except pooled funds)with institutions domiciled in foreign countries with a sovereign rating below AA+	£ 3m

## Investment Limits:

The combined values of specified and non-specified investments with any one organisation are subject to the investment limits detailed below in Table 4, the approved counterparties and limits shown in Table 2 above and also the non-specified limits in Table 3 above. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

**Table 4: Investments Limits**

	<b>Cash limit</b>
Any single organisation, except the UK Central and Local Government	£4m
UK Central Government	unlimited
UK Local Authorities (per counterparty)	£12m
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£4m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£4m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£6m in total

**Liquidity Management:** The Council forecasts on a prudent basis the maximum period for which funds may be committed therefore minimising the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. A limit of £15m (table 3 above) has been set for 2016-17 for long term investments and this has been set with reference to the Medium Term Financial Strategy and cash flow forecast. This represents 30% of the maximum amount of investments that the Council anticipate to have at any one point in time during 2016-17.

## **6.0 Treasury Management and Prudential Indicators**

The 2011 Treasury Management Code and Prudential Code require the Council to set and report on a number of Treasury Management and Prudential Indicators. **Schedule A** revises some of the indicators for 2015-16, 2016-17, 2017-18, and 2018-19 and introduces new indicators for 2019-20 to be consistent with the principles contained in the Medium Term Financial Strategy. The indicators either summarise the expected activity or introduce limits upon the activity, and reflect the underlying capital programme.

## **7.0 Annual Minimum Revenue Provision Statement 2016-17**

Where a Council finances capital expenditure by debt, it must put aside revenue resources to repay that debt in later years. This amount charged to revenue is called the Minimum Revenue Provision (MRP). Under the Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008, an Annual Minimum Revenue Provision (MRP) Statement needs to be produced that details the methodology for the MRP charge. There is not a statutory minimum for the amount set aside. It needs to be considered a prudent provision to ensure that the debt is

repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits or in the case of borrowing supported by Welsh Government's Revenue Support Grant reasonably commensurate with the period implicit in the determination of that grant. This is detailed in **Schedule B**.

## **8.0 Performance Indicators**

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators as opposed to the treasury management and prudential indicators which are predominantly forward looking. One debt performance indicator is where the average portfolio rate of interest is compared to an appropriate average available such as the average PWLB Debt for Welsh and UK Local Authorities. The rate of return on investments can be monitored against the benchmark of the average 7 day London Inter Bank Bid (LIBID) rate and will also be benchmarked against the average Bank Rate.

## **9.0 Other Items**

The Council is required by CIPFA or WG to include the following additional items:

**Policy on Use of Financial Derivatives:** The Localism Act 2011 includes a general power competence that removes the uncertain legal position over English local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). These instruments are used by organisations to manage exposure to interest rate or exchange rate fluctuations. Although this change does not apply to Wales, the latest CIPFA Code requires authorities to clearly state their policy on the use of derivatives in the annual strategy. In the absence of any legislative power, the Council's policy is not to enter into standalone financial derivatives transactions such as swaps, forwards, futures and options. Embedded derivatives within loans and investments including pooled funds and forward starting transactions may be used and the risks they present will be managed in line with the overall treasury risk management strategy.

**Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers to provide advice and information relating to its borrowing and investment activities. The quality of this service is controlled by having regular meetings with the advisers and regularly reviewing the service provided.

**Investment of Money Borrowed in Advance of Need:** The Welsh Government maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity, however, the Council could potentially borrow in advance of need where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The Council has an integrated Treasury Management Strategy and borrowing is not linked to the financing of specific items of expenditure. The Council's Capital Financing Requirement (CFR) as at 1 January 2016 was in excess of the actual debt

of the Council (as detailed in the Prudential Indicators in Schedule A) indicating there was no borrowing in advance of need.

**Investment Training:** The Treasury Management Team receives training from the Council's Treasury Management advisers. The Council also supports personal development so individuals enhance their own knowledge through reading CIPFA guidance, publications and research on the internet.



## TREASURY MANAGEMENT INDICATORS

The following indicators (which are forward looking parameters) form part of the CIPFA Code of Practice on Treasury Management. They enable the Council to measure and manage its exposure to Treasury Management risks using the following indicators.

The Council needs to set the upper limits to its **Interest Rate Exposure** for the effects of changes in interest rates. There are two treasury management indicators that relate to both fixed interest rates and variable interest rates. These limits have been calculated with reference to the net outstanding principal sums and are set to control the Council's exposure to interest rate risk.

No.	Interest Rate Exposure	2015-16 Proj. £m	2016-17 Est. £m	2017-18 Est. £m	2018-19 Est. £m	2019-20 Est. £m
	Total Projected Principal Outstanding on Borrowing 31 March	96.87	96.87	101.87	106.87	111.87
	Total Projected Principal Outstanding on Investments 31 March	15.00	12.00	10.00	8.00	6.00
	<b>Net Principal Outstanding</b>	<b>81.87</b>	<b>84.87</b>	<b>91.87</b>	<b>98.87</b>	<b>105.87</b>
1.	<b>Upper Limit on fixed interest rates (net principal) exposure</b>	140.00	140.00	140.00	140.00	145.00
2.	<b>Upper Limit on variable interest rates (net principal) exposure</b>	50.00	50.00	50.00	50.00	50.00

The Section 151 Officer will manage interest rate exposures between these limits.

A further indicator for Treasury Management measures the **Maturity Structure of Borrowing** and is the amount of projected borrowing that is fixed rate, maturing in each period as a percentage of total projected fixed rate borrowing. This indicator is set to control the Council's exposure to refinancing risk and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk.

No	Maturity structure of fixed rate borrowing during 2016-17	Upper limit	lower limit
3.	Under 12 months	50%	0%
	12 months and within 24 months	25%	0%
	24 months and within 5 years	50%	0%
	5 years and within 10 years	60%	0%
	10 years and above	100%	40%

The Upper Limit for **Total Principal Sums Invested over 364 days** indicator controls the amount of longer term investments which mature beyond the period end. This is set to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

No.		2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
4.	<b>Upper Limit - Total Principal Sum Invested more than 364 day days</b>	15	10	8	6

## 2.0 PRUDENTIAL INDICATORS

The Prudential Indicators are required to be set and approved by Council in accordance with CIPFA's *Prudential Code for Capital Finance in Local Authorities*.

Council is required to formally adopt CIPFA's Treasury Management Code and the revised version of the 2011 code was adopted by Council on 22 February 2012.

### Prudential Indicators for Prudence

The following Prudential Indicators are based on the Council's capital programme which is subject to change.

The Council's capital expenditure plans are summarised below and this forms the first prudential indicator for Prudence. The total capital expenditure is funded from capital grants and contributions, capital receipts and revenue with the remainder being the **Net Financing Need for the Financial Year** to be met from borrowing.

No.	Prudential indicators For Prudence	2015-16 £'000 Proj. *	2016-17 £'000 Est.	2017-18 £'000 Est.	2018-19 £'000 Est.	2019-20 £'000 Est.
1	<b>Estimates of Capital Expenditure</b> Non – HRA	39,042	42,282	15,074	6,723	6,288
	<b>Total Capital Expenditure</b>	<b>39,042</b>	<b>42,282</b>	<b>15,074</b>	<b>6,723</b>	<b>6,288</b>
	<b>Financed by :-</b>					
	Capital Grants and Contributions	18,692	15,970	5,314	2,814	2,379
	Capital Receipts	9,062	15,132	5,851	0	0
	Revenue	2,665	0	0	0	0
	<b>Net Financing Need for Year</b>	<b>8,623</b>	<b>11,180</b>	<b>3,909</b>	<b>3,909</b>	<b>3,909</b>

\*Based on estimate November 2015 but will be updated February 2016 for inclusion in the MTFS

The second Prudential Indicator is the **Capital Financing Requirement (CFR)** for the Council. This shows the total outstanding capital expenditure that has not been funded from either revenue or other capital resources. It is derived from the actual Balance Sheet of the Council. It is essentially a measure of the underlying need to finance capital expenditure and forms the basis of the charge to the General Fund under the Prudential Code system.

The process for charging the financing of capital expenditure to revenue is a statutory requirement and is called the Minimum Revenue Provision (MRP). The actual MRP charge needs to be prudent – as detailed in the Council's MRP policy in **Schedule B**.

No.	Prudential indicators For Prudence	2015-16 £'000 Proj.	2016-17 £'000 Est.	2017-18 £'000 Est.	2018-19 £'000 Est.	2019-20 £'000 Est.
<b>2</b>	<b>Capital Financing Requirement (CFR)</b>					
	Opening CFR (1 April) excluding PFI	154,979	157,086	159,349	156,655	154,003
	Opening PFI CFR	19,300	18,787	18,235	17,640	17,000
	Opening Innovation Centre	770	719	663	603	537
	Opening HALO	962	845	729	612	495
	<b>Total Opening CFR</b>	<b>176,011</b>	<b>177,437</b>	<b>178,976</b>	<b>175,510</b>	<b>172,035</b>
	Movement in CFR excl. PFI & other liabilities	2106	2,263	(2694)	(2,652)	(2,612)
	Movement in PFI CFR	(512)	(552)	(595)	(640)	(690)
	Movement in Innovation Centre CFR	(51)	(55)	(60)	(66)	(89)
	Movement in HALO CFR	(117)	(117)	(117)	(117)	(117)
	<b>Total Movement in CFR</b>	<b>1,426</b>	<b>1,539</b>	<b>(3,466)</b>	<b>(3,475)</b>	<b>(3,508)</b>
	<b>Closing CFR (31 March)</b>	<b>177,437</b>	<b>178,976</b>	<b>175,510</b>	<b>172,035</b>	<b>168,527</b>
	Movement in CFR represented by :-					
	Net Financing Need for Year (above)	8,623	8,780	3909	3,909	3,909
	Minimum and Voluntary Revenue Provisions*	(7,197)	(7,241)	(7,375)	(7,384)	(7,417)
	<b>Total Movement</b>	<b>1,426</b>	<b>1,539</b>	<b>(3,466)</b>	<b>(3,475)</b>	<b>(3,508)</b>

\*Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) represent the revenue charge for the repayment of debt and includes MRP for the Public Finance Initiative (PFI), Finance Leases, Innovation Centre and HALO

### Limits to Borrowing Activity

The Council's long term borrowing at the 31 December 2015 was £96.87m as detailed in section 3 of the Strategy. External Borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. Because the Council has an integrated Treasury Management Strategy there is no association between individual loans and particular types of expenditure. Therefore, the Capital Financing Requirement and actual external borrowing can be very different.

The **Gross Debt** position (Borrowing and Long Term Liabilities) is shown below:

No.	Prudential indicators For Prudence Gross Debt 31 March	2015-16 £'000 Proj.	2016-17 £'000 Est.	2017-18 £'000 Est.	2018-19 £'000 Est.	2019-20 £'000 Est.
<b>3</b>	External Borrowing	96,867	96,867	101,867	106,867	111,867
	Long Term Liabilities (including PFI)	23,261	22,497	21,685	20,822	17,485
	<b>Total Gross Debt</b>	<b>120,128</b>	<b>119,364</b>	<b>123,552</b>	<b>127,689</b>	<b>129,352</b>

Within the Prudential Indicators, there are a number of key indicators to ensure the Council operates its activities within well-defined limits. One key control is to ensure that over the medium term, debt will only be for a capital purpose. The Council needs to ensure that external debt does not, except in the short term, exceed the Capital Financing Requirement for 2015-16 (i.e. the preceding year) plus the estimates of any additional capital financing requirement for the current and next three financial years, however 2019-20 has also been included to be consistent with the Medium Term Financial Strategy.

No.	Prudential indicators For Prudence	2015-16 £'000 Proj.	2016-17 £'000 Est.	2017-18 £'000 Est.	2018-19 £'000 Est.	2019-20 £'000 Est.
<b>4</b>	<b>Gross Debt &amp; the CFR</b>					
	Total Gross Debt	120,128	119,364	123,552	127,689	129,352
	Closing CFR (31 March)	<b>177,437</b>	<b>178,976</b>	<b>175,510</b>	<b>172,035</b>	<b>168,527</b>

As can be seen from the above table, the Council does not have any difficulty meeting this requirement in 2015-16 and does not envisage any difficulties in the current and future years. This view takes into account current commitments, existing plans and the proposals for next year's budget.

A further two Prudential Indicators control the Council's overall level of debt to support Capital Expenditure. These are detailed below:-

- The **Authorised Limit** for External Debt – this represents the limit beyond which borrowing is prohibited. It reflects a level of borrowing that could not be sustained even though it would be affordable in the short term. It needs to be set and approved by Members.
- The **Operational Boundary** for External Debt – this is not an actual limit and actual borrowing could vary around this boundary during the year. It is based on the probable external debt during the course of the year.

No.	Prudential indicators For Prudence	2015-16 Revised £m	2016-17 Est. £m	2017-18 Est. £m	2018-19 Est. £m	2019-20 Est. £m
<b>5</b>	<b>Authorised limit for external debt</b>					
	Borrowing	140	140	140	145	148
	Other long term liabilities	30	30	30	25	20
	<b>Total</b>	<b>170</b>	<b>170</b>	<b>170</b>	<b>170</b>	<b>168</b>
<b>6</b>	<b>Operational Boundary</b>					
	Borrowing	105	105	110	115	120
	Other long term liabilities	25	25	25	25	20
	<b>Total</b>	<b>130</b>	<b>130</b>	<b>135</b>	<b>140</b>	<b>140</b>

#### Prudential Indicators for Affordability

The Prudential Code Indicators Numbered 1 to 6 above cover the overall controls on borrowing and financing of capital expenditure within the Council. The second suite of indicators detailed below assesses the affordability of capital investment plans and the impact of capital decisions on the Council's overall finances.

The indicator the **Ratio of Financing Costs to Net Revenue Stream** demonstrates the trend in the cost of capital against the Total Revenue amount to be met from local taxpayers and the amount provided by the Assembly in the form of Revenue Support Grant. The estimates of capital financing costs include interest payable and receivable on Treasury Management activities and the Minimum Revenue Provision charged to the Comprehensive Income and Expenditure Statement. The revenue stream is the amount to be met from government grants and local taxpayers. The projection has increased from the TMS 2015-16 estimate of 5.05% to 6.45% as additional premiums have now been repaid in 2015-16 but part of this will be offset by

an earmarked reserve together with the projected under spend on capital financing costs.

No.	Prudential Indicators for Affordability	2015-16 Proj.	2016-17 Est.	2017-18 Est.	2018-19 Est.	2019-20 Est.
7.	Estimate - Ratio of Financing Costs to Net Revenue Stream	6.45%	5.25%	5.38%	5.52%	5.60%

The indicator of the **Incremental Impact of Capital Investment Decisions on Council Tax** identifies the estimate of the incremental impact to the Council Tax from the capital expenditure proposals, particularly changes in borrowing requirements that have occurred since the Capital Programme was approved for the year. This is a purely notional calculation designed to show the effect of changes in capital investment decisions

No.	Incremental Impact of Capital Investment Decisions on Council Tax	2015-16 Proj.	2016-17 Est.	2017-18 Est.	2018-19 Est.	2019-20 Est.
8.	Estimate - Increase in Band D Council Tax as per Capital Programme	£ 3.87	£ 4.75	£ 4.75	£ 4.75	£ 4.75

**ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2016-17**

The Annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2016-17 will be on the following bases:-

- i. Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported expenditure and does not result in a significant asset will be based on the Capital Financing Requirement after accounting adjustments at 4% of the opening balance. This charge was supplemented by voluntary MRP (based on the useful asset life) in respect of those assets which were financed by unsupported borrowing before 1 April 2008.
- ii. all unsupported capital expenditure, exercised under the Prudential Code, and supported capital expenditure that results in a significant asset (based on an internal assessment) incurred on or after 1 April 2008, the MRP charge will be based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over life of asset. The first charge can be delayed until the year after the asset is operational but this will be at the discretion of the Section 151 Officer;
- iii. for assets reclassified as finance leases under International Financial Reporting Standards (IFRS) or resulting from a Private Finance Initiative, the MRP charge will be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability for the year;
- iv. Where loans are made to other bodies for their capital expenditure with an obligation for the bodies to repay, no MRP will be charged. The capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.

The MRP Charge 2016-17 based on the estimated capital financing requirement is detailed below:-

	Options	Estimated Capital Financing Requirement 01-04-16 £'000	2016-17 Estimated MRP £'000
Capital expenditure before 01-04-2008 and any after 01-04-2008 that does not result in a significant asset (Supported) Capital Expenditure before 01-04-2008 (Unsupported)	(i)	124,793 -	4,999 -
Unsupported capital expenditure, exercised under the Prudential Code, and supported capital expenditure that results in a significant asset, incurred on or after 1 April 2008 (Supported) (Unsupported)	(ii)	3,946 28,347	132 1,386
PFI, Finance Leases and other arrangements PFI School Innovation Centre Halo Leisure	(iii)	18,787 719 845	552 55 117
<b>TOTAL</b>		<b>177,437</b>	<b>7,241</b>

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

28<sup>th</sup> January 2016

### REPORT OF THE CORPORATE DIRECTOR – RESOURCES

### INFORMATION AND ACTION REQUESTS BY COMMITTEE

#### 1. Purpose of Report

1.1 To summarise for Members the actions and information requests made by the Audit Committee at its last meeting on the 19<sup>th</sup> November 2015.

#### 2. Connection to Corporate Improvement Objectives / Other Corporate Priorities

2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives and other Corporate Priorities.

#### 3. Background

3.1 Internal Audit conducts reviews according to an annual audit plan and reports findings to Audit Committee.

#### 4. Current situation / proposal

4.1 A summary of actions and information provided is contained in the following table:

Audit Committee Date	Action /Request	Officer Responsible	Comment	Current Status
24/09/15	Public Sector Internal Audit Standards – External Assessment.  Members favoured having an external assessment as they felt this would provide more rigour and have a higher level of independence. The Chief Internal Auditor agreed to bring a report back to a future Audit Committee.	CIA	Included as an Agenda Item at this Audit Committee Meeting (28 <sup>th</sup> January 2016).	Complete
19/11/15	Members requested that the Control Risk Self-Assessment Questionnaires (CRSA) in respect of the schools outlined in the report, be shared with Members of	CIA	Included as an Agenda Item at this Audit Committee Meeting (28 <sup>th</sup> January 2016)	Complete

	the Committee at a future meeting, for their information			
19/11/15	<p><b>Manual Completion of Timesheets</b></p> <p>Members queried the need for the manual completion of timesheets and the authorisation process.</p> <p>The Chief Internal Auditor agreed to provide further information to a future Audit Committee.</p>	CIA	<p>It is appreciated that there are a significant number of employees that still complete manual timesheets across the Authority. The nature and location of certain employees work means that they do not necessarily have access to a computer in order to complete electronic timesheets. Furthermore the complexities of differing shift patterns, contractual hours and the subsequent rates of pay, results in the need for manual checks to be undertaken by HR at the time of input to confirm accuracy.</p> <p>At the current time it is deemed that the process for employees' manually completing timesheets, managers authorising them and HR checking and inputting them has suitable authorisation controls with no duplication.</p>	Complete

**5. Effect upon Policy Framework & Procedure Rules.**

5.1 None

**6. Equality Impact Assessment.**

6.1 There are no equality implications.

**7. Financial Implications.**

7.1 There are no financial implications regarding this report.

**8. Recommendation.**

8.1 That the Committee notes this report.

**Ness Young  
Corporate Director - Resources  
26<sup>th</sup> January 2016**

**Contact Officer:** Helen Smith  
Chief Internal Auditor

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**Postal address:** Bridgend County Borough Council  
Internal Audit  
Innovation Centre  
Bridgend Science Park  
Bridgend  
CF31 3NA

**Background Documents**

None

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

28<sup>TH</sup> JANUARY 2016

### REPORT OF CORPORATE DIRECTOR – RESOURCES

#### CONTROL RISK SELF ASSESSMENT (CRSA)

#### 1. Purpose of Report.

- 1.1 The purpose of this report is to provide information to Members as requested at the Audit Committee on 19<sup>th</sup> November 2015, regarding the Control Risk Self-Assessment (CRSA) process adopted by Internal Audit for use in the Authority's schools.

#### 2. Connection to Corporate Improvement Objectives/Other Corporate Priorities.

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives /other Corporate Priorities.

#### 3. Background.

- 3.1 As part of the annual Internal Audit plan, time is allocated for the issuing of CRSA's to all Primary, Secondary and Special Schools and the subsequent analysis of the returned questionnaires.
- 3.2 The aim of the CRSA is to enable Head teachers to review and ensure that they undertake and comply with requirements of the Financial Scheme for Schools which is based on the legislative requirements of the Schools Standards & Framework Act 1998. The questionnaire also covers a number of other operational risks and controls which come under the management of the school.
- 3.3 The objectives of the Control Risk Self-Assessment Questionnaire is to provide a tool for the Internal Audit Section to evaluate the financial and other related controls in operation and, also a basis upon which the scope of audit and frequency of visit can be determined. The questions contained within the toolkit will also allow Head teachers to take action to mitigate against any risks they identify.

#### 4. Current situation / proposal.

- 4.1 Copies of the CRSA's issued to Secondary Schools and Primary / Special Schools are attached as **Appendix A** and **B**.
- 4.2 As stated above, the results from the CRSA's are used to inform the schools audit programme for a given year. Members will be made aware of overall findings from the CRSA's and schools audits as part of the Schools Annual summary report.

**5. Effect upon Policy Framework & Procedure Rules.**

5.1 There is no effect upon the policy framework and procedure rules.

**6. Equality Impact Assessment.**

6.1 There are no equality implications arising from this report.

**7. Financial Implications.**

7.1 None

**8. Recommendation.**

8.1 That Members note the content of the CRSA's issued to Bridgend schools.

**Ness Young**  
**Corporate Director - Resources**  
**28<sup>th</sup> January 2016**

**Contact Officer: Helen Smith**  
**Chief Internal Auditor**

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Bridgend County Borough Council  
Unit 2A Innovation Centre,  
Bridgend Science Park,  
Bridgend  
CF31 3NA

**Background documents**

None

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Partneriaeth Pen-y-Bont a'r Fro  
Bridgend & Vale Partnership  
working together - gweithio ar y cyd



The aim of this questionnaire is to enable Head teachers to review and ensure that they undertake and comply with requirements of the Financial Scheme for Schools which is based on the legislative requirements of the Schools Standards & Framework Act 1998. The questionnaire also covers a number of other operational risks and controls which come under the management of the school.

