

## **WIRRAL COUNCIL**

### **AUDIT & RISK MANAGEMENT COMMITTEE**

**19 SEPTEMBER 2012**

<b>SUBJECT</b>	<b>ANNUAL GOVERNANCE STATEMENT</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR PHIL DAVIES</b>
<b>KEY DECISION</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (amended 2006 and 2011). This report explains the requirement for the Authority to produce the AGS declaring the degree to which it meets the Governance Framework.
- 1.2 Cabinet considered the AGS on 21 June 2012 and, with an amendment to the conclusion, agreed to be appended to the Statement of Accounts 2011/12. The AGS has been revised to provide further information and the revised Statement is presented for approval at Appendix A. Sections 2.12 and 2.13 of this report providing an explanation of the changes.

#### **2.0 BACKGROUND AND KEY ISSUES**

- 2.1 Regulation 4 of the Accounts and Audit Regulations 2003 required councils to review the effectiveness of their system of internal control and to publish a Statement on Internal Control (SIC) with the Financial Statements of the Local Authority each year. It also requires the findings of the review to be considered by a Committee of the Council.
- 2.2 The Accounts and Audit Regulations 2003 were amended in 2006, and CIPFA/SOLACE produced the Delivering Good Governance in Local Government Framework (the Framework). This required the production and publication of an AGS by the Council to replace and subsume the Statement on Internal Control from 2008.

##### **Governance**

- 2.3 Governance is about how the Authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes and controls, cultures and values, by which the Authority is directed and controlled and through which it accounts to, engages with, and, where appropriate leads the community (Source: CIPFA/SOLACE Delivering Good Governance in Local Government) June 2007.

2.4 Effective governance arrangements ensure that:

- Authority policies are implemented in practice;
- Authority values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published information are accurate and reliable;
- Human, financial and other resources are managed efficiently and effectively;
- High-quality services are delivered efficiently and effectively.

2.5 The Framework identifies six core principles of good governance:

- i. Focusing on the purpose of the Authority and on the outcomes for the community and creating and implementing a vision for the local area.
- ii. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- iii. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- v. Developing the capacity and capability of Members and officers to be effective.
- vi. Engaging with local people and other stakeholders to ensure robust accountability.

2.6 Taking account of the above, local authorities are expected to undertake the following:

- Review their existing governance arrangements against the Framework.
- Maintain an up to date local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness.
- Prepare an AGS to report publicly on the extent to which they comply with the principles.

**Process**

2.7 Within the Council there is an existing, well established process for the review of the control system and preparation of the AGS, managed by Internal Audit and reported to the Corporate Governance Group and the Audit and Risk Management Committee.

2.8 Whilst Internal Audit is responsible for undertaking the assurance work, it is important to recognise that this is not a document owned by the audit function but an Authority statement on the effectiveness of its governance processes.

2.9 The process includes:

- a. Reviewing key governance processes, covering such areas as: responsibilities of Members and Chief Officers; adequacy of performance management; partnership working; and risk management.
- b. Reviewing reports completed by external review agencies, so as to ensure that key findings are considered for inclusion in the AGS and that appropriate actions have been taken or are planned to address any issues highlighted.
- c. Requesting Chief Officers and Managers to review and comment upon their areas of responsibility so as to provide assurance that key governance processes are robust.

**The AGS 2011/12**

- 2.10 The AGS was agreed by the Audit & Risk Management Committee on 13 March 2012 and endorsed by the Improvement Board on 27 April 2012. Cabinet on 21 June 2012 resolved: "That subject to any material change to the control environment or corporate governance arrangements of the Council and the addition of the statement proposed by Councillor McLachlan in the conclusion (which made reference to the Audit Commission report in the Public Interest relating to Highways and Engineering Services) The Annual Governance Statement 2011/12 be appended to the Statement of Accounts 2011/12."
- 2.11 During the period prior to the consideration of the AGS, and since that time, the Council has received additional information through external reports which requires that the previously presented AGS required updating. The response to the various reports has progressed with the preparation of the detailed Wirral Improvement Plan. This Plan having been endorsed by the Improvement Board was approved by Cabinet on 6 September 2012. Therefore the AGS, whilst reflective of the position when originally compiled, required updating to better reflect the position at September 2012 which is the time of producing the Statement of Accounts 