The objectives of the Control Risk Self Assessment Questionnaire is to provide both a tool for the Internal Audit Section to evaluate the financial and other related controls in operation at Primary schools, and, also a basis upon which the scope of audit and frequency of visit can be determined.

The questionnaire should be completed by Headteachers and/or those officers involved in the administration of each area covered. Upon completion the responses should be reviewed by the Headteacher, this will allow identification of key controls operating and to detect any areas of weakness/risk.

Positive responses should require no further action, and a degree of assurance can be gained as to the satisfactory operation of systems and the extent of controls which will adequately protect funds, assets and staff integrity.

Where negative responses have been obtained, this area should be addressed and action taken to build the relevant control into the existing system, the failure to take adequate action to correct an anomaly may lead to the possibilities for error and fraud to occur.

The questionnaire should be completed, and electronically returned to the Internal Audit Section within the designated timescale and a copy retained by the school for future reference. This will allow Head teachers to note the benefit accruing from any individual control and to monitor improvements made through the introduction of additional controls to existing financial systems. Ideally this completed document should be returned from the Head teacher's mail box.

<b>School:</b>	
<b>Headteacher:</b>	<b>Admin Officer:</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

<b>Results:</b>					
		<b>No. of YES Answers</b>	<b>No. of NO Answers</b>	<b>No. of N/A Answers</b>	<b>Total Possible Responses (excluding Questions N/A)</b>
1	Governance				
2	Bank account & VAT				
3	Petty Cash Account				
4	Budgetary Control				
5	Statistical & PLASC Returns				
6	Staffing				
7	Mini Buses/Vehicles				
8	Procurement of Goods and Services				
9	School Income				
10	School Meals				
11	Inventories, Stocks & Security				
12	Private/Unofficial funds				
13	Computer Security & Data Protection				
14	Child Protection				
15	Health & Safety & General Security				
16	Grant Funding				
<b>TOTAL</b>					

**Conclusion:**

<b>% Positive Answers</b>	<b>Rating</b>	<b>School % Positive/Possible Answers</b>
<b>80% plus</b>	<b>Very Good</b>	
<b>65 – 79%</b>	<b>Good</b>	
<b>50 – 64%</b>	<b>Fair</b>	
<b>Below 50%</b>	<b>Poor</b>	

<b>Results Agreed by:</b>	<b>Position held:</b>	<b>Date:</b>



## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

### Page 161 1. GOVERNANCE *N.B. This section should be completed by the Governing Body*

The Governing Body is collectively responsible for the overall direction of the school and its strategic management, ensuring that the school meets its statutory obligations. The responsibilities of the Governing Body, its committees, the Headteacher and other staff need to be clearly defined.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*A clearly defined framework has been established, by which both the Governing Body and Headteacher can work  
Statutory obligations of the school are met*

CONTROL	Y/N	IMPLICATIONS	Comments	Source of Evidence
Are the roles of the Governing Body, Committees and Head Teacher clearly defined in writing?	Y  N	<i>Demonstrates a wider accountability for decision making</i>  <i>One person may unduly influence the school's best interests.</i>		<b><i>Written terms of reference retained at the school.</i></b>
Is the composition of the Governing body compliant with The Government of Maintained Schools (Wales) Regulations 2005?	Y  N	<i>As per statutory requirement.</i>  <i>Not adhering to statutory requirement with the ramifications for the legality of decision making.</i>		<b><i>Membership of Governing Body documented at the school e.g., with terms of reference.</i></b>
Where appeals sub committees are in place, is their membership independent of the originating decision making committee?	Y  N	<i>Those affected by committee decisions are given fair right to appeal.</i>  <i>Decisions ratified by appeals committees could be subject to legal challenge.</i>		<b><i>Minutes of sub-committees</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 16

Are all Governing Body and Sub Committee meetings attended by the required percentage set in the Terms of Reference?	Y	<i>Demonstrates a wider accountability for decision-making.</i>		<b>Minutes of sub-committee minutes</b>
	N	<i>One person may unduly influence the school's best interests</i>		
Have expenditure limits been set for the Head Teacher for which Governors approval is needed and documented in the schools terms of reference?	Y	<i>Demonstrates a wider accountability for decision-making.</i>		<b>Schools Terms of Reference.</b>
	N	<i>One person may unduly influence the school's best interests.</i>		
Have virement thresholds been set above which Governors approval is required and documented in the Schools Terms of Reference?	Y	<i>Demonstrates a wider accountability for decision-making.</i>		<b>Schools Terms of Reference</b>
	N	<i>One person may unduly influence the school's best interests.</i>		
Does the school have an up to date Register of Business Interest signed by each individual member of the Governing Body?	Y	<i>Compliance with statutory requirements can be demonstrated as a governing body is required to keep an up to date register with notification of changes and through annual review of entries.</i>		<b>Register of Business / Pecuniary Interest</b>
	N	<i>Decisions made for personal gain.</i>		
Are budget updates and provided to the Governing Body/Finance committee on at least a termly basis?	Y	<i>Governors are aware of any potential problems and necessary corrective action can be taken.</i>		<b>Governing Body Meeting Minutes</b>
	N	<i>Potential problems may not be identified and could result in a budget deficit.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 163

Are all Governors meetings minuted and copies of minutes provided to LEA.?	Y	<i>As per statutory requirement.</i>		<b>Governing body minutes of meetings</b>
	N	<i>Not adhering to statutory requirement</i>		
Are there arrangements for public access to Governors meetings agendas/ minutes?	Y	<i>As per statutory requirement.</i>		<b>Minutes held at school &amp; LEA</b>
	N	<i>Not adhering to statutory requirement.</i>		
Is a detailed budget agreed by the Governing Body at the start of the Financial Year?	Y	<i>Demonstrates wider accountability for decision-making.</i>		<b>Approval is minuted</b>
	N	<i>One individual may unduly influence the School's best interests.</i>		
Is the Governing Body involved in formulating & monitoring the School Improvement Plan?	Y	<i>Demonstrates wider accountability for decision-making/improvement.</i>		<b>Approval &amp; monitoring is minuted</b>
	N	<i>Unable to demonstrate accountability for decision making.</i>		
The Governing Body has approved and implemented relevant policies in accordance with legislation?	Y	<i>As per statutory requirement.</i>		<b>Approval is minuted</b>
	N	<i>Not adhering to statutory requirement.</i>		
Are Audited Certified Annual Accounts of ALL the School's unofficial/private funds reported to the Governing Body?	Y	<i>The Governing Body is aware of the worth of the fund.</i>		<b>Meeting where accounts presented is minuted / Copy of Governors Annual Report details accounts.</b>
	N	<i>The Governing Body is not kept informed on all financial aspects of the School's administration.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 164

Governors have received appropriate induction training and area specific training relating to the Committees on which they sit?	Y	<i>New and existing Governors/Clerks are provided with satisfactory support and guidance to discharge their duties.</i>		<b><i>Training record maintained</i></b>
	N	<i>New and existing Governors/Clerks may fail in their role.</i>		

<p><b>Results Agreed by:</b></p> <p><b>Position held:</b></p> <p><b>Date:</b></p>
---

### 2. BANK ACCOUNT

**As funds are deposited directly into the schools independent bank account, controls should be in place to safeguard those funds, demonstrate accountability and ensure that the bank account is adequately managed and monitored.**

***CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:***

**Accounting procedures for the bank account are sound and secure.  
The account is used for legitimate purposes and is well controlled.**

CONTROL	Y/N	IMPLICATIONS	Comments	Source of Evidence
Have relevant staff access to the Fair Funding Scheme for	Y	<i>Relevant staff are aware of procedures.</i>		<b><i>Staff are aware of the location of Financial</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 165

Schools/Financial Regulations?	N	<i>Errors may occur or controls bypassed due to no knowledge of official procedures.</i>		<b>guidance.</b>
Complete details of the bank account(s) including account signatories are adequately recorded and all relevant records have been securely stored?	Y	<i>Demonstrates accountability and compliance with Financial Regulations, Statutory requirements.</i>		<b>Bank statements, bank mandates and correspondence securely stored</b>
	N	<i>Non compliance with statutory requirements</i>		
The correct sum has been paid into the bank account?	Y	<i>Funds are correctly accounted for.</i>		<b>Bank Reconciliation</b>
	N	<i>Risk of fraud and/or misappropriation where funds cannot be fully accounted for</i>		
The account is maintained by a designated member of staff?	Y	<i>Responsibility and accountability is clearly designated</i>		<b>Bank Reconciliation signed by person preparing / Job description</b>
	N	<i>Risk of error, fraud or misappropriation</i>		
Cheques are produced by a legitimate member of staff, who is not a signatory to the account.	Y	<i>Demonstrates division of duties in the process</i>		<b>Mandate, Cheque Stationery</b>
	N	<i>Risk of fraud or misappropriation</i>		
The account is closely monitored and reconciled, with bank statements being received on a regular basis.	Y	<i>Fraudulent activity and/or errors are promptly identified</i>		<b>Bank Statements, bank reconciliation signed and dated by preparing Officer.</b>
	N	<i>Risk that fraud or error may go undetected</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 166

Checks are made to ensure that the account remains in balance, by someone not involved in the management of the account, and any discrepancies investigated.	Y	<i>Demonstrates a division of duties</i>		<b>Bank reconciliation signed by independent person of that making entries on SIMS / Bank reconciliation.</b>
	N	<i>Risk of fraud, error or manipulation</i>		
Relevant information is forwarded to the School Finance Support Team on a monthly basis.	Y	<i>LEA is fully informed of account position</i>		
	N	<i>LEA may not be aware of any anomalies</i>		
Satisfactory records exist for the ordering, receipt and issue of cheques. With all transactions signed and counter signed.	Y	<i>Cheques are adequately controlled and recorded</i>		<b>Cheque Stationery record</b>
	N	<i>Risk that cheques could be misused and not fully accounted for.</i>		
Cheques are securely stored with access limited to named members of staff.	Y	<i>Cheques are adequately controlled and recorded</i>		<b>Physical storage in locked cupboard / safe.</b>
	N	<i>Risk that cheques could be misused and not fully accounted for</i>		

**Results Agreed by:**

**Position held:**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 167

### 3. PETTY CASH ACCOUNTS

Petty cash allows schools to meet items of minor expenditure, such as postage or small value purchases below £50. Cash is a vulnerable asset and it is important to ensure that monies held are adequately protected.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*Funds are safeguarded at all times, Expenditure is appropriate and authorised  
Reimbursements are verified and correctly authorised  
VAT is reclaimed appropriately and in accordance with Financial Regulations*

CONTROLS	Y/N	IMPLICATIONS	Comments	Source of Evidence
Is the petty cash held in a safe or lockable cabinet with access restricted to named personnel only?	Y	<i>Funds are safeguarded</i>		<b>Physical evidence in the form of a locked container / safe: restriction on key holders.</b>
	N	<i>Unauthorised access could lead to misappropriation of funds</i>		
Are receipts obtained for all items of expenditure? Are purchases made reasonable?	Y	<i>All expenditure are evidenced, demonstrating proper use of money</i>		<b>Retained receipts for all expenditure.</b>
	N	<i>Integrity is at risk if monies go missing, receipts evidence proof of purchase</i>		
Are petty cash vouchers fully completed and authorised prior to reimbursement?	Y	<i>Ensures only authorised &amp; appropriate purchases are reimbursed.</i>		<b>Signed petty cash vouchers.</b>
	N	<i>Inappropriate purchases / reimbursement may be made</i>		
Are reconciliations to cash balances undertaken on a regular basis?	Y	<i>Funds are safeguarded,</i>		<b>Evidence of reconciliation</b>
	N	<i>There is a risk of funds being</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 168

Is VAT itemised separately where a valid receipt is held.	Y	<i>misappropriated</i> <i>VAT is only reclaimed where a valid receipt is held</i>		<b><i>Retained receipts for VAT purposes.</i></b>
	N	<i>School may incur a penalty by HM Revenues &amp; Customs if VAT is incorrectly reclaimed.</i>		

**Results Agreed by:**

**Position held:**

**Date:**

#### 4. BUDGETARY CONTROL

The budget has a controlling influence over the whole cycle of school affairs and budgetary control has become increasingly important. Budgetary control is dependent upon adequate monitoring procedures being in place and compliance to Funding Regulations Wales 2010.

#### CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:

Expenditure reflects the school's aims and objectives as contained in the School Development Plan

Budget monitoring is regularly undertaken

The Governing Body receives regular and accurate budgetary reports

Action is taken to avoid overspend situations and avoid unplanned use of funds in line with Funding Regulation Wales 2010

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>Comments</b>	<b>Source of Evidence</b>
On receipt of the Formula Funding	Y	<i>Provides assurance that the budget is</i>		<b><i>Calculations retained.</i></b>



## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 16

allocation from the LEA, are the calculations reviewed for accuracy at the school and accurately recorded on SIMS/ COA?	N	<i>accurately recorded on the financial system to enable informed decision making with respect to spend.</i>  <i>Decisions on spend may be made based on inaccurate budget information.</i>		
Does the Governing Body set a limit to which the Headteacher can vire budgets?	Y	<i>Allows for day-to-day decision-making.</i>		<b>Minutes detail approved limits</b>
	N	<i>Day to day activities may be unnecessarily delayed.</i>		
Does the Governing Body require reports on virements in excess of the Head teachers authorised limits, prior to approval?	Y	<i>Demonstrates a wider accountability for decision-making.</i>		<b>Minutes of approval</b>
	N	<i>One individual may unduly influence the school's best interests.</i>		
Where virement is necessary, are vired amounts posted to the SIMS/ COA systems authorised by the Headteacher, or other authorised officer, before expenditure is committed?	Y	<i>Virements where necessary are appropriately authorised and correctly actioned.</i>		<b>Virement log signed by Headteacher</b>
	N	<i>Poor budgetary controls are in place – overspends may occur.</i>		
Are accurate budget reports provided to the Governing Body (Finance Sub Committee) on a termly basis?	Y	<i>Demonstrates a wider accountability for decision-making.</i>		<b>Minutes of meetings</b>
	N	<i>Decisions made by the Governing Body are uninformed.</i>		
Are discrepancies identified between the SIMS/ COA system	Y	<i>Good budgetary controls are in place and resources may be targeted to areas of</i>		<b>Retention of records/corresponde</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 170

and central monitoring printouts, investigated and rectified?	N	<i>greatest need.</i>  <i>Poor budgetary controls are evident and overspends may not be detected in time to take corrective action.</i>		<i>nce detailing action taken.</i>
Does the admin/finance officer compare monthly payroll - salaries reports to school personnel records?	Y	<i>Assurance can be given that all employees paid at the school are bona fide.</i>		<b><i>Printouts retained together with details of action taken.</i></b>
	N	<i>'Ghost' employees may be inserted on the payroll and charged against the schools budget. Employee costs may be miscoded to the schools budget where the employee does not n fact work at the school.</i>		
Where there is a current or previous year deficit, is there a recovery plan in place in compliance with Funding Regulations Wales 2010 ?	Y	<i>Ensures that accurate records are maintained both centrally and at school.</i>		<b><i>Copy of agreed recovery plan to be retained at school.</i></b>
	N	<i>Further overspending is possible resulting in an increased deficit</i>		
Where the school has a current year surplus in excess of 5% or £100K, has the school submitted a return to the LEA detailing its plans for utilising this surplus over the coming year in compliance with Funding Regulations Wales 2010? Does the Headteacher sign this to take	Y	<i>The school has planned sufficiently to use any surplus for the benefit of its pupils and has completed the necessary return.</i>		<b><i>Copy of LEA return together with outturn statement retained at school.</i></b>
	N	<i>The school may not be investing sufficient resource into the education of its pupils in the current year.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 171

responsibility for ensuring the monies are spent appropriately?			
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**Results Agreed by:**

**Position held:**

**Date:**

### 5. STATISTICAL RETURN & PLASC RETURN

The schools budget share is based upon pupil numbers on roll as at the enumerate date. It is therefore essential that the information provided on these returns is accurate.

***CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:***

School attendance records are accurate and complete  
All pupils claimed on the PLASC are legitimate.

CONTROL	Y/N	IMPLICATIONS	Comments	Source of Evidence
Is the information contained on the Statistical return / PLASC return verified by an independent person?	Y	<i>Only legitimate pupils will be included</i>		<b><i>Copy of signed PLASC/numbers on roll return</i></b>
	N	<i>Possibility for error or inclusion of 'ghost pupils'</i>		
Is the information contained on the	Y	<i>Only legitimate pupils will be included</i>		<b><i>Attendance records</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 172

PLASC & statistical returns based upon actual attendance records?	N	<i>Possibility for error or inclusion of 'ghost' pupils.</i>		
Is the information contained on SIMS updated on a timely basis to include leavers/joiners?	Y	<i>Only legitimate pupils will be included</i>		<b>SIMS numbers on roll</b>
	N	<i>Possibility for error or inclusion of 'ghost' pupils.</i>		
The PLASC summary return is authorised by the Head Teacher.	Y	<i>The return is complete and does not comply with WG requirements</i>		<b>PLASC return</b>
	N	<i>The return is incomplete</i>		
Are Post 16 pupils enrolled on a legitimate activity?	Y	<i>Pupils correctly included on return</i>		<b>Individual Pupil timetable</b>
	N	<i>Return includes pupils not on a legitimate course</i>		

**Results Agreed by:**

**Position held:**

**Date:**

### 6. STAFFING

Staff costs constitute the largest item of expenditure to be met from a schools budget. Although the majority of schools do not administer their own payroll, they are responsible for ensuring that payments are made only to bona fide employees for services provided to the school.

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

All personnel charged to the school are legitimately employed at the school  
Any changes to the payroll are valid  
Recruitment takes account of safeguarding requirements and  
CRB checks are undertaken prior to commencement of employment

CONTROL	Y/N	IMPLICATIONS	Comments	Source of Evidence
Are documents relating to appointments, terminations or amendment of employment checked and appropriately authorised by the Head Teacher or other authorised officer?	Y	<i>Assurance can be given that all payments will be valid.</i>		<b>Copies of such documents retained indicating authorisation. Alternatively, a copy of the E Mail from the Headteacher or other authorised signatory should be retained.</b>
	N	<i>A potential exists for falsification of documents, resulting in incorrect payments.</i>		
Are all timesheets and overtime records etc. properly authorised and certified?	Y	<i>Assurance can be given that all payments made are for authorised periods.</i>		<b>As above.</b>
	N	<i>A Potential exists for false claims and poor budgetary control.</i>		
Does the school ensure that pre-employment checks including DBS are in place prior to the employee start date?	Y	<i>Non compliance with Policy, possible safeguarding issues</i>		
	N			
Upon notice of termination of an employee's contract, prompt notification is made to the payroll section.	Y	<i>Assurance can be given that only authorised periods are paid.</i>		<b>As above.</b>
	N	<i>A potential exists for overpayments of final</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 174

		<i>salary to the leaver.</i>		
Payments due to 'freelance' or 'self-employed' individuals for services provided are paid via the payroll.	Y	<i>Assurance can be given that payments comply with HM Revenues &amp; Customs requirements.</i>		<b>Evidence of Employment Status Indicator Test (ESI) is retained at the school.</b>
	N	<i>Fines may be incurred from HM Revenues &amp; Customs for incorrect accounting.</i>		
The Management or Administration Structure of the School has remained unchanged over the twelve months.	Y	<i>Continuity of staff should ensure that standards and procedures remain consistent.</i>		<b>Organisational Structure / TRENT reports.</b>
	N	<i>Turnover of staff may result in inconsistencies leading to falling standards and control deficiencies.</i>		

**Results Agreed by:**

**Position held:**

**Date:**

### 7. MINIBUS/VEHICLES

All vehicles owned or leased by the School are administered and controlled to demonstrate that they are maintained in accordance with Council/ School Policies and legislation to mitigate any possible risk of misuse and ensure accountability of its vehicles and drivers.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*To ensure that any vehicle leased owned or used by the establishment has adequate systems of controls in place to record and monitor usage, fuel purchases and ensure that only eligible drivers use the vehicles etc*

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 17 of 43

CONTROL	Y/N	IMPLICATIONS	Comments	Source of Evidence
Are all vehicles registered on the establishment or Council's asset register?	Y	<i>Adherence to Council Policy.</i>		<b>Asset inventory</b>
	N	<i>Non register of assets could result in insurance becoming void.</i>		
A clear policy has been formulated for the use of any vehicle.	Y	<i>Compliance to usage of vehicles.</i>		<b>Copy of such policy / guidance retained</b>
	N	<i>Misuse of vehicles could occur with no accountability.</i>		
Appropriate vehicle insurance is maintained or vehicle is registered with Council's Insurance Officer.	Y	<i>Insurance legislation being adhered to.</i>		<b>Insurance Certificate</b>
	N	<i>Fine or even imprisonment as appropriate insurance cover is a legal requirement.</i>		
Responsibility of administration of the vehicle/s is designated to a specific officer.	Y	<i>Appropriate controls and authority measures are in place</i>		<b>Log of authorised drivers</b>
	N	<i>Misuse of the vehicle may occur.</i>		
Keys and fuel cards are controlled and securely stored at all times.	Y	<i>Reduced risk of misappropriation or misuse of vehicle.</i>		<b>Physical access restriction eg, locked cupboard</b>
	N	<i>Increased risk of theft or misappropriation.</i>		
Minibuses have the appropriate section 19 permit and minibuses are driven by appropriately trained drivers only who have been DBS checked.	Y	<i>Legislation adhered to.</i>		<b>Section 19 permit / DBS confirmations/ Driver licenses checks</b>
	N	<i>Possible illegal use of vehicles by unqualified.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 176

Adequate procedures exist to control and monitor the purchase and consumption of fuel.	Y	<i>Appropriate use of vehicle fuel consumption being adhered to.</i>		<b>Procedures / policy retained on site</b>
	N	<i>Increased risk of theft or misappropriation.</i>		
Where the school uses other modes of transport such as ad hoc taxi or minibus providers, is advice sought from BCBC/VOG Transport Unit/Fleet Management as to the appropriateness of the transport provider?	Y	<i>The school gives sufficient priority to pupil safety when making transport arrangements.</i>		<b>Copies of e mails or written confirmation.</b>
	N	<i>Pupils using such transport may be at risk of injury or harm.</i>		

**Results Agreed by:**

**Position held:**

**Date:**

### 8. PROCUREMENT FOR GOODS & SERVICES

#### PROCUREMENT

Schools achieves value for money from all their purchases. Proper procedures for the placing of orders and the subsequent payment of invoices would demonstrate good practice and compliance with Financial Regulations.

**CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**  
*Orders raised are in accordance with Financial Regs & Standing Orders for Schools.*



## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

*Adequate division of duties exists between raising an order, receiving goods and authorising the subsequent payment  
Order forms are held securely & payments are in accordance with the order and goods received.  
Where appropriate correct procedures in relation to CIS, & central procurement arrangements are adhered to.*

Page 177

<b>CONTROL</b>	<b>Y/N</b>	<b>COMMENTS</b>	<b>Comments</b>	<b>Source of Evidence</b>
Are Financial Regulations for schools always applied: a) Where applicable are quotations obtained prior to raising the order for comparison; b) Where appropriate, are a number of written quotations always obtained and retained c) Are only approved suppliers used?	Y  N	<i>In accordance with the Financial Scheme for Schools.  The school may not have obtained value for money and are not protected through the compliance with Financial Regulation.</i>		<b>Copies of quotations retained.</b>
Is an official order raised and issued to suppliers & copy retained.	Y  N	<i>Decision making on spend is based on accurate information.  No record of commitment which could result in an overspend.</i>		<b>Copies of orders</b>
In the case of telephone orders, are "confirmation" orders immediately raised via SIMS or other financial system and authorised by the Headteacher or Authorising officer?	Y  N	<i>A clear Audit trail is apparent.  No record of commitment which could result in an overspend.</i>		<b>Copies of orders as signed by authorised person.</b>
Are manual requisitions raised, authorised and passed to the admin officer for input on to the ordering system?	Y  N	<i>Bona fide requisitions are clearly recorded.  Poor budgetary controls are in place and overspends may occur.</i>		<b>Copies of requisitions retained.</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 178

Are all orders raised, authorised by the Headteacher or authorising officer?	Y  N	<i>Division of duties evident and in accordance to Council Policy.</i>  <i>Orders may be raised for goods not appropriate to the school.</i>		<b>Copies of signed orders</b>
Is there adequate security for access to the ordering system?	Y  N	<i>Sound security systems with minimal risk of abuse.</i>  <i>Unauthorised access may be gained.</i>		<b>Access restrictions to SIMS or if applicable manual order pads.</b>
Are goods checked upon receipt to order, quantity & quality of goods?	Y  N	<i>Avoidance of damaged goods and acceptance of order.</i>  <i>Invoices may be paid for goods not received, or goods subsequently returned.</i>		<b>Signed delivery notes retained.</b>
Are invoice details matched to the order prior to being paid?	Y  N	<i>Correct invoices paid to order.</i>  <i>Duplicate payments may be made or incorrect charges not detected.</i>		<b>Signed invoices</b>
Are outstanding orders in excess of a two month period reviewed and, where appropriate, cancelled and the amount released back into the	Y  N	<i>Budget allocated correctly.</i>  <i>Utilised budget not identified.</i>		<b>COA/SIMS report</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 179

budget?				
Are payments authorised by a separate individual to that placing the order?	Y	<i>Division of duties evident.</i>		<b>All such documentation signed to indicate authoriser.</b>
	N	<i>Personal goods may be purchased.</i>		
Are controls in place to ensure no duplicate payments are made to a supplier.	Y	<i>Minimises risk of duplicate payments made for the same invoice.</i>		
	N	<i>Duplicate payment may be made.</i>		
<b>Cheque Book Schools:</b> Are cheque payments raised signed by 2 authorised signatories and transactions independently reconciled by 2 officers on a regular basis?	Y	<i>Bona fide payments are only made.</i>		<b>Signed bank reconciliations/remittance slips</b>
	N	<i>Payments could be made by unauthorised personnel.</i>		
Are cancelled cheques retained with appropriate narrative and regular stock reconciliations undertaken?	Y	<i>In accordance with Financial Regulations.</i>		<b>Copies of cancelled cheques (Spoiled) are retained.</b>
	N	<i>Cancelled cheques are stolen or lost and satisfactory audit trails do not exist.</i>		
Are there adequate controls and division of duties within the BACS process? (Where applicable)	Y	<i>Reduced risk of misappropriation</i>		<b>Bacs listings checked &amp; signed by independent person.</b>
	N	<i>Potential for fraud or misappropriation of funds.</i>		
Are both control and BACS totals verified independently prior to transmission?	Y	<i>Reduced risk of misappropriation</i>		<b>As above.</b>
	N	<i>Potential for fraud or misappropriation of funds</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 180

Are BACS transmissions adequately protected and PIN/password not disclosed or shared?	Y	<i>Access to BACS transmission is appropriately safeguarded</i>		<b>Secure issue of PIN/password by bank.</b>
	N	<i>Potential for fraud or misappropriation of funds</i>		
<b><u>Procurement / Credit Card Purchases</u></b>  Has the Procurement/Credit Card Application been approved by the Governing Body, LEA and Director of Finance (VOG) or relevant officer (BCBC) and signed by the Headteacher?	Y	<i>Proper approval has been given for the operation to the Credit Card Scheme at the school</i>		<b>Fully completed and signed documentation retained.</b>
	N	<i>Governors and LEA unaware of Credit Card Scheme</i>		
Has the Procurement/Credit Card application been signed by the Head Teacher with the card in the name of the designated card holder and the school?	Y	<i>Approval gained from the Budget Holder.</i>		<b>Documentation retained.</b>
	N	<i>Misappropriation of Credit Card purchases.</i>		
Are the Terms and Conditions for the use of the Procurement/Credit Cards known and being adhered to?	Y	<i>Compliant with Policy &amp; Procedures</i>		<b>Transactions and approval in line with Policy &amp; Procedures can be demonstrated.</b>
	N	<i>Non compliant with Policy &amp; Procedures</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 101

Are the Procurement/Credit Cards held securely by the designated card holder or in school safe?	Y	<i>Credit Cards securely held</i>		<b>Safe contents/movements register.</b>
	N	<i>Fraudulent purchases, misappropriation of goods</i>		
Are Procurement/Credit card purchases in line with Policy / Procedures and HM Revenues & Customs requirements for VAT. Is a commitment recorded?	Y	<i>Amount committed against the budget and VAT correctly reclaimed</i>		<b>Purchases recorded and signed by authorised signatory</b>
	N	<i>Budget overspends. In breach of Regulations and HM Revenues &amp; Customs requirements</i>		
Are monthly reconciliations undertaken by an independent person from the Transaction Log, Credit Card Statement and bank statements to ensure accuracy and legitimacy of payments?	Y	<i>Division of duties evident</i>		<b>Reconciliations retained</b>
	N	<i>Check on purchases not undertaken</i>		

**Results Agreed by:**

**Position held:**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

### 9. SCHOOL INCOME

Systems are required to be in place to ensure that all income due to school is received or recorded as a debt.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*All income is duly accounted for, promptly collected and banked*

*All income is reconciled on a timely basis to both the SIMS and Councils Financial Information System*

*The Authority's insurance limits for cash holdings have not been exceeded*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>Comments</b>	<b>Source of Evidence</b>
All income due to the school is entered promptly and correctly into SIMS/ COA	Y	<i>Complete audit trail ensures funds are safeguarded</i>		<b>SIMS/COA reports</b>
	N	<i>Poor audit trail could lead to misappropriation of income</i>		
Are receipts issued or separate records maintained for all income collected?	Y	<i>Receipts verify the income and provide an audit trail to ensure all monies are banked</i>		<b>Copies of receipts</b>
	N	<i>Cash is a vulnerable asset. If not receipted, a lower amount that received may be banked</i>		
Is cash banked promptly and held in a safe or lockable container whilst on school premises?	Y	<i>Funds are safeguarded</i>		<b>Physical access restrictions (Safe / locked cupboard)</b>  <b>Banking records</b>
	N	<i>Cash is a vulnerable asset and unauthorised access could lead to misappropriation</i>		
Is the Authority's Insurers cash holding limits and cash carrying procedures applied?	Y	<i>Funds and employees are safeguarded</i>		<b>Confirm limit with Risk &amp; Insurance Officer.</b>
	N	<i>Cash is a vulnerable asset. The greater</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 183

		<i>amount of cash held on site the higher risk of theft or misappropriation</i>		
Are VAT correctly treated and coded on the Financial Ledger?	Y	<i>Ensure the accuracy of information contained on the Authority's global VAT return</i>		<b>HM Revenues &amp; Customs website</b>
	N	<i>Incorrect information contained on the Authority's global VAT return could result in a penalty being incurred.</i>		
Are all cash transfers evidenced by the signatures of the officers involved?	Y	<i>If monies are stolen, an audit trail exists that will identify the stage at which it went missing</i>		<b>Signed stationery/cash transfer record where applicable</b>
	N	<i>If monies go missing, everybody involved in the cash handling is placed under suspicion.</i>		
Are official monies kept separate from private/unofficial fund monies?	Y	<i>School funds are kept separate from official funds, there is no mixing of income sources.</i>		
	N	<i>Teeming and lading practices may occur</i>		
Are accounts for monies due to the school raised promptly & accurately?	Y	<i>The school collects monies due from the use of its facilities promptly.</i>		<b>Prompt request for payments</b>
	N	<i>Inaccurate &amp; out of date invoices are raised.</i>		
Where an external organisation hires the school's facilities, are official agreements set up & signed which set out the terms of hire?	Y	<i>All hirers are aware of their respective responsibilities</i>		<b>Copies of agreements</b>
	N	<i>Could result in disputes arising due to lack</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 184

		<i>of formal agreement</i>		
Where organisations hire school facilities, does the school ensure that the hirer has the appropriate level of insurance in place?	Y	<i>The school is safeguarding its property and assets.</i>		<b>Copy of insurance certificate or declaration signed to indicate appropriate.</b>
	N	<i>Uninsured losses to the school.</i>		
The school appropriately accounts for VAT where income is received on the hire of facilities?	Y	<i>VAT legislation is adhered to.</i>		<b>Hire agreement specifies VAT booking requirements.</b>
	N	<i>Potential to incur penalties &amp; fines</i>		
Are coin operated machines (e.g telephones & vending) emptied regularly by two people both signing the collection records?	Y	<i>Monies and stock from coin operated machines are appropriately safeguarded.</i>		<b>Signed collection records.</b>
	N	<i>Risk of misappropriation of monies and stock</i>		

**Results Agreed by:**

**Position held:**

**Date:**



## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 18

### 10. SCHOOL MEALS

School meals are provided by Catering Services. The collection of cash is the responsibility of the Catering Staff based at the school. In some circumstances banking of cash may be the responsibility of the school or undertaken by Catering Services.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*All income is duly accounted for and promptly banked  
Free school meals are only given to those entitled to them  
Appropriate documentation is maintained*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>Comments</b>	<b>Source of Evidence</b>
Are systems in place to identify those pupils entitled to free meals? Does the system ensure only those entitled actually receive a meal?	Y  N	<i>Only pupils actually entitled to a free meal receive one.  Failure to collect income due resulting in financial loss to the Authority.</i>		
Where applicable are income records/cash transfer sheets signed by the Cook and the appropriate member of administrative staff receiving the money for banking?	Y  N	<i>Segregation of duties is present at the counting &amp; recording stage of the process.  There may be a risk of misappropriation of meal income.</i>		<b>Form signed by Cook &amp; Admin Staff</b>
Are the sums received matched to till reports? (Z readings) Are all Z reports accounted for?	Y  N	<i>Appropriate audit trail exists  Scope for misappropriation of monies due to lack of core records.</i>		<b>Z Readings Till Reports.</b>
Are 2 members of staff involved in any cashing up procedures with	Y	<i>Division of duties demonstrated</i>		<b>Till reports, Income records</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 18 of 28

both signing the income records?	N	<i>Risk of misappropriation</i>		
Are significant discrepancies investigated and reported where applicable?	Y	<i>Cash shortages are monitored</i>		<b>Till reports, income records</b>
	N	<i>Significant cash shortages may go undetected, not investigated</i>		
Where cash is collected by a security company, are adequate records maintained and a receipt obtained for all collections?	Y	<i>Clear audit trail and accountability</i>		<b>Banking records, security company receipts</b>
	N	<i>Risk of misappropriation</i>		
For BCBC schools - Are catering invoices checked against records of school meals issued?	Y	<i>Accurate amounts are invoiced to the school</i>		<b>Copies of catering invoices, CSM forms</b>
	N	<i>The school may be paying incorrect amounts to Catering Services</i>		

**Results Agreed by:**

**Position held:**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 187

### 11. INVENTORIES, STOCKS & SECURITY

An up to date inventory is required to be maintained, for all attractive and expensive items held at the school and disposals are in line with procedures.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*Assets are recorded and securely held to reduce the risk of theft or misappropriation  
Employees are not put in a position of unnecessary risk*

CONTROL	Y/N	IMPLICATIONS	Comments	Source of Evidence
Are inventory records (inc ICT equipment) updated with details of acquisitions and disposals as such transactions occur?	Y	<i>All valuable and portable items are recorded should an insurance claim be required.</i>		<b>Copies of inventory (Electronic or paper)</b>
	N	<i>Difficulties will be encountered in identifying missing items should an insurance claim be required.</i>		
If the school inventory is maintained on computer, is access restricted to authorised personnel only?	Y	<i>Information will be adequately protected</i>		<b>IT access restrictions</b>
	N	<i>Information may be corrupted and pilfering may occur</i>		
Is the inventory physically checked and certified on an annual basis.	Y	<i>Missing items will be located and theft will be deterred</i>		<b>Inventory signed &amp; filed with LEA where applicable</b>
	N	<i>Pilfering may occur, as missing items will not be detected</i>		
Are items security marked with 'BCBC/ VOG School Name/postcode etc'	Y	<i>Items will be identified following a theft</i>		<b>Physical check to ensure marked</b>
	N	<i>Items may not be traceable following a theft</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 188

Is a register maintained for all items taken off-site?	Y	<i>Items are less likely to go missing if their location is recorded</i>		<b><i>Filed with LEA / Stored on electronic mobile device off site eg, disk or pen drive.</i></b>
	N	<i>Pilfering is more likely to occur. Insurance void.</i>		
Are the Authority's procedures for the disposal of equipment adhered to?	Y	<i>Procedures ensure that only obsolete or equipment surplus to requirements is permanently removed from the premises</i>		<b><i>Information is retained in line with requirements or disposed of in line with regulations.</i></b>
	N	<i>Opportunities exist for goods to be misappropriated</i>		

**Results Agreed by:**

**Position held:**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

### 12. PRIVATE/UNOFFICIAL FUNDS

The school Private fund / voluntary funds are distinct from the Authority funds' administration by the school. It is important that these monies are properly administered and that accountability for the use of such monies can be demonstrated.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*Funds are adequately safeguarded.  
Expenditure is appropriate.  
Withdrawals from the account are verified.  
Income is accounted for.*

CONTROL	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Are all relevant staff and Private/Unofficial Fund committee members aware of and have access to the current version of the Private Fund Regulations/Financial Regulations?	Y  N	<i>Those charged with governance are aware of the procedures governing the administration of the private fund.  Non compliance due to lack of knowledge.</i>		<b><i>Regulations retained on site and all relevant persons made aware and have access.</i></b>
Are receipts obtained for all items of expenditure	Y  N	<i>All withdrawals can be verified and can demonstrate reasonableness of purchase.  Integrity is at risk if monies go missing and there are no receipts to evidence withdrawals.</i>		<b><i>Expenditure Log/ Receipts for expenditure</i></b>
Are records regularly & independently reconciled to the bank and cash balances?	Y	<i>Funds are safeguarded and the correction of errors is timely.</i>		<b><i>Private Fund Records / Evidence of independent review as</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 190

	N	<i>Funds may be misappropriated and may go undetected.</i>		<b><i>prescribed by Regulations.</i></b>
Funds are audited on an annual basis by suitable persons independent of the management committee and fund signatories. Are auditors' certified annual accounts reported to the Governing Body/LEA for ALL accounts.	Y	<i>Funds are safeguarded from misappropriation by an independent third party.</i>		<b><i>Private/unofficial Fund Audit Certificate and Auditors checklist.</i></b>
	N	<i>Misappropriation of funds can remain undetected.</i>		
Are auditors' certified annual accounts reported to the Governing Body/LEA for ALL accounts.	Y	<i>Lack of awareness and scrutiny of the fund by Governing Body/LEA.</i>		<b><i>Governing Body Meeting Minutes</i></b>
	N	<i>The Governing Body/LEA is not being kept informed on all financial aspects of the schools administration.</i>		

**Results Agreed by:**

**Position held:**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 13

### 13. COMPUTER SECURITY & DATA PROTECTION

Computer systems are an essential tool for the processing and recording of financial and other management information. Therefore it is important that staff are aware of the Council's Policies regarding the security of its computer systems and that satisfactory safeguards are in place. The Data Protection Act requires anyone who handles personal information to comply with the 8 important principles. It also gives individuals rights over the use of their personal information.

#### Controls should be in place to ensure that:

*The Data Protection Act is complied with*  
*Members of staff are aware of the Council's Computer Code of Practice;*  
*Access to data is limited to named personnel only;*  
*Passwords are maintained and changed regularly for individual members of staff;*  
*Back ups are undertaken regularly and are securely stored;*  
*Removable media such as memory sticks, CD's etc are securely held and accounted for and encrypted for security.*

CONTROL	Y/N	IMPLICATIONS	Comments	Source of Evidence
Is the School registered with the Information Commissioner for the purpose of Data Protection?	Y	<i>The Data Protection Act has been complied with.</i>		<b><i>Data protection certificate of registration</i></b>
	N	<i>Failure to register is illegal and the school may be liable to penalties.</i>		
All relevant staff have received Data Protection and Freedom of Information training?	Y	<i>The Data Protection Act has been complied with.</i>		<b><i>Training records</i></b>
	N	<i>Breaches in the use of Data Protection Information may be liable to penalties.</i>		
Has the school identified all the	Y	<i>The school is aware of the data it holds</i>		<b><i>Data protection</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 192

categories of personal data being processed and why?	N	<i>that is subject to the Data Protection Act and is therefore able to comply.</i>  <i>Breaches in the use of Data Protection Information may be liable to penalties.</i>		<b>certificate of registration</b>
Does the school have a procedure in place to ensure that personal data no longer required is disposed of securely?	Y	<i>The school securely disposes of personal and/ (or) sensitive data securely.</i>		<b>Data protection policy &amp; procedures</b>
	N	<i>Personal or sensitive data is obtained in breach of the Data Protection Act.</i>		
Staff are aware of their responsibilities in ensuring protection of equipment / software when taken off site / to work from home?  If so, do they receive instructions as to how any personal data held on equipment should be safe guarded?	Y	<i>Assurance can be given that when staff take personal data off site it is appropriately safe guarded.</i>		<b>As above</b>
	N	<i>Personal data taken off site by staff may not be appropriately safeguarded. Breach of DPA</i>		
Is removable media such as memory sticks, CDs, etc securely held, password protected and encrypted?	Y	<i>Ensures that data is securely held and protects from authorised access to sensitive information.</i>		<b>Check that mobile devices are encrypted. NB, This should be the case regardless of whether taken off site.</b>
	N	<i>Breach of the Data Protection Act, Computer Code of Practice and ICT Security Policy. Exposure to risk highly likely.</i>		
Are staff aware of and adhere to	Y	<i>Computer equipment will not be damaged</i>		<b>Policies available on</b>



## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 193

the Council's Computer Code of Practice and other ICT related Policies?	N	<p><i>by the introduction of a computer virus. Information will be adequately protected.</i></p> <p><i>There is an increased risk of introducing a computer virus. Information may be lost.</i></p>		<b>site and staff have been made aware.</b>
Is access to the Computer systems limited to named personnel, individual passwords are held and changed regularly?	Y	<i>Ensures both accountability and the security of the system.</i>		<b>Access restrictions / enforced password changes.</b>
	N	<i>Unauthorised access to information that may become corrupted.</i>		
Are staff locked out of the system after a period of time of inactivity e.g. auto lock after 5 minutes?	Y	<i>Ensures both accountability and the security of the system preventing unauthorised access.</i>		<b>Automatic computer locks in place.</b>
	N	<i>Information may be corrupted or computer system misused.</i>		
Is the Computer system backed up on a regular basis in line with the Council's Computer Code of Practice or other ICT policy.	Y	<i>Ensures accountability, the security of the system and enables prompt recovery in the cases of emergency.</i>		
	N	<i>Possible loss of data</i>		

**Results Agreed by:**

**Position Held:**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

### Page 14. CHILD PROTECTION

All schools have a statutory duty to exercise their functions with a view to safeguarding and promoting the welfare of pupils.

#### Controls should be in place to ensure that:

*Safe recruitment procedures are in operation for all staff at the school*  
*Staff are able to recognise symptoms of child abuse*  
*Staff are aware of their roles & responsibilities with respect to child protection*  
*Appropriate avenues are taken for the referral of child protection cases.*

CONTROL	Y/N	IMPLICATIONS	Results & Comments	Source of Evidence
Does the school have a child protection policy in place and has it been approved by the Governing Body?	Y	<i>This will identify the means by which Child Protection issues can be dealt with.</i>		<b><i>Policy document; Governing body minutes</i></b>
	N	<i>Staff may be unaware of the required processes should there be symptoms of child abuse.</i>		
Are the Child protection policy & procedures stored in a place accessible to all staff such as the staff room or held electronically on the server?	Y	<i>Staff have access to the guidance for discharging their responsibilities.</i>		<b><i>Hard copy available in staff room / electronic copy available on shared network</i></b>
	N	<i>Staff may unaware of the required processes should they recognise symptoms of child abuse.</i>		
Have all staff attended Child Protection training?	Y	<i>Staff are aware of their roles &amp; responsibilities and are able to understand &amp; recognise the symptoms of the various forms of child abuse.</i>		<b><i>Training records</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 195

	N	<i>Staff are unable to recognise the symptoms of child abuse and act accordingly.</i>		
Has the school appointed a designated Child Protection Officer? And are all staff (including new starters and temporary workers) made aware of the name and contact details of this person?	Y	<i>Leadership is present with respect to child protection and related issues.</i>		<b>Governing body minutes / Child Protection policy names the person.</b>
	N	<i>This may lead to gaps in the referral process.</i>		
Has the designated Child Protection Officer (CPO) received the appropriate advanced level training including inter agency working?	Y	<i>The designated Officer is able to adequately discharge his/her areas of responsibility.</i>		<b>Training records</b>
	N	<i>The designated CPO may be unable to adequately fulfil his duties.</i>		
Has the school appointed a Deputy Child Protection Officer whom has also received sufficient training to carry out the relevant duties?	Y	<i>There is continuity of procedure in the absence of the designated CPO.</i>		<b>Governing body minutes / Child Protection policy names the person</b>
	N	<i>Should the designated CPO be absent from school there may be gaps in procedure leading to inappropriate action being taken.</i>		
Are DBS checks undertaken and references/ notifications received prior to staff commencing employment at the school?	Y	<i>Only appropriate staff are employed at the school.</i>		<b>Copies of notifications from HR</b>
	N	<i>There is a risk of inappropriate staff being employed at the school.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 195

Does the school ensure that any volunteers have appropriate DBS checks in place or that these are promptly applied?	Y	<i>Only appropriate individuals have access to the school.</i>		<b>Copies of records confirming DBS checks were sighted by the appropriate member of staff.</b>
	N	<i>Children put at unnecessary risk</i>		
Does the school have a risk assessment process in place for occasions where new starters commence employment prior to their DBS check being received?	Y	<i>Staff monitored prior to check being received.</i>		<b>Copies of risk assessments completed and signed by the Head Teacher and approved by HR.</b>
	N	<i>Risk of inappropriate staff being placed with children.</i>		
Does the school receive official notification that all supply teachers employed by the school (including Agency staff) have appropriate DBS checks in place?	Y	<i>Only appropriate staff are employed at the school.</i>		<b>Agency confirmation</b>
	N	<i>There is a risk of inappropriate staff being employed at the school.</i>		

**Results Agreed by:**

**Position Held:**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 197

### 15. HEALTH & SAFETY AND GENERAL SECURITY

Head teachers should be in liaison with the governing body, ensure the health, safety and welfare of employees, pupils and others who may be affected by the school premises or activities.

**Controls should be in place to ensure that:**

*Pupils, staff and visitors at the school are safe  
Risks associated with school trips are identified and mitigated*

CONTROL	Y/N	IMPLICATIONS	Results & Comments	Source of Evidence
Has the school nominated a responsible person for premises related Health & Safety?	Y	<i>Responsibility for Health &amp; Safety issues is allocated.</i>		
	N	<i>Health &amp; Safety issues may not be addressed due to lack of ownership and accountability.</i>		
Has the school ensured that an appropriate school-specific health and safety policy & procedures is developed and effectively implemented and its requirements are communicated to all relevant persons?	Y	<i>Staff are aware of Health &amp; Safety issues and are able to discharge their duties.</i>		<b>Health &amp; Safety Policy</b>
	N	<i>Staff may be unable to act appropriately in the event of a health &amp; safety incident.</i>		
Does the school undertake appropriate assessments of significant risks at the school, and are these subject to regular review?	Y	<i>The school identifies, evaluates and sets mitigating actions for key risks. Ownership is assigned for mitigating actions.</i>		<b>Risk assessments</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 198

	N	<i>Risks are not identified and addressed appropriately.</i>		
Are risk assessments prepared for school trips in line with guidelines set out by the WG?	Y	<i>Risk assessments for school trips are appropriate in content.</i>		<b>Risk assessments</b>
	N	<i>Risk assessments may be inadequate and unfit for purpose.</i>		
Does the school have appropriate fire fighting equipment and alarms in place?	Y	<i>The school is adequately equipped to cope in the event of fire.</i>		<b>Physical check that equipment is in place / Fire risk assessments</b>
	N	<i>In the event of fire the school may be ill equipped leading to safety risks for pupils, staff and visitors</i>		
Have all fire equipment and alarms been subject to regular testing?	Y	<i>Fire fighting equipment &amp; alarms at the school have been tested and found to be in working order</i>		<b>Testing logs / Labels on equipment</b>
	N	<i>Alarms &amp; or equipment may not work in the event of a fire.</i>		
Have staff been trained in fire safety & the use of fire fighting equipment?	Y	<i>Staff are able to safely use fire fighting equipment.</i>		<b>Training logs / Records</b>
<b>NB, Staff should only use fire fighting equipment in the event of absolute necessity.</b>	N	<i>In an absolute emergency, staff may not be able to safely make use of fire fighting equipment.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 199

Does the school operate a swipe card / key pad entry system to restrict access to the school?	Y	<i>The school protects its staff and pupils from unauthorised persons entering the school/</i>		<b>Physical check</b>
	N	<i>Unauthorised persons may access the school.</i>		
Are all visitors to the school required to sign a visitor's book?	Y	<i>All persons visiting the school report to reception.</i>		<b>Signing in book</b>
	N	<i>There is a risk of unauthorised persons being in the school.</i>		

**Results Agreed by:**

**Position Held:**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 16

### GRANT FUNDING

Grant funding should be utilised in accordance with the Terms & Conditions applied with adequate records maintained that clearly account for transactions. Where the school fails to comply with Grant terms & conditions there is a risk that funds may be clawed back at cost to the Council or school.

**Controls should be in place to ensure that:**

*Terms and Conditions of funding are complied with: Adequate records are maintained for income/expenditure*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>Results &amp; Comments</b>	<b>Source of evidence</b>
A formal Acceptance letter is signed by a relevant officer: Grant terms & conditions are known to school	Y N	<i>Compliance to Financial Regulations and Grant Terms &amp; Conditions</i>  <i>Risk of claw back of funds or penalties</i>		<b>Copy of Acceptance Letter and Terms &amp; Conditions at school.</b>
Grant funding and related expenditure is coded separately	Y N	<i>Clear audit trail and adequate record keeping exists to demonstrate compliance to Terms &amp; Conditions</i>  <i>Unable to evidence expenditure, breach of Terms &amp; conditions</i>		<b>Financial systems reports</b>
Grant claims/returns are submitted in a timely manner and in accordance with Terms & conditions	Y N	<i>Compliance to Terms &amp; Conditions</i>  <i>Breach of Terms &amp; conditions</i>		<b>Copies of Grant returns</b>
Documents pertaining to Grant funds are retained for the designated period	Y N	<i>Compliance with Terms &amp; conditions, Council retention Policy</i>  <i>Breach of Terms &amp; conditions, unable to</i>		<b>Orders/invoices retained, evidence of salary costs retained for the required</b>



## CONTROL RISK SELF-ASSESSMENT TOOLKIT COMPREHENSIVE SCHOOLS 2015/16

Page 201

	<i>evidence transactions to source documents, claw back of funds</i>		<b>period.</b>
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**Results Agreed by:**

**Position Held:**

**Date:**

**Please return the completed Questionnaire electronically to Internal Audit. Where applicable some supporting documentation may be requested to support responses provided.**

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## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

Partneriaeth Pen-y-Bont a'r Fro  
Bridgend & Vale Partnership  
working together - gweithio ar y cyd



The aim of this questionnaire is to enable Head teachers to review and ensure that they undertake and comply with requirements of the Financial Scheme for Schools which is based on the legislative requirements of the Schools Standards & Framework Act 1998. The questionnaire also covers a number of other operational risks and controls which come under the management of the school.

The objectives of the Control Risk Self Assessment Questionnaire is to provide both a tool for the Internal Audit Section to evaluate the financial and other related controls in operation at Primary schools, and, also a basis upon which the scope of audit and frequency of visit can be determined.

The questionnaire should be completed by Headteachers and/or those officers involved in the administration of each area covered. Upon completion the responses should be reviewed by the Headteacher, this will allow identification of key controls operating and to detect any areas of weakness/risk.

Positive responses should require no further action, and a degree of assurance can be gained as to the satisfactory operation of systems and the extent of controls which will adequately protect funds, assets and staff integrity.

Where negative responses have been obtained, this area should be addressed and action taken to build the relevant control into the existing system, the failure to take adequate action to correct an anomaly may lead to the possibilities for error and fraud to occur.

The questionnaire should be completed, and electronically returned to the Internal Audit Section within the designated timescale and a copy retained by the school for future reference. This will allow Head teachers to note the benefit accruing from any individual control and to monitor improvements made through the introduction of additional controls to existing financial systems. Ideally this completed document should be returned from the Head teacher's mail box.

<b>School:</b>	
<b>Headteacher:</b>	<b>Admin Officer:</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

<b>Results:</b>				
	<b>Number of YES Answers</b>	<b>Number of NO Answers</b>	<b>Number of Questions Not Applicable</b>	<b>Total Possible Responses (excluding Questions not applicable)</b>
Governance				
Budgetary Control				
Staffing/Salaries & Expenses				
PLASC				
Procurement of Goods and Services				
Imprest/Petty cash Account				
Income, Cash Collection & School Meals Administration				
Inventories, Stocks & Security				
Private Funds				
Computer Security & Data Protection				
Child Protection				
Health & Safety and General Security				
Catering				
Bank Account				
<b>TOTAL</b>				

**Conclusion:**

<b>%Positive Answers</b>	<b>Rating</b>	<b>School % Positive/Possible Answers</b>
<b>80% plus</b>	<b>Very Good</b>	
<b>65 – 79%</b>	<b>Good</b>	
<b>50 – 64%</b>	<b>Fair</b>	
<b>Below 50%</b>	<b>Poor</b>	

<b>Results Agreed by:</b>	<b>Position held:</b>	<b>Date:</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

### 1. GOVERNANCE

***NB This section to be completed by the Governing body***

The Governing Body is collectively responsible for the overall direction of the school and its strategic management, ensuring that the school meets its statutory obligations. The responsibilities of the Governing Body, its committees, the Headteacher and other staff need to be clearly defined.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*A clearly defined framework has been established, by which both the Governing Body and Headteacher can work.  
Statutory obligations of the school are met.*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>COMMENTS</b>	<b>SOURCE OF EVIDENCE</b>
Are the roles of the Governing Body, committees and Headteacher clearly defined in writing?	Y	<i>Demonstrates a wider accountability for decision making</i>		<b><i>Written terms of reference retained at the school.</i></b>
	N	<i>One person may unduly influence the school's best interests.</i>		
Is the composition of the governing body compliant with the Government of Maintained Schools (Wales) Regulations 2005?	Y	<i>As per statutory requirement</i>		<b><i>Membership of Governing Body documented at the school eg, with terms of reference.</i></b>
	N	<i>Not adhering to statutory requirement with ramifications for the legality of decision making.</i>		
Where appeals sub committees are in place, is their membership independent of the originating decision making committee?	Y	<i>Those affected by committee decisions are given fair right to appeal.</i>		<b><i>Minutes of sub committees</i></b>
	N	<i>Decisions ratified by appeals committees could be subject to legal challenge.</i>		
Are all Governing Body and Sub Committee meetings attended by the required percentage set in the Terms of Reference?	Y	<i>Demonstrates a wider accountability for decision-making.</i>		<b><i>Minutes of sub-committees</i></b>
	N	<i>One person may unduly influence the</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

		<i>school's best interests</i>		
Have expenditure limits been set for the Headteacher for which Governors approval is needed and documented in the schools terms of reference.		<i>Demonstrates a wider accountability for decision-making.</i>  <i>One person may unduly influence the school's best interests.</i>		<b>Schools Terms of Reference</b>
Have virement thresholds been set above which Governors approval is required and documented in the schools terms of reference.	Y  N	<i>Demonstrates a wider accountability for decision-making.</i>  <i>One person may unduly influence the school's best interests.</i>		<b>Schools Terms of Reference</b>
Does the school have an up to date Register of Business/Pecuniary Interest signed by each individual member of the Governing Body.	Y  N	<i>Compliance with statutory requirements can be demonstrated as a governing body is required to keep an up to date register with notification of changes and through annual review of entries.</i>  <i>Decisions made for personal gain</i>		<b>Register of Business / Pecuniary Interest</b>
Are budget updates provided to the Governing Body/Finance committee on at least a termly basis?	Y  N	<i>Governors are aware of any potential problems and necessary corrective action can be taken.</i>  <i>Potential problems may not be identified and could result in a budget deficit.</i>		<b>Governing Body Meeting Minutes</b>
Are all Governors meetings minuted and copies provided to LEA.?	Y  N	<i>As per statutory requirement.</i>  <i>Not adhering to statutory requirement</i>		<b>Governing Body Meeting Minutes</b>
Are there arrangements for public access to Governors meetings	Y	<i>As per statutory requirement.</i>		<b>Minutes held at school &amp; LEA</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

agendas/ minutes?	N	<i>Not adhering to statutory requirement.</i>		
Is a detailed budget agreed by the Governing Body at the start of the Financial Year?	Y	<i>Demonstrates wider accountability for decision-making.</i>		<b>Governing Body Meeting Minutes</b>
	N	<i>Unable to demonstrate accountability for decision making</i>		
Is the Governing Body involved in formulating the School Development Plan?	Y	<i>Demonstrates wider accountability for decision-making/improvement.</i>		<b>Governing Body Meeting Minutes</b>
	N	<i>Unable to demonstrate accountability for decision making</i>		
The Governing Body has approved and implemented relevant policies in accordance with legislation.	Y	<i>As per statutory requirement.</i>		<b>Policy approval minuted at Governing body meetings.</b>
	N	<i>Not adhering to statutory requirement.</i>		
Are Auditors Certified Annual Accounts of ALL the School's private funds reported to the Governing Body?	Y	<i>The Governing Body is aware of the worth of the fund.</i>		<b>Governing Body Meeting Minutes</b>
	N	<i>The Governing Body is not kept informed on all financial aspects of the School's administration.</i>		
Governors have received appropriate induction training and area specific training relating to the Committees on which they sit.	Y	<i>New and existing Governors/Clerks are provided with satisfactory support and guidance.</i>		<b>Governing Body Training Records</b>
	N	<i>New and existing Governors/Clerks may fail in their role.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

**Completed by:**

**Position held**

**Date:**

### 2. BUDGETARY CONTROLS

The budget has a controlling influence over the whole cycle of school affairs and budgetary control has become increasingly important. Budgetary control is dependent upon adequate monitoring procedures being in place and compliance to Funding Regulations Wales 2010.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

Expenditure reflects the school's aims and objectives as contained in the School Development Plan

Budget monitoring is regularly undertaken

The Governing Body receives regular and accurate budgetary reports

Action is taken to avoid overspend situations and avoid unplanned use of funds in line with Funding Regulations Wales 2010

CONTROL	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
On receipt of the Formula Funding allocation from the LEA, are the calculations reviewed for accuracy at the school and accurately recorded on SIMS/ COA?	Y	<i>Provides assurance that the budget is accurately recorded on the financial system to enable informed decision making with respect to spend.</i>		<b><i>Copies retained at school.</i></b>
	N	<i>Decisions on spend may be made based on inaccurate budget information</i>		
Are Governors and relevant staff aware of the budget guidance within the financial scheme for schools?	Y	<i>All relevant persons are aware of the budgetary control framework.</i>		<b><i>Copies retained at school.</i></b>
	N	<i>The Governing body and staff may be unaware of financial and legal requirements.</i>		



## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

Is a detailed budget, agreed by the Governing Body at the start of the Financial year?	Y	<i>Demonstrates a wider accountability for decision-making.</i>		<b>Governing Body Minutes</b>
	N	<i>Unable to demonstrate accountability for decision making.</i>		
Does the Governing Body set a limit to which the Head Teacher can vire budgets?	Y	<i>Allows for day to day decision making</i>		<b>Minutes detail approval</b>
	N	<i>Day to day activities may be unnecessarily delayed.</i>		
Are virements reports provided to the Governing Body over and above Head Teachers authorised limits?	Y	<i>Virements where necessary are appropriately authorised and correctly actioned.</i>		<b>Log of Virements or Governor approval documented in minutes.</b>
	N	<i>Budget / spend is not as approved by the Governing body.</i>		
Are accurate budget reports provided to the Governing Body (Finance Sub Committee) at least termly?	Y	<i>Decision making based on accurate up to date financial information.</i>		<b>Governing Body Minutes</b>
	N	<i>Decision making not based on accurate / up to date information.</i>		<b>Finance Sub Committee Minutes</b>
Is actual expenditure regularly reviewed against budget to identify any budget variances or potential/actual overspends and is appropriate authorised corrective action taken?	Y	<i>Good budgetary controls are in place and resources may be targeted to areas of greatest need.</i>		<b>Budget Report and Governing Body minutes</b>
	N	<i>Poor budgetary controls are evident and overspends may not be detected in time to take corrective action.</i>		
Where there is a current or previous	Y	<i>Ensures that any deficit is cleared within a</i>		<b>Recovery Plan / Governing</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

year deficit, is there an approved recovery plan in place.	N	<i>specific period</i>  <i>Further overspending is possible resulting in an increased deficit.</i>		<b>Body Minutes / Finance Sub Committee Minutes</b>
Is progress of either the deficit recovery plan / surplus plan scrutinised by the Governing Body?	Y	<i>Governors are kept informed of progress</i>		<b>Recovery Plan / Governing Body Minutes / Finance Sub Committee Minutes</b>
	N	<i>Governors unaware of potential problems / non achievement</i>		
Where the school has a current year surplus in excess of 5% or £50K, has the relevant return been submitted to the LEA detailing its plans for utilising this surplus over the coming year? Does the Headteacher sign this to take responsibility for ensuring the monies are spent for the benefit of the pupils?	Y	<i>The school has planned sufficiently to use any surplus for the benefit of its pupils.</i>		<b>Copy of return submitted to LEA.</b>
	N	<i>The school may not be investing sufficient resource into the education of its pupils in the current year. Failure to comply with Financial Scheme for Schools.</i>		

**Completed by:**

**Position held**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

### 3. STAFFING

Staff costs constitute the largest item of expenditure to be met from a schools budget. Although schools do not administer their own payroll, they are responsible for ensuring that payments are made only to bona fide employees for services provided to the school.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

All personnel charged to the school are legitimately employed at the school.  
Any changes to the payroll are valid.

CONTROL	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Does the admin/finance officer compare monthly payroll/salaries reports to school personnel records?	Y	<i>Assurance can be given that all employees paid at the school are bona fide.</i>		<b><i>Copies of payroll reports retained at school.</i></b>
	N	<i>“Ghost” employees may be inserted on the payroll and charged against the schools budget. Additionally, the school may be inadvertently charged for employees not working at the school.</i>		
Are documents relating to appointments, terminations or amendment of employment checked and appropriately authorised by the Headteacher or the other authorised officer?	Y	<i>Assurance can be given that all payments will be valid.</i>		<b><i>Manual documents as signed by Head retained at school / Copies of E mails sent to HR retained (and copied to Headteacher).</i></b>
	N	<i>A potential exists for falsification of documents, resulting in incorrect payments.</i>		
All timesheets, sickness and overtime records etc. are properly authorised and certified	Y	<i>Assurance can be given that all payments made are for authorised periods.</i>		<b><i>As above.</i></b>
		<i>A potential exists for false claims and poor</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

	N	<i>budgetary control.</i>		
Does the school ensure that pre-employment checks including DBS are in place prior to the employee start date?	Y	<i>Non compliance with Policy, possible safeguarding issues</i>		
	N			
Upon notice of termination of an employee's contract, prompt notification is made to the payroll section.	Y	<i>Assurance can be given that only authorised periods are paid.</i>		<b>As Above.</b>
	N	<i>A potential exists for overpayments of final salary to the leaver.</i>		
Relief /Supply teaching forms are fully completed with regard to Name, Staff Number etc. and checked to sickness returns/other documentation.	Y	<i>Assurance can be given that only authorised employees and periods are paid.</i>		<b>As above.</b>
	N	<i>A potential exists for delays in payment to relief staff, or possibly payments to incorrect staff.</i>		
Payments due to "freelance" or "self-employed" individuals for services provided are not paid via the payroll.	Y	<i>Assurance can be given that payments comply with Inland Revenue requirements.</i>		<b>Where instances have arisen, school should retain copies of Employment Status Indicator Test.</b>
	N	<i>A potential exists for fines to be incurred from the Inland Revenue for incorrect accounting.</i>		
Where changes in the management or Administration Structure of the School have taken place is appropriate and relevant training provided.	Y	<i>Continuity of staff should ensure that standards and procedures remain consistent.</i>		<b>Organisational Structure</b>
	N	<i>There is a risk that standards and procedures become inconsistent due to continuity issues.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

<b>Completed by:</b>
<b>Position held</b>
<b>Date:</b>

#### 4. PLASC /statistical Return

The schools budget share is based upon pupil numbers on roll as at the enumerate date. It is therefore essential that the information provided on these returns is accurate.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*School attendance records are accurate and complete  
All pupils claimed on the PLASC are legitimate.*

CONTROL	Y/ N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Is the information contained on the PLASC return/numbers on roll return verified by an independent person.	Y  N	<i>Only legitimate pupils will be included.  Possibility for error or inclusion of 'ghost' pupils.</i>		<b>Copy of PLASC/numbers on roll return</b>
Is the information contained on the PLASC return based upon actual attendance records.	Y  N	<i>Only legitimate pupils will be included.  Possibility for error or inclusion of 'ghost' pupils.</i>		<b>Attendance records</b>
Is the information contained on SIMS updated on a timely basis to include leavers/joiners.	Y	<i>Ensures that information on the PLASC return is accurate.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

	N	<i>Where computer attendance records are used, information may not be accurate.</i>		
The PLASC summary return is authorised by the Head Teacher.	Y	<i>The return is compliant with WG requirements.</i>		<b>PLASC return</b>
	N	<i>The return is incomplete.</i>		

**Completed by:**

**Position held**

**Date:**

### 5. PROCUREMENT FOR GOODS & SERVICES

Schools will want to achieve value for money from all their purchases. Proper procedures for the placing of orders and the subsequent payment of invoices would demonstrate good practice.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*Orders raised are in accordance with Financial Regs & Standing Orders for Schools.*

*An adequate division of duties exists between raising an order, & authorising the subsequent payment.*

*Orders forms are held securely.*

*Payments are in accordance with the order and goods received.*

*Where appropriate correct procedures in relation to CIS are adhered to.*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>COMMENTS</b>	<b>SOURCE OF EVIDENCE</b>
Are Financial Regulations for Schools always applied?	Y	<i>Relevant staff are able to comply with the Financial Regulations.</i>		<b><i>Copies retained at school and staff made aware.</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

	N	<i>If staff are unaware of the Regulations they cannot comply with them.</i>		
Where applicable are a number of quotations obtained prior to raising the order? Are these retained?	Y	<i>Assurance can be given that value for money has been obtained.</i>		<b>Copies of Quotations retained</b>
	N	<i>The school may not have obtained value for money &amp; are not protected through the compliance with Financial regulations</i>		
Is an official order always raised and issued to suppliers at the time of order or in the case of telephone orders, are "confirmation" orders immediately raised	Y	<i>The school ensures that all commitments are appropriately recorded on the ledger prior to placing further orders.</i>		<b>Official Order Documentation</b>
	N	<i>Overspends may occur due to commitments not being recorded on the ledger at the time of order.</i>		
Are all orders raised, authorised by the Headteacher or authorising officer.	Y	<i>Correct authorisation for expenditure has been obtained.</i>		<b>Order Documentation Authorised Signatory List</b>
	N	<i>Orders may be raised committing the school to unwanted goods or services.</i>		
Is there adequate security for access to the ordering system?	Y	<i>Only authorised orders can be placed.</i>		<b>Manual order pads stored securely / access restrictions to SIMS or COA.</b>
	N	<i>Personal goods may be purchased.</i>		
Are goods checked upon receipt to order, quantity & quality of goods? Are invoice details matched to the order prior to being paid?	Y	<i>Assurance can be given that only goods received are being paid for.</i>		<b>Delivery Notes checked and signed.  Orders/Invoices</b>
	N	<i>Invoices may be paid for goods not received, or goods subsequently returned.</i>		
Are outstanding unfulfilled orders in	Y	<i>Commitments are not overstated.</i>		<b>SIMS reports</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

excess of a two month period reviewed and, where appropriate, followed up and cancelled with the amount released back into the budget.	N	<i>Funds are not expended to the benefit of the pupils due to overstated commitments.</i>		
Are payments authorised by a separate individual to that placing the order.	Y	<i>An adequate division of duty is maintained.</i>		<b>Copies of orders and invoices.</b>
	N	<i>Personal goods may be purchased.</i>		
VOG - Are payments passed promptly to the LEA for payment within supplier's specified terms?	Y	<i>Assurance can be made that no claims for interest will be received from suppliers for late payment.</i>		<b>Invoices retained for inspection.</b>
BCBC – Are invoices input onto the COA system and authorised promptly within supplier's specified terms?	N	<i>Authority could incur interest due to late payment.</i>		
Is VAT correctly treated to ensure compliance to HM Revenues & customs requirements?	Y	<i>HM Revenue &amp; Customs rules and regulations have been adhered to and VAT is properly accounted for.</i>		<b>Invoices retained for inspection</b>
	N	<i>HM Revenue &amp; Customs rules and regulations may not have been adhered with a risk of interest and penalties may be administered.</i>		
Is all relevant documentation retained in accordance with the relevant retention policy?	Y	<i>Legal requirements are complied with.</i>		<b>Physical documentation retained at school.</b>
	N	<i>Non compliance with legal requirements.</i>		
Is the employment status of contractors and Sub-contractors ascertained prior to works being undertaken at the School?	Y	<i>Assurance can be gained that correct Tax deductions will be made. To assist in the timely payment of invoices.</i>		<b>Evidence of Employment Status Indicator test retained at school.</b>



## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

	N	<i>HMRC regulations may be breached.</i>		
<b><u>Procurement / Credit Card Purchases</u></b>	Y	<i>Compliant with Policy &amp; Procedures</i>		<b>Transactions and approval in line with Policy &amp; Procedures can be demonstrated.</b>
Are the Terms and Conditions for the use of the Procurement / Credit Cards known and being adhered to?	N	<i>Non compliant with Policy &amp; Procedures</i>		
Are the Procurement/Credit Cards held securely by the designated card holder or in school safe?	Y	<i>Credit Cards securely held</i>		<b>Safe contents/movements register.</b>
	N	<i>Fraudulent purchases, misappropriation of goods</i>		
Are Procurement/Credit card purchases in line with Policy / Procedures and HM Revenues & Customs requirements for VAT. Is a commitment recorded?	Y	<i>Amount committed against the budget and VAT correctly reclaimed</i>		<b>Purchases recorded and signed by authorised signatory</b>
	N	<i>Budget overspends. In breach of Regulations and HM Revenues &amp; Customs requirements</i>		
Are monthly reconciliations undertaken by an independent person from the Transaction Log, Credit Card Statement on SDOL to ensure accuracy and legitimacy of payments?	Y	<i>Division of duties evident</i>		<b>Transaction logs, Reconciliations retained</b>
	N	<i>Check on purchases not undertaken</i>		

**Completed by:**

**Position held**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

### 6. PETTY CASH ACCOUNTS

Petty cash accounts, whether bank or cash based, allow schools to meet items of minor expenditure, such as postage or small value purchases below £50. Cash is a vulnerable asset and it is important to ensure that monies held are adequately protected.

**CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*Funds are safeguarded at all times, Expenditure is appropriate and authorised  
Reimbursements are verified and correctly authorised  
VAT is reclaimed appropriately and in accordance with Financial Regulations*

CONTROLS	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Is the petty cash held in a safe or lockable receptacle with access limited to named personnel?	Y  N	<i>Funds are safeguarded.  Unauthorised access could lead to misappropriation.</i>		<b><i>Safe / locked receptacle on school premises.</i></b>
Is supporting documentation retained to support all claims for reimbursement i.e, receipts and/or vouchers?	Y  N	<i>All expenditure is evidenced, demonstrating proper use of money.  Integrity is at risk if monies go missing.</i>		<b><i>Receipts and vouchers.</i></b>
Are petty cash vouchers fully completed and authorised prior to reimbursement	Y  N	<i>Ensures only authorised &amp; appropriate purchases are reimbursed.  Inappropriate purchases/reimbursement may be made.</i>		<b><i>Petty Cash vouchers.</i></b>
Is VAT itemised separately on the reimbursement claim.	Y  N	<i>VAT is only reclaimed where a valid receipt is held.  School may incur a penalty from HM Revenue &amp; Customs if VAT is incorrectly reclaimed.</i>		<b><i>Petty Cash Reimbursement claims.</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

Are regular reimbursement claims (at least termly) made?	Y	<i>Reimbursements are timely and the account will not become overdrawn.</i>		<b>As above.</b>
	N	<i>The imprest account may become overdrawn and bank charges may be incurred.</i>		
Are reconciliations to cash balances and petty cash records undertaken on a regular basis?	Y	<i>Funds are safeguarded, guards against account becoming overdrawn</i>		<b>Documented reconciliations.</b>
	N	<i>There is a risk of funds being misappropriated or account becoming overdrawn.</i>		

**Completed by:**

**Position held**

**Date:**

### 7. INCOME, CASH COLLECTION AND SCHOOL MEALS ADMINISTRATION

Systems are required to be in place to ensure that all income due to school is received or recorded as a debt.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*All income is duly accounted for, promptly collected and banked.  
All banking is reconciled on a timely basis to both the SIMS and Councils Financial Information System.  
The Authority's insurance limits for cash holdings have not been exceeded.  
Free school meals are only given to those pupils who are entitled to them.*

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

CONTROL	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Are receipts issued for all income collected other than school meals income?	Y	<i>Receipts verify the income and provide an audit trail to ensure all monies are banked.</i>		<b>Receipt Book</b>
	N	<i>Misappropriation may not be identified.</i>		
Is cash banked promptly and held in a safe or lockable container whilst on school premises?	Y	<i>Funds are safeguarded</i>		<b>Physical access restrictions (safe/locked cupboard)</b>
	N	<i>Cash is a vulnerable asset and unauthorised access could lead to misappropriation.</i>		<b>Banking records</b>
Is the Authority's insurance cash holding limits and cash carrying procedures applied?	Y	<i>Funds are safeguarded Risk to staff carrying cash is minimised in the event of theft.</i>		<b>Banking records, Risk &amp; Insurance limits</b>
	N	<i>Cash held on site may exceed the insured limit. There is a security risk to staff carrying cash.</i>		
Is VAT correctly treated and coded on the financial ledger?	Y	<i>Ensures the accuracy of information contained on global VAT return.</i>		
	N	<i>Incorrect information which may result in a penalty being incurred.</i>		
Does the Headteacher undertake checks to ensure that all monies are correctly recorded and banked.	Y	<i>Funds are safeguarded against misappropriation.</i>		
	N	<i>There is a risk of funds being misappropriated and going undetected</i>		
Are school meals records accurate to ensure arrears are kept to a minimum?	Y	<i>Accurate records will ensure that all income due is received and highlight any arrears.</i>		<b>Cashless system/ School meals registers</b>
	N	<i>Inaccurate recording could result in non-payment of school meals income.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

Are systems in place to identify those pupils entitled to free meals? Does the system ensure only those entitled actually receive a meal?	Y	<i>Only pupils actually entitled to a free meal receive one.</i>		<b>Cashless system/ School meals registers</b>
	N	<i>Failure to collect income due resulting in financial loss to the Authority.</i>		
BCBC - Are checks carried out to ensure that Catering Services charge the school for the correct number of meals?	Y	<i>School only pays for meals provided</i>		<b>Cashless system/ School meals registers</b>
	N	<i>School is overcharged for meals provided</i>		

**Completed by:**

**Position held**

**Date:**

### 8. INVENTORIES, STOCKS & SECURITY

In accordance with Financial Regulations an up to date inventory is required to be maintained, for all attractive and expensive items held at the school.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*Assets are recorded and securely held.  
Disposals are adequately recorded and approved in line with procedures.*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>COMMENTS</b>	<b>SOURCE OF EVIDENCE</b>
Are inventory records regularly updated with details of acquisitions and disposals? Records should include serial numbers, cost for all	Y	<i>All valuable and portable items are recorded should an insurance claim be required.</i>		<b>Inventory</b>
	N	<i>Difficulties will be encountered in identifying</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

items valued in excess of £50 (including any donated items)		<i>missing items should an insurance claim be required.</i>		
Is the inventory physically checked and certified on an annual basis.	Y	<i>Missing items will be located and theft will be deterred.</i>		<b>Signed copy of inventory to indicate check has taken place.</b>
	N	<i>Pilfering may occur, as missing items will not be detected.</i>		
If the school inventory is maintained on computer is access restricted to authorised personnel only.	Y	<i>Information will be adequately protected.</i>		<b>IT access controls.</b>
	N	<i>Information may be corrupted and pilfering may occur.</i>		
Are items security marked?	Y	<i>Items will be identified following a theft.</i>		<b>Physical check of valuable assets.</b>
	N	<i>Items may not be traceable following a theft.</i>		
Is a register maintained for all items taken off-site?	Y	<i>Items are less likely to go missing if their location is recorded.</i>		<b>Copy of register.</b>
	N	<i>Pilfering is more likely to occur.</i>		
Are the Authority's procedures for the disposal of equipment adhered to?	Y	<i>Procedures ensure that only obsolete or equipment surplus to requirements is permanently removed from the premises.</i>		<b>Approval if over value prescribed by Financial Regulations / 3<sup>rd</sup> party confirmation that IT equipment has been cleansed.</b>
	N	<i>Opportunities exist for goods to be misappropriated.</i>		
Is a software inventory maintained, and all licences held recorded therein.	Y	<i>All software held is legal</i>		<b>Software inventory</b>
	N	<i>It is illegal to load software where a valid licence is not held.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

**Completed by:**

**Position held:**

**Date:**

### 9. PRIVATE/UNOFFICIAL FUNDS

The school Private fund / voluntary funds are distinct from the Authority funds' administration by the school. It is important that these monies are properly administered and that accountability for the use of such monies can be demonstrated.

#### **CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*Funds are adequately safeguarded.  
Expenditure is appropriate.  
Withdrawals from the account are verified.  
Income is accounted for.*

CONTROL	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Are all relevant staff and Private/Unofficial Fund committee members aware of and have access to the current version of the Private Fund Regulations/Financial Regulations?	Y	<i>Those charged with governance are aware of the procedures governing the administration of the private fund.</i>		<b><i>Regulations retained on site and all relevant persons made aware and have access.</i></b>
	N	<i>Non compliance due to lack of knowledge.</i>		
Are receipts obtained for all items of expenditure	Y	<i>All withdrawals can be verified and can demonstrate reasonableness of purchase.</i>		<b><i>Expenditure Log/ Receipts for expenditure</i></b>
	N	<i>Integrity is at risk if monies go missing and there are no receipts to evidence withdrawals.</i>		
Are records regularly &	Y	<i>Funds are safeguarded and the correction</i>		<b><i>Private Fund Records /</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

independently reconciled to the bank and cash balances?	N	<i>of errors is timely. Funds may be misappropriated and may go undetected.</i>		<b><i>Evidence of independent review as prescribed by Regulations.</i></b>
Funds are audited on an annual basis by suitable persons independent of the management committee and fund signatories. Are auditors' certified annual accounts reported to the Governing Body/LEA for ALL accounts.	Y	<i>Funds are safeguarded from misappropriation by an independent third party.</i>		<b><i>Private/unofficial Fund Audit Certificate and Auditors checklist.</i></b>
	N	<i>Misappropriation of funds can remain undetected.</i>		
Are auditors' certified annual accounts reported to the Governing Body/LEA for ALL accounts.	Y	<i>Lack of awareness and scrutiny of the fund by Governing Body/LEA.</i>		<b><i>Governing Body Meeting Minutes</i></b>
	N	<i>The Governing Body/LEA is not being kept informed on all financial aspects of the schools administration.</i>		

**Completed by:**

**Position held**

**Date:**

### 10. COMPUTER SECURITY & DATA PROTECTION

Computer systems are an essential tool for the processing and recording of financial and other management information. Therefore it is important that staff are aware of the Council's Policies regarding the security of its computer systems and that satisfactory safeguards are in place. The Data Protection Act requires anyone who handles personal information to comply with the 8 important principles. It also gives individuals rights over the use of their personal information.



## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

**Controls should be in place to ensure that:**

*The Data Protection Act is complied with  
Members of staff are aware of the Council's Computer Code of Practice;  
Access is limited to named personnel only;  
Passwords are maintained and changed regularly for individual members of staff;  
Back ups are undertaken regularly and are securely stored;  
Removable media such as memory sticks, CD's etc are securely held and accounted for and encrypted for security.*

CONTROL	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Is the School registered for the purpose of Data Protection?	Y	<i>The Data Protection Act has been complied with.</i>		<b>Data Protection Certificate</b>
	N	<i>Failure to register is illegal and the school may be liable to penalties.</i>		
All relevant staff have received Data Protection and Freedom of Information training?	Y	<i>The Data Protection Act has been complied with.</i>		<b>Staff training records</b>
	N	<i>Breaches in the use of Data Protection Information may be liable to penalties.</i>		
Has the school identified all the categories of personal data being processed and why?	Y	<i>The school is aware of the data held subject to the Data Protection Act and is therefore able to comply.</i>		<b>Data Protection Certificate</b>
	N	<i>Breaches in the use of Data Protection Information may be liable to penalties.</i>		
Does the school have a procedure in place to ensure that personal data no longer required is disposed of securely?	Y	<i>The school securely disposes of personal and/(or) sensitive data securely.</i>		<b>IT policy</b>
	N	<i>Personal or sensitive data is obtained in breach of the Data Protection Act.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

<p>Staff are aware of their responsibilities in ensuring protection of equipment/software when taken off site/to work from home?</p> <p>If so, do they receive instructions as to how any personal data held on this equipment should be safe guarded? Is such equipment encrypted?</p>	Y	<i>Assurance can be given that when staff take personal data off site it is appropriately safe guarded.</i>		<b>IT policy</b>
	N	<i>Personal data taken off site by staff may not be appropriately safeguarded.</i>		
<p>Is removable media such as memory sticks, CDs, etc securely held, password protected and encrypted?</p>	Y	<i>Ensures that data is securely held and protects from authorised access to sensitive information.</i>		<b>IT policy / Encrypted removable media itself is the evidence.</b>
	N	<i>Breach of the Data Protection Act, Computer Code of Practice and ICT Security Policy. Exposure to risk highly likely.</i>		
<p>Are staff aware of and adhere to the Council's Computer Code of Practice and other ICT related Policies?</p>	Y	<i>Computer equipment will not be damaged by the introduction of a computer virus. Information will be adequately protected.</i>		<b>IT policy &amp; code of conduct retained on site and available to all staff.</b>
	N	<i>There is an increased risk of introducing a computer virus. Information may be lost.</i>		
<p>Is access to the Computer systems limited to named personnel, individual passwords are held and changed regularly?</p>	Y	<i>Ensures both accountability and the security of the system.</i>		<b>Restrictions on access/enforced password change.</b>
	N	<i>Unauthorised access to information that</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

		<i>may become corrupted.</i>		
Is the Computer system backed up on a regular basis in line with the Council's Computer Code of Practice or other ICT Policy?	Y	<i>Ensures accountability, the security of the system and enables prompt recovery in the cases of emergency.</i>		<b><i>IT SLA (Back up section)/ Back up CD's / Back up tapes / Log.</i></b>
	N	<i>Possible loss of data</i>		

**Completed by:**

**Position held**

**Date:**

### 11. CHILD PROTECTION

All schools have a statutory duty to exercise their functions with a view to safeguarding and promoting the welfare of pupils.

#### Controls should be in place to ensure that:

*Safe recruitment procedures are in operation for all staff at the school  
Staff are able to recognise symptoms of child abuse  
Staff are aware of their roles & responsibilities with respect to child protection  
Appropriate avenues are taken for the referral of child protection cases.*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>COMMENTS</b>	<b>SOURCE OF EVIDENCE</b>
Does the school have a child protection policy in place and has it been approved by the Governing Body?	Y	<i>This will identify the means by which Child Protection issues can be dealt with.</i>		<b><i>Child Protection Policy</i></b>
	N	<i>Staff may be unaware of the required processes should there be symptoms of child abuse.</i>		<b><i>Governing Body Meeting Minutes</i></b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

Are the Child protection policy & procedures stored in a place accessible to all staff such as the staff room or held electronically on the server?	Y  N	<i>Staff have access to the guidance for discharging their responsibilities.</i>  <i>Staff may be unaware of the required processes should they recognise symptoms of child abuse.</i>		<b>Hard copy in staff room / Electronic copy on shared network / Hard copy provided on induction.</b>
Have all staff attended Child Protection training?	Y  N	<i>Staff are aware of their roles &amp; responsibilities &amp; are able to understand &amp; recognise the symptoms of the various forms of child abuse.</i>  <i>Staff are unable to recognise the symptoms of child abuse and act accordingly.</i>		<b>Staff Training Record</b>
Has the school appointed a designated Child Protection Officer? And are all staff (including new starters and temporary workers) made aware of the name and contact details of this person?	Y  N	<i>Leadership is present with respect to child protection and related issues.</i>  <i>This may lead to gaps in the referral process.</i>		<b>Child Protection Policy / Minutes of Governing Body</b>
Has the designated Child Protection Officer (CPO) received the appropriate advanced level training including inter agency working?	Y  N	<i>The designated Officer is able to adequately discharge his/her areas of responsibility.</i>  <i>The designated CPO may be unable to adequately fulfil his/her duties.</i>		<b>Staff Training Record</b>
Has the school appointed a Deputy Child Protection Officer whom has also received sufficient training to carry out the relevant duties?	Y  N	<i>There is continuity of procedure in the absence of the designated CPO.</i>  <i>Should the designated CPO be absent from</i>		<b>Child Protection Policy / Staff Training Record / Minutes of Governing Body meetings.</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

		<i>school there may be gaps in procedure leading to inappropriate action being taken.</i>		
Are DBS checks undertaken and references/ notifications received prior to staff commencing employment at the school?	Y	<i>Only appropriate staff are employed at the school.</i>		<b>Copies of confirmation from HR retained by the school eg, e mail or letter prior to start date confirming appropriate checks undertaken.</b>
	N	<i>There is a risk of inappropriate staff being employed at the school.</i>		
Does the school ensure that any volunteers have appropriate DBS checks in place or that these are promptly applied?	Y	<i>Only appropriate individuals have access to the school.</i>		<b>Copies of records confirming DBS checks were sighted by the appropriate member of staff.</b>
	N	<i>Children put at unnecessary risk</i>		
Does the school receive official notification that all supply teachers employed by the school (including Agency staff) have appropriate DBS checks in place?	Y	<i>Only appropriate staff are employed at the school.</i>		<b>Use of E Teach / Confirmation from Agency that specific person has been subject to necessary checks.</b>
	N	<i>There is a risk of inappropriate staff being employed at the school.</i>		
Does the school receive official confirmation that all supply staff including Agency staff have appropriate DBS checks in place?	Y	<i>Only appropriate staff are employed at the school</i>		<b>Official confirmation</b>
	N	<i>There is a risk of inappropriate staff being employed thereby putting children at risk</i>		

**Completed by:**

**Position held**

**Date:**

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

### 12. HEALTH & SAFETY AND GENERAL SECURITY

Head teachers should in liaison with the governing body, ensure the health, safety and welfare of employees, pupils and others who may be affected by the school premises or activities.

**Controls should be in place to ensure that:**

*Pupils, staff and visitors at the school are safe  
Risks associated with school trips are identified and mitigated*

CONTROL	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Has the school nominated a person responsible for Premises?	Y	<i>Responsibility for Health &amp; Safety issues is allocated.</i>		<b><i>Minutes of Governing Body meetings / Job Description.</i></b>
	N	<i>Health &amp; Safety issues may not be addressed due to lack of ownership and accountability.</i>		
Has the school ensured that an appropriate school-specific health and safety policy & procedures is developed and effectively implemented and its requirements are communicated to all relevant persons?	Y	<i>Staff are aware of Health &amp; Safety issues and are able to discharge their duties.</i>		<b><i>Health and Safety Policy in place and available.</i></b>
	N	<i>Staff may be unable to act appropriately in the event of a health &amp; safety incident.</i>		
Does the school undertake appropriate assessments of significant risks at the school, and are these subject to regular review?	Y	<i>The school identifies, evaluates and sets mitigating actions for key risks. Ownership is assigned for mitigating actions.</i>		<b><i>Copies of Risk Assessments retained and signed when updated/refreshed.</i></b>
	N	<i>Risks are not identified and addressed appropriately.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

Are risk assessments prepared for school trips in line with guidelines set out by WG	Y	<i>Risk assessments for school trips are appropriate in content.</i>		<b>Risk Assessments</b>
	N	<i>Risk assessments may be inadequate and unfit for purpose.</i>		
Where the school uses other modes of transport such as ad hoc taxi or minibus/coach providers, is advice sought from BCBC/VOG Transport Unit as to the appropriateness of the transport provider?	Y	<i>The school gives sufficient priority to pupil safety when making transport arrangements.</i>		<b>Evidence of advice eg, e mail / letter / notes of a telephone conversation.</b>
	N	<i>Pupils using such transport may be at risk of injury or harm.</i>		
Does the school have appropriate fire fighting equipment and alarms in place?	Y	<i>The school is adequately equipped to cope in the event of fire.</i>		<b>Physical check / Fire Risk Assessment.</b>
	N	<i>In the event of fire the school may be ill equipped leading to safety risks for pupils, staff and visitors</i>		
Have all fire equipment and alarms been subject to regular testing?	Y	<i>Fire fighting equipment &amp; alarms at the school have been tested and found to be in working order</i>		<b>Fire Equipment/alarm testing log / equipment labelled with test date.</b>
	N	<i>Alarms &amp; or equipment may not work in the event of a fire.</i>		
Have staff been trained in fire safety & the use of fire fighting equipment?  <b>NB, Staff should only use fire fighting equipment in the event of absolute necessity.</b>	Y	<i>Staff are able to safely use fire fighting equipment.</i>		<b>Fire Safety Training Record / staff training record.</b>
	N	<i>In an absolute emergency, staff may not be able to safely make use of fire fighting equipment.</i>		

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

Does the school operate a swipe card / key pad entry system to restrict access to the school?	Y	<i>The school protects its staff and pupils from unauthorised persons entering the school/</i>		<b>Physical.</b>
	N	<i>Unauthorised persons may access the school.</i>		
Are all visitors to the school required to sign a visitor's book?	Y	<i>All persons visiting the school report to reception.</i>		<b>Visitor Book</b>
	N	<i>There is a risk of unauthorised persons being in the school.</i>		

**Completed by:**

**Position held**

**Date:**

### 13. MINIBUS/VEHICLES

All vehicles owned or leased by the School are administered and controlled to demonstrate that they are maintained in accordance with Council/ School Policies and legislation to mitigate any possible risk of misuse and ensure accountability of its vehicles and drivers.

**CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:**

*To ensure that any vehicle leased owned or used by the establishment has adequate systems of controls in place to record and monitor usage, fuel purchases and ensure that only eligible drivers use the vehicles etc*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>Comments</b>	<b>Source of Evidence</b>
Are all vehicles registered on the establishment or Council's asset register?	Y	<i>Adherence to Council Policy.</i>		<b>Asset inventory</b>
	N	<i>Non register of assets could result in insurance becoming void.</i>		



## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

A clear policy has been formulated for the use of any vehicle.	Y	<i>Compliance to usage of vehicles.</i>		<b>Copy of such policy / guidance retained</b>
	N	<i>Misuse of vehicles could occur with no accountability.</i>		
Appropriate vehicle insurance is maintained or vehicle is registered with Council's Insurance Officer.	Y	<i>Insurance legislation being adhered to.</i>		<b>Insurance Certificate</b>
	N	<i>Fine or even imprisonment as appropriate insurance cover is a legal requirement.</i>		
Responsibility of administration of the vehicle/s is designated to a specific officer.	Y	<i>Appropriate controls and authority measures are in place</i>		<b>Log of authorised drivers</b>
	N	<i>Misuse of the vehicle may occur.</i>		
Keys and fuel cards are controlled and securely stored at all times.	Y	<i>Reduced risk of misappropriation or misuse of vehicle.</i>		<b>Physical access restriction eg, locked cupboard</b>
	N	<i>Increased risk of theft or misappropriation.</i>		
Minibuses have the appropriate section 19 permit and minibuses are driven by appropriately trained drivers only who have been DBS checked.	Y	<i>Legislation adhered to.</i>		<b>Section 19 permit / DBS confirmations/ Driver licenses checks</b>
	N	<i>Possible illegal use of vehicles by unqualified.</i>		
Adequate procedures exist to control and monitor the purchase and consumption of fuel.	Y	<i>Appropriate use of vehicle fuel consumption being adhered to.</i>		<b>Procedures / policy retained on site</b>
	N	<i>Increased risk of theft or misappropriation.</i>		
Where the school uses other modes of transport such as ad hoc taxi or minibus providers, is advice sought	Y	<i>The school gives sufficient priority to pupil safety when making transport arrangements.</i>		<b>Copies of e mails or written confirmation.</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

from BCBC/VOG Transport Unit/Fleet Management as to the appropriateness of the transport provider?	N	<i>Pupils using such transport may be at risk of injury or harm.</i>		
--	---	--	--	--

**Results Agreed by:**

**Position held:**

**Date:**

### 14. GRANT FUNDING

Grant funding should be utilised in accordance with the Terms & Conditions applied with adequate records maintained that clearly account for transactions. Where the school fails to comply with Grant terms & conditions there is a risk that funds may be clawed back at cost to the Council or school.

**Controls should be in place to ensure that:**

*Terms and Conditions of funding are complied with: Adequate records are maintained for income/expenditure*

<b>CONTROL</b>	<b>Y/N</b>	<b>IMPLICATIONS</b>	<b>Results &amp; Comments</b>	<b>Source of evidence</b>
A formal Acceptance letter is signed by a relevant officer: Grant terms & conditions are known to school	Y N	<i>Compliance to Financial Regulations and Grant Terms &amp; Conditions</i>  <i>Risk of claw back of funds or penalties</i>		<b>Copy of Acceptance Letter and Terms &amp; Conditions at school.</b>
Grant funding and related expenditure is coded separately	Y N	<i>Clear audit trail and adequate record keeping exists to demonstrate compliance to Terms &amp; Conditions</i>		<b>Financial systems reports</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

		<i>Unable to evidence expenditure, breach of Terms &amp; conditions</i>		
Grant claims/returns are submitted in a timely manner and in accordance with Terms & conditions	Y	<i>Compliance to Terms &amp; Conditions</i>		<b>Copies of Grant returns</b>
	N	<i>Breach of Terms &amp; conditions</i>		
Documents pertaining to Grant funds are retained for the designated period	Y	<i>Compliance with Terms &amp; conditions, Council retention Policy</i>		<b>Orders/invoices retained, evidence of salary costs retained for the required period.</b>
	N	<i>Breach of Terms &amp; conditions, unable to evidence transactions to source documents, claw back of funds</i>		

**Results Agreed by:**

**Position Held:**

**Date:**

### 15. BANK ACCOUNT (Cheque book schools only)

As funds are deposited directly into the schools independent bank account, controls should be in place to safeguard those funds, demonstrate accountability and ensure that the bank account is adequately managed and monitored.

#### CONTROLS SHOULD BE IN PLACE TO ENSURE THAT:

Accounting procedures for the bank account are sound and secure.  
The account is used for legitimate purposes and is well controlled.

CONTROL	Y/N	IMPLICATIONS	COMMENTS	SOURCE OF EVIDENCE
Relevant staff have access to the	Y	<i>Relevant staff are aware of procedures.</i>		<i>Training records for</i>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

Financial Scheme for Schools/Financial Regulations?	N	<i>Errors may occur or controls bypassed due to no knowledge of official procedures.</i>		<b>relevant staff covers this.</b>
Complete details of the bank account(s) are adequately recorded including account signatories and all relevant records have been securely stored.	Y	<i>Demonstrates accountability and compliance with Financial Regulations, Statutory requirements.</i>		<b>Statements, bank mandates and correspondence securely stored.</b>
	N	<i>Non compliance with statutory requirements</i>		
The account is maintained by a designated member of staff.	Y	<i>Responsibility and accountability is clearly designated</i>		<b>Job descriptions.</b>
	N	<i>Risk of error, fraud or misappropriation</i>		
Cheques are produced by a legitimate member of staff who is not a signatory to the account.	Y	<i>Demonstrates division of duties in the process</i>		<b>Cheque Stationery</b>
	N	<i>Risk of fraud or misappropriation</i>		
The account is closely monitored, with bank statements being received and reconciled on a regular basis.	Y	<i>Fraudulent activity and/or errors are promptly identified</i>		<b>Bank Statements</b>
	N	<i>Risk that fraud or error may go undetected</i>		
Checks are made to ensure that the account remains in balance, by someone not involved in the management of the account, and any discrepancies investigated.	Y	<i>Demonstrates a division of duties</i>		<b>Bank Reconciliations as signed by person independent of preparation / Bank Statements</b>
	N	<i>Risk of fraud, error or manipulation.</i>		
Copy of reconciliation and any relevant information is forwarded to Financial Support Services on a	Y	<i>LEA is fully informed of account position</i>		<b>Bank Reconciliations as signed by person independent of</b>

## CONTROL RISK SELF-ASSESSMENT TOOLKIT PRIMARY SCHOOLS 2015/16

monthly basis	N	<i>LEA may not be aware of any anomalies</i>		<b><i>preparation / Bank Statements</i></b>
Satisfactory records exist for the ordering, receipt and issue of cheques. With all transactions signed and counter signed.	Y	<i>Cheques are adequately controlled and recorded</i>		<b><i>Cheque Stationery</i></b>
	N	<i>Risk that cheques could be misused and not fully accounted for.</i>		
Cheques are securely stored with access limited to named members of staff.	Y	<i>Cheques are adequately controlled and recorded</i>		<b><i>Physical storage in locked cabinet / cupboard.</i></b>
	N	<i>Risk that cheques could be misused and not fully accounted for</i>		

**Completed by:**

**Position held:**

**Date:**

**Please return the completed Questionnaire electronically to Internal Audit. Where applicable some supporting documentation may be requested to support responses provided.**

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

28<sup>TH</sup> JANUARY 2016

### REPORT OF THE HEAD OF AUDIT

#### INTERNAL AUDIT SHARED SERVICE OUTTURN REPORT – APRIL TO DECEMBER 2015

**1. Purpose of Report.**

1.1 The purpose of this report is to inform the Audit Committee of actual Internal Audit performance against the nine months of the audit plan year covering April to December 2015.

**2. Connection to Corporate Improvement Objectives/Other Corporate Priorities**

2.1 Internal Audit’s work impacts on all of the Corporate Improvement Objectives /other Corporate Priorities.

**3. Background.**

3.1 The 2015/16 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 16<sup>th</sup> April 2015. The Plan outlined the assignments to be carried out and their respective priorities.

3.2 The Plan provided for a total of 1,296 productive days to cover the period April 2015 to March 2016.

**4. Current situation / proposal.**

4.1 A summary of audits commenced / ongoing and completed during the period April to December 2015 are detailed in both **Appendix A** and **B**.

4.2 The following table shows an analysis of work done in relation to the plan (1,296 available days).

Directorates	2015/16 Full Year Plan Days	Proportion of Plan Days Available for April to Dec. 15	2015-16 April to Dec. Actual days delivered
Resources	355	266	276
Legal & Regulatory Services	80	60	32
Children’s (incl. Schools)	155	116	94
Communities	155	116	124
Wellbeing	130	98	121
Cross Cutting (incl. External Client, unplanned & Fraud)	421	316	319
<b>TOTAL PRODUCTIVE DAYS</b>	<b>1,296</b>	<b>972</b>	<b>966</b>

- 4.3 The figures show that 966 actual days have been achieved, which is only slightly less than the expected target of 972 by 6 days.
- 4.4 As at the 1<sup>st</sup> April 2015, the overall structure of the Section is based on 18.5 Full Time Equivalent (FTE) employees. The Section started the year with 2.5 vacant posts and this has increased to 3 full time vacant posts.
- 4.5 Having regard to the issues set out above in paragraph 4.4, it is pleasing to report that the Section has work incredibly hard to improve on the number of productive days delivered, particularly as the last report to Audit Committee showed a shortfall of 75 productive days. There is still an expectation that due to the three vacant posts, the commitment to deliver 1,296 productive days is unlikely to be achieved.
- 4.6 At the end of the period, a total of 34 reviews have been completed so far to date, 30 (88%) of which have been closed with either a substantial or reasonable assurance opinion level. The remaining 4 reviews (12%), although necessary, they did not culminate in an overall audit opinion. No significant weaknesses in the system of internal control have been identified so far to date.

## **5. Effect upon Policy Framework & Procedure Rules.**

- 5.1 There is no effect upon the policy framework and procedure rules.

## **6. Equality Impact Assessment**

- 6.1 There are no equality implications arising from this report.

## **7. Financial Implications.**

- 7.1 Effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded. Due to the issues of as set out in paragraph 4.5; there is likely to be an underspend on the budget and this is likely to be circa £25,000 on the year.

## **8. Recommendation.**

- 8.1 That Members give due consideration to the Internal Audit Outturn Report covering the period April to December 2015 to ensure that all aspects of their core functions are being adequately reported.

**Helen Smith**  
**Chief Internal Auditor – Head of Audit**  
**28<sup>th</sup> January 2016**

**Contact Officer: Helen Smith**  
**Chief Internal Auditor**

**Telephone: 01656 754901**



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Bridgend County Borough Council  
Unit 2A Innovation Centre,  
Bridgend Science Park,  
Bridgend  
CF31 3NA

**Background documents**

None

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**Bridgend and Vale Internal Audit Service: Head of Internal Audit's Outturn Report April to December 15  
Bridgend County Borough Council.**

**Executive Summary**

**This report provides a summary of the work completed by the Bridgend and Vale Internal Audit Shared Service for the period April to December 2015 and provides the Head of Audit's current opinion on the Council's framework of governance, risk management and internal control. Therefore, based on our work carried out for the nine months of this year, my overall opinion is that the Council's framework of governance, risk management and control is considered to be reasonable.**

**Introduction**

The aim of the Shared Service is to help both Councils meet high standards of service delivery. Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resources. The Shared Service supports the Audit Committees in discharging their responsibilities for:

- Advising on the adequacy and effectiveness of the Council's risk management, internal control and governance processes in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2015.
- Supporting the Director of Resources with her delegated responsibility for ensuring arrangements for the provision of an adequate and effective internal audit.
- Monitoring the adequacy and effectiveness of the Internal Audit Shared Service and Director's / Heads of Service responsibilities for ensuring an adequate control environment.

- Supporting the Director of Resources in discharging her statutory responsibilities under Section 151 of the Local Government Act 1972.
- Ensuring that the Council's External Auditor in relation to our work on the main financial systems audits can place reliance on this.

### Definition of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Source:- Public Sector Internal Audit Standards).

### Statutory Framework

Internal Audit is a statutory requirement for local authorities. There are two principal pieces of legislation that impact upon internal audit in local authorities; these are:-

- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.
- Section 5 of the Accounts and Audit (Wales) Regulations 2015 states that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

All principal local authorities subject to the Accounts and Audit (Wales) Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

### Audit Committee

It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. They are a key source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. In addition, Internal Audit provides a key source of assurance to the Committee as to whether controls are operating effectively.

## External Audit

The Council's External Auditor examines the work of Internal Audit on an annual basis in order to place reliance on this work when undertaking their audit work on the Council's Financial Statement of Accounts. The Council's External Auditor, KPMG were responsible for auditing the Council's Statement of Accounts for the Financial Year 2014/2015. The Council's External Auditors have now changed to the Wales Audit Office for 2015/16 onwards.

## Public Sector Internal Audit Standards (PSIAS)

The Standards the Internal Audit Shared Service works to are the Public Sector Internal Audit Standards. These standards set out:

- The definition of internal auditing;
- Code of ethics.
  
- International standards for the professional practice of internal auditing. These standards cover the following areas:
  - Purpose, authority and responsibility.
  - Independence and objectivity;
  - Proficiency and due professional care;
  - Quality assurance and improvement programme;
  - Managing the internal audit activity;
  - Nature of work;
  - Engagement planning;
  - Performing the engagement;
  - Communicating results;
  - Monitoring progress;
  - Communicating the acceptance of risks.

The PSIAS apply to all internal audit service providers, whether in-house or outsourced. During 2014-15 a self-assessment was undertaken to review our compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no areas of

non-compliance. It is anticipated that during 2016/17 the Shared Service will undergo an external assessment as required by the standards.

### **Internal Audit Coverage – April to December 2015**

The level of internal audit resources required to examine all the Council's activities far exceed those available each year. It is, therefore, essential that the work of Internal Audit be properly planned to ensure that maximum benefit is gained from the independent appraisal function that internal audit provides.

Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a risk basis according to the impact they have on service delivery.

The Internal Audit Plan for 2015/16 is based, to a large extent, on the Council's Corporate Risk Register. This was complemented by:

- Priorities identified by Corporate Directors;
- Heads of Service key risks,
- The requirements of the Council's Section 151 Officer;
- External Audit and
- Those concerns / issues raised by Internal Audit in previous audits and our knowledge of potentially high-risk areas.

The Plan was submitted and approved by the Council's Audit Committee on 16<sup>th</sup> April 2015. The plan provided for a total commitment of 1,296 productive days for the year. Table 1 below provides the outturn for the service for the period April to December 2015 and further detail is provided in Appendix B. The current structure for the Shared Service comprises of 18.5 Full Time Equivalent employees (FTE's), which provides for a comprehensive Internal Audit Service to both the Vale of Glamorgan and Bridgend County Borough Councils. The Head of Audit aims to achieve best practice, but continues to take account of the issues of affordability at a time when both Councils are looking to make substantial reductions in costs. The service has already been vastly streamlined and continues to apply lean auditing risk based methodologies to its plan of work. At the commencement of this financial year, the service was carrying 2.5 vacant FTE posts. During the course of the nine months; this has now increased to 3 vacant FTE posts.

**Table 1 – Productive outturn for the period April to September 2015**

<b>Directorate</b>	<b>2015/16 Full Year Plan Days</b>	<b>Proportion Of Plan Day April to Dec. 15</b>	<b>April to Dec. Actual Days</b>
Resources	355	266	276
Legal and Regulatory Service	80	60	32
Children (Including Schools)	155	116	94
Communities	155	116	124
Wellbeing	130	98	121
Cross Cutting – Including External Client, Unplanned and Fraud and Error	421	316	319
<b>Total</b>	<b>1,296</b>	<b>972</b>	<b>966</b>

As can be seen from the table above, the actual outturn for the Section shows that the overall productive days originally planned have not been achieved; there is a slight shortfall of 6 productive days. The Table further shows that the proportion of productive days achieved vary from that expected by Directorate activity, this will be addressed as the year progresses. Whilst it is pleasing to report that the Section has managed to improve on productivity and address the significant shortfall reported to Audit Committee in November where the number of productive days for the period was less than that expected by 75 days, it is inevitable that due to the fact that the Section is carrying three vacant posts the 1,296 productive days for the year will not be achieved. It is expected that the shortfall will be in the region of approximately 60 days

A total of 34 reviews have been completed so far to-date, 30 (88%) of which have been closed with either a substantial or reasonable assurance opinion level. The remaining 4 reviews (12%), although necessary, they did not culminate in an overall audit opinion.

### **Internal Control Weaknesses**

There are no internal control weaknesses identified so far to date from the work undertaken for the period.

Our overall opinion on a system is based on both the materiality and impact of the system and our opinion on the internal control arrangements within the system. The combination of these factors then results in a category of risk to the Council as shown in Table 2 below:

**Table 2.**

		MATERIALITY AND IMPACT		
		HIGH	MEDIUM	LOW
	<b>SYSTEM CONTROL</b>			
1	<b>Satisfactory</b>	<b>Moderate</b>	<b>Minimal</b>	<b>Minimal</b>
2	<b>Reasonable</b>	<b>Moderate</b>	<b>Moderate</b>	<b>Minimal</b>
3	<b>Limited – Significant Improvements required</b>	<b>Of Concern</b>	<b>Moderate</b>	<b>Moderate</b>
4	<b>No Assurance – Fundamental weaknesses identified.</b>	<b>Significant</b>	<b>Of Concern</b>	<b>Moderate</b>

Therefore, having regards to the reviews completed so far to-date and the overall opinions given, my overall opinion is the Council's overall internal control arrangements are considered to be **reasonable**, resulting in a "**minimal**" level of risk.

#### **Audit Recommendations – 2015/2016**

Following each audit, report recipients are asked to complete an action / implementation plan showing whether they agree with the recommendations made and how they plan to implement them. The classification of each recommendation made assists management in



focusing their attention on priority actions. For the nine month period, Internal Audit has made a total of 48 recommendations, of which management has given written assurance that all of these will be implemented.

From time to time and where it is deemed appropriate to do so; Merits Attention recommendations will be made; by their very nature they relate specifically to an action that is considered desirable but does not necessarily have an impact on the control environment. To this end, these recommendations are not included on the Management Implementation Plan or logged on the Internal Audit Management Information system. Therefore a formal written response is not required from the client or included in the table below.

**Table 3.**

<b>2015 -16 Recommendation Priority</b>	<b>No. Made</b>	<b>No. Agreed</b>	<b>No. Implemented</b>	<b>No. not Yet due to be actioned</b>	<b>No. Over due action date</b>
			<b>Complete</b>	<b>Pending</b>	<b>Outstanding</b>
<b>Fundamental</b> (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	0	0	0	0	0
<b>Significant</b> (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	48	48	19	17	12
<b>Total</b>	<b>48</b>	<b>48</b>	<b>19</b>	<b>17</b>	<b>12</b>

**Table 4.**

<b>Analysis of Overdue Implementation of Recommendations for 2015-16</b>	<b>No. Overdue</b>	<b>One month overdue Target date</b>	<b>Two months overdue target date</b>	<b>Three or more months overdue target date</b>
		<b>Amber</b>	<b>Amber</b>	<b>Red</b>
<b>Fundamental</b> (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	0	0	0	0

<b>Significant</b> (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	12	11	1	0
<b>Total</b>	<b>12</b>	<b>11</b>	<b>1</b>	<b>0</b>

### Audit Recommendations – 2014/2015

At the year-end 2014/15 a number of recommendations remain outstanding and these are being actively followed up in accordance with normal procedures and processes.

There are three status levels for recommendations made by the Internal Audit Shared Service:-

- Complete – the audit recommendations have been fully implemented;
- Pending – the agreed date for implementation has not yet been reached (Green Status);
- Outstanding – the agreed date for implementation has not been complied with; which are then given a RAG status (Red – 3 months or more passed the action date; Amber – one to two months passed the action date).

Failure to implement agreed recommendations may have a detrimental effect on the Council's internal control environment and any shortcomings will adversely impact on the audit opinion and could warrant reporting in the next Annual Governance Statement. The table shows the status of recommendations outstanding from 2014/15 as at the end of December.

**Table 5.**

<b>Analysis of Overdue Implementation of Recommendations for 2014-15</b>	<b>No.</b>	<b>No. Green Status</b> (Pending)	<b>No. Amber Status</b> (one -two months overdue)	<b>No. Red Status</b> (three or more months overdue)
<b>Fundamental</b> (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	0	0	0	0

<b>Significant</b> (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	27	27	0	0
<b>Total</b>	<b>27</b>	<b>27</b>	<b>0</b>	<b>0</b>

### Internal Audit - Successes

Some of our successes so far this year include:

- Internal Audit Plans for 2015/16 have been approved by both Audit Committees and Corporate Management in a timely manner.
- We continue to provide an excellent internal audit provision to both Bridgend County Borough Council and the Vale of Glamorgan Council, so much so that both Audit Committees have supported the proposal to extend the Shared Service Partnership Agreement for a further two years until 31<sup>st</sup> January 2018; which has been approved by both Cabinets.
- We continue to support staff in obtaining professional qualification including CIPFA - Corporate Governance, Institute of Internal Auditors (IIA) and the Association of Accounting Technicians (AAT) as well as continuing professional development (CPD).
- We continue to build on our excellent working relationship with Members, Chief Officers and staff within both Councils.
- The Section now has a fully qualified Practitioner in Project Management (Prince 2).

### Resources, Qualifications and Experience

The Head of Internal Audit requires appropriate resources at their disposal to undertake sufficient work to offer an independent opinion on the Council's internal control environment. This is a fundamental part of the Council's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in April 2015; based on a provision of 1,296 productive days.

The Vale of Glamorgan Council leads the Bridgend and Vale Internal Audit Shared Service and provides all internal audit services to its partner Bridgend County Borough Council. As at the 1<sup>st</sup> April 2015 the staffing structure is listed in table 6 below.

**Table 6**

<b>2015-16 Staffing Structure</b>	<b>FTE</b>
Operational Manager Audit - Head of Audit	1
Principal Auditor	2
Group Auditor	2
Group Auditor (Information Systems)	1
Auditor (3 posts are vacant at present)	10
Trainee Auditor	1
Trainee Auditor (Information Systems)	1
Administrative Assistant	0.5
<b>Total</b>	<b>18.5</b>

The total resource of 18.5 Full Time Equivalents (FTE's) provides for a comprehensive Internal Audit Service. The Head of Audit aims to achieve best practice but continues to take account of the issues of affordability at a time when both Councils are looking to make substantial reductions in costs. The service has already been vastly streamlined and continues to apply lean auditing risk based methodologies to its plan of work. At the commencement of this financial year the Section was carrying 2.5 vacant posts, this has now increased to 3 vacant full time equivalent posts.

In accordance with the Public Sector Internal Audit Standards; the Head of Audit must ensure that Internal Auditors possess the knowledge, skills and competencies needed to perform their individual responsibilities. Internal Auditors are therefore encouraged to study for and obtain professional qualifications. In addition, it is a requirement of the standard that the Head of Audit must hold a professional qualification and be suitably experienced. The following information outlined in table 7 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

## Experience and Qualifications

Table 7

No of Years Experience	Auditing	%	In Local Government	%	Professional Qualifications	No of Staff.
Up to 1 year	0		0		Accountants (CIPFA; FCCA; ICAEW)	3
1 to 2 years	1	6.25	1	6.25	Certified Information Systems Auditor (CISA)	1
2 to 5 years	4.5	31.25	2.5	18.15	Institute of Internal Auditors – full membership and Prince2 Practitioner	1
5 to 10 years	5	31.25	8	50	Institute of Internal Auditors – practitioner level; part qualified or audit certificate	2
Over 10 years	5	31.25	4	25	Association of Accounting Technicians (AAT)	1.5
					Part Qualified AAT	3
					Studying (CISA, AAT, IIA, CIPFA etc.)	4
<b>Total Staff</b>	<b>15.5</b>		<b>15.5</b>		<b>Total</b>	<b>15.5</b>

All staff are encouraged to attend relevant courses and seminars to support their continual professional development. All staff have the opportunity to attend courses run by the Welsh Chief Auditors Group on a diverse range of topics. Individuals keep records of their continuing professional development based on their professional body requirements.

### Internal Audit – Other Activities

- **Anti-Fraud** – the Internal Audit Shared Service continues to assist in promoting an anti-fraud and corruption culture.
- **National Fraud Initiative** – The Council, via Internal Audit, has again participated in the National Fraud Initiative (NFI) as part of the statutory external audit requirements. This brings together data from across the public sector including local authorities, NHS, other government departments and other agencies to detect “matches” i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.
- **Advice and Guidance** – Internal Audit continues to provide advice and guidance both during the course of audits and responding to a wide range of ad-hoc queries.

- **Attendance at and contribution to, working groups etc.**, The Section continues to contribute to the development of the Council and ensuring that we are up to date with best practice by attending the following:-
  - Audit Committee;
  - Scrutiny Committees (as required);
  - Cabinet (as required);
  - Corporate Management Board / Team (as required);
  - The Welsh Chief Auditors Group and all its sub-groups (including South Wales Computer Audit Group; South East Education Audit Group; Social Services Audit Group).
  
- **Investigation Work** – We continue to support Senior Management in providing resources and expertise in investigating allegations of fraud and misappropriation.

### **Internal Audit – Review of Performance Management and Quality Assurance Framework**

The Public Sector Internal Audit Standards requires that the Head of Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The section has a “Quality Assurance and Improvement Programme (QAIP) that has been presented to, and approved by, the Audit Committee.

1. **Performance Management** – the section’s key performance indicators are set out in the section below.
  
2. **Quality Assurance** – each individual audit report and supporting working papers / documents are reviewed by either a Principal Auditor or the Head of Audit. Appropriate standards have been set by the Head of Internal Audit in accordance with the Standards. The file reviews ensure the audits comply with the Section’s internal processes and procedures and the overall Public Sector Internal Audit Standards. Where necessary corrective action is taken.

## Internal Audit – Performance Indicators

The Section has one key indicator as follows:

- **The Percentage of Audits Completed in Planned Time**

**Table 8**

**Justification of this performance indicator:** to ensure that Internal Audit provides sufficient coverage to ensure that the requirements of the Council's Section 151 Officer and External Audit are met and that Internal Audit can give sufficient assurance to the Audit Committee regarding the Council's system of internal control, risk management and governance arrangements.

<b>Full Year Target: 89.6%</b>	<b>April to December 2015 Achievement: 92.72% Vale 88.23% BCBC</b>  <b>Total audits completed 89 Total completed within planned time 81 Overall Percentage = 91.01%</b>
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**Therefore from the number of audits completed in the three quarters combined for both Councils; the target has been exceeded. 😊**

The Audit Committee and the Internal Audit Shared Service Board will be kept informed of progress against the audit plan throughout the year. The Section has started the year with 2.5 vacant posts and at present has 3 vacant posts.

The Section also participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2014/15 have only just been published and are as follows:

**Table 9**

<b>Performance Indicator 2014/2015</b>	<b>IASS Performance For the BCBC</b>	<b>Overall Average Performance 2014/15</b>	<b>Overall Average Performance 2013/14</b>
Percentage of Planned Audits Completed	98%	84%	80%
Number of Audits Completed	113	111	126

Percentage of Audits Completed in Planned Time	89%	71%	71%
Percentage of directly chargeable time, actual versus planned	94%	88%	94%
Average number of days from audit closing meeting to issue of draft report.	9 days	8.2 days	9.5 days
% of staff leaving during the Financial Year	10%	11%	22%

As can be seen from the table above, the Section is performing well. This, together with our overall performance indicators for the service provided to the Vale of Glamorgan Council places us once again in the top quartile.

## Governance Arrangements

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controls its activities through which it accounts to, engages with and leads the 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.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Good Governance is about doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.

Bridgend County Borough Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance (COCG) for the last five years. The Code of Governance is based upon the six principles as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Society of Local Authority Chief Executives (SOLACE) and incorporates the “Making the Connections” governance principles and values as set out by the Welsh Government.

The COCG also makes provision for a joint commitment by Members and Officers to the principles it contains, as well as a statement of assurance jointly signed by the Leader of the Council and the Chief Executive. This helps to ensure that the principles of good governance are not only fully embedded but also cascade through the Council and have the full backing of the Leader of the Council and



elected Members, as well as the Chief Executive and the Corporate Management Board. The work of the Internal Audit Shared Service represents a fundamental function in delivering the Council's Corporate Governance responsibilities.

The Council has proactively responded to central government's austerity drive that has created a period of unprecedented financial pressures in the public sector. Substantial savings are necessary and the latest Medium Term Financial Strategy estimates this to be in the region of £50million for the next four years on top of the £11.2million already identified for 2014/15.

As stated earlier in the report, based on the work underway and completed by Internal Audit for the period April to September 2015; no significant control issues have been identified. It is clear that the scale of the challenges to come will mean that "business as usual", however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. Therefore, as the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery; there is a need to ensure that the control environment; including governance and risk management; remains robust, proportionate and is as efficient and effective as possible.

There has been no significant governance issues identified as a result of the work of the Internal Audit Shared Service so far to-date and nothing has been brought to the attention of the Head of Audit.

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<u>Cod</u>	<u>Job</u>	<u>Job Name</u>	<u>Days</u>	<u>Budget</u>	<u>Date Commenced</u>	<u>Date Closed</u>	<u>Opinion</u>
<b>ASSURANCE</b>							
	<b>Directorate</b>	<b>RESOURCES</b>					
	517 BCBC - Virtualisation		15.47	16.00	01/04/2015	03/11/2015	Reasonable
	518 BCBC - End Point Security		19.16	20.00	01/04/2015	24/08/2015	Reasonable
	527 BCBC - Timesheets		12.11	15.00	01/04/2015	22/09/2015	Reasonable
	539 BCBC - CAATS/ Report Development		0.95	5.00	01/04/2015		
	542 BCBC - Information Governance Board		0.88	3.00	01/05/2015		
	544 BCBC - Built Environment Process Review		36.36	37.00	01/06/2015	17/11/2015	Reasonable
	548 BCBC - Debtors		16.18	15.00	26/06/2015		
	549 BCBC - Absence Management		24.32	20.00	25/06/2015		
	550 BCBC - ICT Back -Ups		17.74	15.00	26/06/2015		
	551 BCBC - Northgate Revs & Bens		16.96	10.00	01/07/2015		
	553 BCBC - Banking Contract		13.75	25.00	01/07/2015	15/09/2015	Substantial
	558 BCBC - Built Environment Fees & Charges		19.65	20.00	10/08/2015		
	564 BCBC- DBS		20.74	20.00	07/09/2015		
	565 BCBC - BACS Process (Payroll)		6.15	5.00	21/09/2015		
	567 BCBC - Health & Safety		5.95	10.00	23/09/2015		
	568 BCBC - Asset Disposals		12.57	20.00	24/09/2015		
	570 BCBC - COA System Review		5.64	10.00	28/09/2015		
	571 BCBC - Housing Benefits		10.44	10.00	28/09/2015		
	573 BCBC - Firewalls		0.95	10.00	05/10/2015		
	576 BCBC - CRC Return		10.24	12.00	05/10/2015	15/12/2015	Substantial
	586 BCBC - Business Support		9.70	30.00	04/11/2015		
<b>Total</b>	<b>Directorate</b>	<b>RESOURCES</b>	<b>275.89</b>	<b>326.00</b>			
	<b>Directorate</b>	<b>LEGAL &amp; REGULATORY SERVICES</b>					
<b>B</b>	529 BCBC - Money Laundering		13.18	10.00	01/04/2015	22/09/2015	Reasonable
	585 BCBC - Contracts Letting		12.97	15.00	05/10/2015		
	591 BCBC - E- Approval Process		5.44	15.00	16/11/2015		
<b>Total</b>	<b>Directorate</b>	<b>LEGAL &amp; REGULATORY SERVICES</b>	<b>31.59</b>	<b>40.00</b>			
	<b>Directorate</b>	<b>CHILDREN</b>					
<b>B</b>	520 BCBC - Schools Summary Report 14-15		5.78	5.00	21/04/2015	09/09/2015	Reasonable
	521 BCBC - Central Pupil Database		14.22	15.00	27/04/2015	02/11/2015	Reasonable
	528 BCBC - Learners Transport Project		11.96	10.00	01/04/2015	01/10/2015	Substantial
<b>B</b>	556 BCBC - School Agency Staff Procurement		13.72	13.00	17/07/2015		

	557 BCBC Early Intervention & Prevention	8.45	15.00	03/08/2015		
	562 BCBC - Archbishop McGrath School	6.49	10.00	17/09/2015		
	581 BCBC - Inclusion Service	15.00	15.00	08/10/2015		
	582 BCBC - CRSA Issue Oct 2015	6.93	4.00	19/10/2015		
	583 BCBC - CCYD ICT Review	2.80	10.00	22/10/2015		
	588 BCBC - Leaving Care	0.20	15.00	03/11/2015		
	596 BCBC - 14-19 Learning Pathways Grant	7.87	8.00	16/11/2015		
	598 BCBC - 6th Form & Adult Ed Grant	0.51	2.00	21/12/2015		
<b>Total</b>	<b>Directorate CHILDREN</b>	<b>93.92</b>	<b>122.00</b>			
	<b>Directorate COMMUNITIES</b>					
<b>B</b>	530 BCBC - Waste Disposal / Collections	15.20	20.00	01/04/2015	12/08/2015	Reasonable
	543 BCBC - Supporting People Grant	6.93	7.00	10/06/2015	15/09/2015	Reasonable
	546 BCBC - Highways Maintenance	19.53	20.00	16/06/2015	03/12/2015	Substantial
	577 BCBC - ICT System Review - Tranman	11.72	15.00	01/10/2015		
	587 BCBC - Attestation Certificate	4.73	5.00	03/11/2015	16/12/2015	Substantial
	589 BCBC - Concessionary Travel Passes	7.67	15.00	03/11/2015		
<b>Total</b>	<b>Directorate COMMUNITIES</b>	<b>65.78</b>	<b>82.00</b>			
	<b>Directorate WELLBEING</b>					
<b>B</b>	523 BCBC - Bus Services Support Grant	13.82	14.00	01/04/2015	30/07/2015	Reasonable
	526 BCBC - Home Care - Domiciliary Care	28.24	25.00	01/04/2015		
	561 BCBC - Assessment Framework Pay Process	9.43	10.00	17/09/2015		
	566 BCBC - ARC	11.73	10.00	05/10/2015		
	574 BCBC - Comm Care Info Sys Review	0.91	15.00	05/10/2015	28/10/2015	N/A
	592 BCBC - Section 117	10.61	15.00	23/11/2015		
<b>Total</b>	<b>Directorate WELLBEING</b>	<b>74.74</b>	<b>89.00</b>			
	<b>Directorate BCBC CROSS CUTTING</b>					
<b>B</b>	505 BCBC - Advice & Guidance Resources	9.26	10.00	01/04/2015		
	506 BCBC - Advice & Guidance - L&R	0.74	5.00	01/04/2015		
	507 BCBC - Advice & Guidance Communities	1.99	5.00	01/04/2015		
	508 BCBC- Advice & Guidance SS & Wellbeing	1.25	5.00	01/04/2015		
	509 BCBC - Advice & Guidance Children's	0.88	5.00	01/04/2015		
	510 BCBC - Audit Committee / CMB	35.14	50.00	01/04/2015		
<b>B</b>	511 BCBC - Audit Planning	33.24	35.00	01/04/2015		
	512 BCBC - Finalising jobs 2014-15	14.70	20.00	01/04/2015	20/07/2015	N/A
	513 BCBC - C/F ICT Business Continuity	1.05	2.00	01/04/2015	02/07/2015	Reasonable
	514 BCBC - C/F External Inspections	7.36	7.50	01/04/2015	23/07/2015	Reasonable
	515 BCBC - C/F Payroll	19.22	20.00	01/04/2015	30/06/2015	Reasonable

	516 BCBC - C/F S106		1.01	2.00	01/04/2015	27/05/2015	Substantial
	524 BCBC - Lone Worker Follow Up		5.07	6.00	01/04/2015	19/06/2015	Reasonable
	525 BCBC - Pencoed Library Follow up		2.97	3.00	01/04/2015	08/06/2015	Reasonable
	536 BCBC - IA Benchmarking & PIs		4.86	5.00	01/04/2015	24/07/2015	N/A
	537 BCBC - CMB and Resources SMT		7.50	15.00	01/04/2015		
	538 BCBC - Homelessness Grant Certification		10.00	10.00	11/05/2015	24/07/2015	Reasonable
	541 BCBC - IASS Monitoring		10.14	12.00	11/05/2015		
	545 BCBC - Brynteg School Follow up		7.87	8.00	11/06/2015	09/10/2015	Reasonable
	559 BCBC - Maesteg Comp. Financial Systems		5.95	6.00	03/09/2015	09/12/2015	Reasonable
	580 BCBC - Care and Repair		15.14	15.00	08/10/2015		
	584 BCBC - Fraud & Error arrangements review		4.46	5.00	05/10/2015		
	590 BCBC - Coychurch Crematorium		2.33	10.00	16/11/2015		
	593 BCBC - Awen Trust		8.11	10.00	12/11/2015		
	594 BCBC - Transformation Programme		2.30	10.00	24/11/2015		
<b>Total</b>	<b>Directorate</b>	<b>BCBC CROSS CUTTING</b>	<b>212.53</b>	<b>281.50</b>			

**Total Function ASSURANCE 754.45 940.50**  
**ANTI-FRAUD & CORRUPTION**

	<b>Directorate</b>	<b>BCBC CROSS CUTTING</b>					
<b>B</b>	540 BCBC - NFI		20.17	25.00	01/04/2015		
	563 BCBC - Credit Card Issue CG School		6.42	7.00	17/09/2015		
<b>Total</b>	<b>Directorate</b>	<b>BCBC CROSS CUTTING</b>	<b>26.59</b>	<b>32.00</b>			

**Total Function ANTI-FRAUD & CORRUPTION 26.59 32.00**  
**GOVERNANCE**

	<b>Directorate</b>	<b>COMMUNITIES</b>					
<b>B</b>	531 BCBC - Communities First		16.15	17.00	01/04/2015	22/10/2015	Substantial
	532 BCBC - Planning		17.60	20.00	01/04/2015		
<b>Total</b>	<b>Directorate</b>	<b>COMMUNITIES</b>	<b>33.75</b>	<b>35.00</b>			

	<b>Directorate</b>	<b>WELLBEING</b>					
<b>B</b>	552 BCBC - Safeguarding		24.32	25.00	06/07/2015	03/11/2015	Reasonable
	555 BCBC - Leisure Contract Review		8.31	15.00	15/07/2015	15/12/2015	Substantial
	560 BCBC - Harbour Operation		13.61	15.00	07/09/2015		
<b>Total</b>	<b>Directorate</b>	<b>WELLBEING</b>	<b>46.25</b>	<b>55.00</b>			

	<b>Directorate</b>	<b>BCBC CROSS CUTTING</b>					
<b>B</b>	522 BCBC - Governance Review		16.96	20.00	01/04/2015	17/06/2015	Reasonable

	533 BCBC - VVP		24.86	15.00	01/04/2015		
	569 BCBC - Corporate Assess. Working Groups		2.76	5.00	24/08/2015	30/10/2015	N/A
	575 BCBC - Final Accounts		0.95	2.00	01/10/2015		
	578 BCBC- Capital Prog Children's Minor Work		5.17	15.00	01/10/2015		
	579 BCBC - School Modernisation Programme		6.25	15.00	01/10/2015		
	597 BCBC - Project Management COA Migration		3.85	3.00	07/12/2015		
<b>Total</b>	<b>Directorate</b>	<b>BCBC CROSS CUTTING</b>	<b>60.80</b>	<b>75.00</b>			
<b>Total</b>	<b>Function</b>	<b>GOVERNANCE</b>	<b>140.80</b>	<b>165.00</b>			
<b>RISK &amp; PERFORMANCE MANAGEMENT</b>							
	<b>Directorate</b>	<b>COMMUNITIES</b>					
<b>B</b>	519 BCBC - Subsidised Bus Services		15.03	10.00	15/04/2015	24/08/2015	Reasonable
	572 BCBC - Project Management Street Scene		9.97	10.00	28/09/2015		
<b>Total</b>	<b>Directorate</b>	<b>COMMUNITIES</b>	<b>25.00</b>	<b>20.00</b>			
	<b>Directorate</b>	<b>BCBC CROSS CUTTING</b>					
<b>B</b>	534 BCBC - Access to Records - SAR's		9.83	10.00	01/04/2015	22/09/2015	Reasonable
	547 BCBC - Data Sharing		9.32	8.00	06/04/2015		
<b>Total</b>	<b>Directorate</b>	<b>BCBC CROSS CUTTING</b>	<b>19.16</b>	<b>18.00</b>			
<b>Total</b>	<b>Function</b>	<b>RISK &amp; PERFORMANCE MAN</b>	<b>44.16</b>	<b>38.00</b>			
		<b>Grand</b>	<b>965.99</b>				

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

28<sup>th</sup> January 2016

### REPORT OF THE CORPORATE DIRECTOR - RESOURCES

#### COMPLETED AUDITS

#### 1. Purpose of Report.

1.1. To summarise for Members the findings of the audits recently completed by Internal Audit Shared Service.

#### 2. Connection to Corporate Improvement Objectives / Other Corporate Priority.

2.1. Internal Audit's work impacts on all the Corporate Improvement Objectives/other Corporate Priorities.

#### 3. Background

3.1. Internal Audit conducts reviews according to an annual audit plan and reports a summary of the findings to Audit Committee.

#### 4. Current situation / proposal.

4.1. Recently completed audits relating to 2015/16 are summarised in **Appendix A** and is attached to this report.

4.2. Members are invited to raise any issues on these audits or to request the production of a fuller report at the next meeting.

#### 5. Effect upon Policy Framework & Procedure Rules.

5.1. None

#### 6. Equality Impact Assessment.

6.1 There are no equality implications.

#### 7. Financial Implications.

7.1. None

#### 8. Recommendation.

8.1. That Members consider the summary of completed audits to ensure that all aspects of their core functions are being adequately reported.

**Ness Young**  
**Corporate Director - Resources**  
**28<sup>th</sup> January 2016**

**Contact Officer:**   **Helen Smith**  
                                  **Chief Internal Auditor**

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Internal Audit  
Innovation Centre  
Bridgend Science Park  
Bridgend  
CF31 3NA

**Background documents**

Internal Audit reports relating to the above audits held within the Internal Audit Division



**2015/16 Completed Audits****Reported at the 28<sup>th</sup> January 2016 Audit Committee Meeting**

<b>Report</b>	<b>System Overview</b>	<b>Work Finalised</b>	<b>Audit Days</b>	<b>Key Messages</b>	<b>Audit Opinion</b>	<b>Key Action Plan Dates</b>
Central Pupil Database	<p>The Knowledge Management (KM) Team covers a range of support activities including school admissions and transfers, clerking for governing bodies, Service Level Agreements, disabled transport and volunteer drivers.</p> <p>The KM Team collates information in one place for statutory reporting purposes and National and Local Performance Indicators for the Children's Directorate and maintains the Central Pupil Database (CPD).</p> <p>The objectives were to assess the overall control environment of the Knowledge Management Database to ensure compliance with the Data Protection Act (DPA) and where applicable Wales Accord for Sharing Personal Information (WASPI).</p>	September 2015	14 days	<p>Audit testing confirmed that:</p> <ul style="list-style-type: none"> <li>• The Principal Officer has relevant knowledge and experience in WASPI including DPA, Freedom of Information and disseminates to the Knowledge Management Team;</li> <li>• Controls to the CPD are adequate;</li> <li>• A repository list/register is in place to log relevant information or data stored;</li> <li>• Where applicable information is made available on the intranet.</li> </ul>	Reasonable Assurance	November 2015

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Server Virtualisation	<p>Virtualisation is a software technology which makes it possible to run multiple operating systems and applications on the same server at the same time. Virtualised servers are known as Virtual Machines or VMs.</p> <p>There are many benefits of implementing a virtualised infrastructure over a physical one including: reduced capital and operating costs, reduced data centre footprint and energy consumption, high application availability, minimising downtime, centralised management of systems, faster server provisioning and improvement in disaster recovery.</p> <p>Virtualisation also introduces risk, including virtual machine (VM) sprawl, increased complexity of the environment, resource misuse, security of data and systems where access to multiple systems is the norm through centralised management.</p> <p>As part of the ICT Strategy and</p>	October 2015	15 days	<p>During the Audit a number of strengths and areas of good practice were identified as follows:</p> <ul style="list-style-type: none"> <li>• There are currently enough host resources to cope with minor issues or even a small number of host failures and still maintain all services.</li> <li>• Server provisioning is efficient – a new virtualised server can be created very quickly from templates stored in the system.</li> <li>• A product called Veeam is used for backing up the virtualised environment but also provides a full reporting suite which can provide essential information to administrators.</li> </ul> <p>The following key issues were identified during the Audit which need to be addressed:</p> <ul style="list-style-type: none"> <li>• There are permissions that have been applied to individuals at a VM level but those individuals are also included in a group which has administrative control over</li> </ul>	Reasonable Assurance	November 2015

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>Framework 2012 – 2015, one objective is to conclude the migration of business critical applications to the virtualised infrastructure.</p> <p>The objective of the audit was to perform an independent review of server virtualisation within the Council.</p>			<p>the whole environment.</p> <ul style="list-style-type: none"> <li>• Systems have not been categorised in the virtual environment to represent business criticality. There may be instances where there is a possibility of downtime for critical systems while non-critical are live or where in a disaster recovery situation, systems are not brought online in the most efficient and priority-based manner.</li> <li>• The current virtualised environment has not been evaluated against the security hardening guidelines released by VMware. Periodically reviewing this guide against the virtualised estate would provide greater security assurance.</li> </ul>		
Safeguarding	BCBC has a legal duty to ensure that it undertakes its functions in a way that safeguards and promotes the welfare of children, young people and adults at risk (vulnerable adults) in accordance with relevant legislation, for	October 2015	24 days	<p>Areas of strength included:</p> <ul style="list-style-type: none"> <li>• A Corporate Safeguarding Policy for Children, Young People and Adults that clearly specifies roles, responsibilities and procedures for safeguarding</li> </ul>	Reasonable Assurance	May 2016

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>example, the Social Services and Wellbeing (Wales) Act, 2014.</p> <p>As part of the Council's commitment to safeguarding, BCBC works actively with other agencies such as the Police, Abertawe Bro Morgannwg University Health Board, Wales Probation, third sector organisations and others under the auspices of the Western Bay Safeguarding Children and Adults Boards.</p> <p>The objective of the audit was to assess the operational controls in place relating to the Council's Safeguarding procedures to ensure the governance, accountability, management processes and controls are operating effectively focussing on risk areas across the Council.</p>			<p>has been developed;</p> <ul style="list-style-type: none"> <li>• A local safeguarding group which focuses on operational issues across Western Bay, relevant to Bridgend has been constituted and Terms of Reference have been agreed;</li> <li>• The Corporate Induction Framework now includes basic safeguarding training for new staff.</li> </ul> <p>Key concerns included:</p> <ul style="list-style-type: none"> <li>• Further work is required to ensure a holistic/corporate approach to safeguarding across the various directorates within the Council so that, as the Policy seeks to promote, safeguarding becomes everybody's business;</li> <li>• Designated Safeguarding Managers are yet to be appointed and trained, this should be a priority;</li> <li>• A Corporate Training Strategy is needed to ensure that safeguarding training needs are fully identified and</li> </ul>		

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
				relevant training is delivered; <ul style="list-style-type: none"> <li>External reviews were not consistently reported to the appropriate committee.</li> </ul>		
Highways Maintenance	<p>BCBC has a statutory duty as part of the 1980 Highways Act to maintain the highways within its boundary. The Council provides an in-house service to maintain the roads as part of a reactive service. The in-house service is also part of a partnership with Neath Port Talbot County Borough Council and Merthyr Tydfil County Borough Council, which has a Service Level Agreement with the South Wales Trunk Road Agency (SWTRA). BCBC is responsible for the maintenance of the M4 motorway and the A470 between Taff Ely and Abercynon.</p> <p>As part of the Council's Medium Term Financial Strategy, Highway Services has been set a savings target for the period 2015-18 of £1.3 million.</p> <p>The objective of the audit was to</p>	October 2015	19 days	<p>A number of areas of good practice were identified as follows:</p> <ul style="list-style-type: none"> <li>Highway Services Review - Project Board is in place to provide oversight in the delivery of the Medium Term Financial Savings and actions raised as a result of the overtime review.</li> <li>Selection of schemes for the planned maintenance programme is supported with Highway Inspection reports; complaints and scanner reports.</li> <li>Effective controls are in place to manage the annual SWTRA Service Level Agreement payments.</li> </ul> <p>Audit testing did however identify inaccurate SWTRA claims for additional / ad hoc work due to the non-reconciliation of Day Work</p>	Substantial Assurance	November 2015

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>provide assurance that the arrangements for delivering the programme of highways improvement works during 2015/16 is compliant with maintenance protocols including the Highways Act, whilst demonstrating effective budget management, in order to meet achieve the significant financial savings required.</p>			<p>Sheets to Open Contractor and Business Support Spreadsheets. From the sample of 10 invoices, there were errors found in 5 that resulted in a net over claim of £1101. The section have already been in liaison with contractors to rectify these errors and have put in place measures to prevent the situation occurring again.</p>		
<p>Built Environment Process Review</p>	<p>A review of the BPM 1.0 process followed for the procurement of work orders of £5000 and above was conducted.</p> <p>To carry out this review audit testing focused on the Client Agent. The Client Agent consists of a Principal Building Surveyor, a Senior Building Surveyor Team Leader and three Senior Building Surveyors, who are designated project leaders and will assist the client by providing quotes for work, instructing the relevant contractors and supervising works to ensure it meets the required specification. For the purpose of this review, the term 'client' referred to any other internal</p>	<p>November 2015</p>	<p>35 days</p>	<p>At the time of the review it was noted that there were insufficient completed jobs (over £5000) to test, to be able to provide comprehensive assurance that the BPM 1.0 process is working effectively since the switch to electronic working.</p> <p>From the testing undertaken, it was identified that there were several instances where documents were either not retained or had not been completed in full, for example, requisitions, the rationale why the internal service had not been used, order process documents, client confirmation</p>	<p>Reasonable Assurance</p>	<p>April 2016</p>

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>department within the Council.</p> <p>A transfer towards electronic working was instigated in March 2015 which means that the Client Agent no longer retain paper project files instead all documentation must be stored within an electronic file on information@work. This allows the Business Support Team to access any necessary documents remotely as they are now based in Raven's Court and provide support to certain areas of the Resources directorate (Property, ICT, Built Environment), whereas previously they provided sole support to Built Environment.</p>			<p>to proceed with works and project action checklists. Prior to the introduction of the electronic system, these issues would have been detected and rectified as part of the business support file checks before the job could progress any further. Whilst these issues have been categorised as low risk within the audit report, it is thought that if file checks cease and these processes continue to slip, it could result in more significant control issues in the future.</p> <p>Therefore, it is felt that a further review should be undertaken once the process has become fully operational and more jobs have passed through the process. It is envisaged that such work will be undertaken in early 16/17.</p>		
Leisure Services Contract	On 1st April 2012, BCBC commenced a 10 plus, 5 year contract with Greenwich Leisure Limited (GLL) and Halo who operate the contract for the provision of leisure services within	December 2015	8 days	The procedures and practices in place for the monitoring and control of the contract, from a contractor performance perspective, remain comprehensive and significantly	Substantial assurance	Not Applicable

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>the borough. This partnership is known as the Healthy Living Partnership Project.</p> <p>The objective of this review was to review and establish the Authority's monitoring of performance arrangements in relation to the Leisure Services contract.</p>			<p>assist in reducing the risk that the -Authority is exposed to.</p> <p>No key issues that needed to be addressed were identified during the Audit. However an advisory recommendation was made in relation to one objective, namely the promotion of the Access to Leisure – Financially Disadvantaged. It was advised that this promotion has not been undertaken because the requirements of the Data Protection Act means that Halo cannot be provided with a list of Housing Benefit claimants and as such any letters informing claimants of the scheme have yet to be sent out. The Partnership and Development Officer informed that it is their intention to undertake this exercise before the end of the current financial year.</p>		
Carbon Reduction Commitment (CRC) Return	The Energy Management section within Built Environment has the responsibility for developing and delivering long term energy and	December 2015	10 days	<p>The strengths that were identified as follows:</p> <ul style="list-style-type: none"> <li>• The evidence pack was</li> </ul>	Substantial Assurance	Not Applicable



Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>carbon management plans to improve the Authority's performance across a wide range of environmental and energy sustainability.</p> <p>A key part of the section's role is the completion of a CRC Annual Report that is submitted to the Environment Agency as part of the UK mandatory Carbon Reduction Commitment Energy Efficiency Scheme. The submission requires that adequate evidence is maintained to support the data submitted within the CRC Annual Report. Thus, an audit review of the system controls for completion of Phase 2 of the CRC evidence pack and return was undertaken.</p>			<p>comprehensively recorded and fully indexed.</p> <ul style="list-style-type: none"> <li>• Sufficient evidence could be easily located and followed within the evidence pack.</li> </ul> <p>There were no areas of concern identified during this review.</p>		

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

28<sup>TH</sup> JANUARY 2016

#### REPORT OF THE CHIEF INTERNAL AUDITOR AS THE HEAD OF AUDIT

#### THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) – PROPOSALS FOR UNDERTAKING AN EXTERNAL ASSESSMENT.

##### 1. Purpose of Report.

- 1.1 This report outlines the benefits of, and seeks Audit Committee agreement to the proposed arrangements for carrying out the external review of the Council's Internal Audit Shared Service function, as required by the Public Sector Internal Audit Standards (PSIAS).

##### 2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives and other Corporate Priorities.

##### 3. Background.

- 3.1 The Public Sector Internal Audit Standards introduced a requirement for an external assessment which must be conducted at least once every five years by a qualified, independent reviewer from outside the organization. The relevant standard states:

“Standard 1312 – External Assessments – External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive (Head of Internal Audit) must discuss with the board (Audit Committee); the form of external assessments; the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest”.

- 3.2 The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment should be a supportive process that identifies opportunities for development which ultimately helps to enhance the value of the audit function.

##### 4. Current situation / proposal.

- 4.1 The two possible approaches to external assessment outlined in the standard include either a full external assessment or an internal self-assessment which is validated by an external reviewer. Therefore, the options available are as follows:-

- Peer reviews to be carried out by the Heads of Internal Audit across Wales;

- Buying-in the function from a professional body, e.g. The Institute of Internal Auditors;
- Buying-in the service from another suitably qualified and experienced individual / firm.

4.2 Attached at **Appendix A** is a summary of the options outlining the advantages and disadvantages associated with each option (this list is not exhaustive) and a rough estimate of the likely cost.

4.3 A similar report was submitted to the Vale of Glamorgan Council's Audit Committee on 16<sup>th</sup> November 2015; who resolved that their preferred option would be buying-in the function from a professional body, e.g. The Institute of Internal Auditors.

## **5. Effect upon Policy Framework & Procedure Rules.**

5.1 None.

## **6. Equality Impact Assessment**

6.1 There are no equality implications.

## **7. Financial Implications.**

7.1 The cost for each option is set out in Appendix A. and this will be borne within the existing Internal Audit Shared Service budget.

## **8. Recommendation.**

8.1 That the Committee have regard to the options as set out in **Appendix A** and identify their preferred choice to ensure that compliance with the Public Sector Internal Audit Standards is achieved.

8.2 Note that a further report will be presented to the Committee; setting out the proposed scope and objectives of the assessment to be undertaken to ensure that the Committee can gain the necessary external assurances on the effectiveness of the Internal Audit Shared Service function.

**Helen Smith**  
**Chief Internal Auditor**  
**28<sup>th</sup> January 2016**

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CF31 3NA

**Background documents**  
None

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## Options for External Assessment in accordance with the Public Sector Internal Audit Standards

Option	Description	Advantages	Disadvantages	Estimated Cost
1	Peer reviews to be carried out by the Heads of Internal Audit across Wales	Consistency of approach; Peer to Peer learning opportunities; Willingness, benefits and promotion of collaboration. Knowledge and Experience.	Independence and Objectivity may be impaired; Conflicts of interest; Negative impact on professional relationships. Impact on Members and Officers time. Disruption to the service. Dispute resolution	Head of Internal Audit's time (estimated as being 5 working days) and possible travel expenses.
2	Buying-in the function from a professional body, e.g. The Institute of Internal Auditors;	Use of qualified assessors; Experience of similar size and complex organisations; Independence and Objectivity; Knowledge and Experience; Freedom from bias; Dispute resolution.	Impact on Members and Officers time. Disruption to the service	Minimum of £10K
3	Buying-in the service from another suitably qualified and experienced individual / firm	Experience of similar size and complex organisations;	Impact on Members and Officers time. Disruption to the service	Circa £10K - £15K

		Independence and Objectivity; Knowledge and Experience; Freedom from bias; Dispute resolution.		
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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

28<sup>th</sup> JANUARY 2016

#### REPORT OF THE CORPORATE DIRECTOR - RESOURCES

##### UPDATED FORWARD WORK PROGRAMME 2015-16

#### 1. Purpose of Report.

- 1.1 To present to Members an update on the 2015/16 Forward Work Programme for the Audit Committee

#### 2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives /other Corporate Priorities.

#### 3. Background.

- 3.1 The Core functions of an effective Audit Committee are:-

- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements properly reflect the risk environment and any actions required to improve it.
- Oversee the work of internal audit (including the annual plan and strategy) and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the Chief Internal Auditor as Head of Audit.
- Consider the reports of external audit and inspection agencies, where applicable.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

- 3.2 Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

**4. Current situation / proposal.**

4.1 In order to assist the Audit Committee in ensuring that due consideration has been given by the Committee to all aspects of their core functions an updated forward work programme is attached at **Appendix A.**

**5. Effect upon Policy Framework& Procedure Rules.**

5.1 None

**6. Equality Impact Assessment**

6.1 There are no equality implications arising from this report.

**7. Financial Implications.**

7.1 None

**8. Recommendation.**

8.1 That Members note the updated Forward Work Programme to ensure that all aspects of their core functions are being adequately reported.

**Ness Young**  
**Corporate Director - Resources**  
**28<sup>th</sup> January 2016**

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**Background documents**

None

**AUDIT COMMITTEE  
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME  
2015 – 2016**

DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
<b>2015</b>			
25 <sup>th</sup> June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	N/A
	Updated Forward Work Programme.	CIA	Complete
	Pre-audited Statement of Accounts 2014/15.	Head of Finance & ICT	Complete
	Annual Governance Statement 2014-15	Head of Finance & ICT	Complete
	Complete Audits (if applicable).	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO / KPMG	
	IASS Outturn Report April and May 2015.	CIA	Complete
Carried Forward from April 2015 Committee	IASS Outturn Report April 2014 to March 2015 and the Head of Audit's Annual Opinion.	CIA	Complete
24 <sup>th</sup> September	Information and Action Requests	CIA	Complete
	Updated Forward Work Programme	CIA	Complete
	Statement of Audited Accounts and Final Annual Governance Statement 2014/15	Head of Finance and ICT / KPMG	Complete
	Treasury Management Outturn 2014/15	Head of Finance and ICT	Complete
	Internal Audit 5 months Outturn Report April to August 2015.	CIA	Complete
	Completed Audits Report (where applicable)	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO / KPMG	
19 <sup>th</sup> November	Up dated Forward Work Programme	CIA	Complete
	Information and Action Requests (where applicable)	CIA	Complete
	Fraud update (including NFI)	Head of Finance & ICT / Benefits Manager / CIA	Complete
	Corporate Risk Assessment Review 2015/16.	Head of Finance and ICT / Risk & Insurance Manager	Complete
	Completed Audits Report (if applicable)	CIA	Complete
	Internal Audit Outturn Report – April 2015 to September 2015.	CIA	Complete
	School Summary Report 2014-15	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO / KPMG	
<b>2016</b>			
28 <sup>th</sup> January	Up dated Forward Work Programme	CIA	Submitted
	Information and Action Requests (if applicable)	CIA	Submitted
	Internal Audit 9 months Outturn Report April 2015 – December 2015	CIA	Submitted
	Completed Audits (where applicable)	CIA	Submitted
	Report on the work undertaken on School Audits.	CIA	Taken Forward to Nov. 15 Complete
	Controlled Risk Self-Assessment Questionnaire	CIA	Submitted

**APPENDIX A**

	<b>PSIAS External Assessment</b>	<b>CIA</b>	<b>Submitted</b>
	<b>External Auditors / Inspection Reports (where applicable). Annual Improvement Report. Certification of Grants and Returns.</b>	<b>Head of Finance &amp; ICT / WAO/ Relevant Chief Officer</b>	<b>Submitted</b>
	<b>Corporate Risk Assessment 2015-16</b>	<b>Head of Finance &amp; ICT</b>	<b>Submitted</b>
	<b>Treasury Management Half Year Report 2015-16 and Treasury management strategy 2016-17</b>	<b>Head of Finance &amp; ICT</b>	<b>Submitted</b>
<b>16<sup>th</sup> April</b>	<b>Information and Action Requests (where applicable)</b>	<b>CIA</b>	
	<b>Updated Forward Work Programme</b>	<b>CIA</b>	
	<b>Proposed Forward Work Programme 2016-17.</b>	<b>CIA</b>	
	<b>Internal Audit proposed Annual Strategy and Audit Plan 2016-2017.</b>	<b>CIA</b>	
	<b>Governance – Compliance with Public Sector Internal Audit Standards for 2015-16</b>	<b>CIA</b>	
	<b>Audit Committee – Terms of Reference</b>	<b>CIA</b>	
	<b>Internal Audit Shared Service Charter</b>	<b>CIA</b>	
	<b>Completed Audits (where applicable)</b>	<b>CIA</b>	
	<b>Head of Audit’s Annual Opinion Report and outturn for the Year 2015/16</b>	<b>CIA</b>	
	<b>External Auditors / Inspection Reports (if applicable): -</b>	<b>Head of Finance &amp; ICT / WAO/ KPMG</b>	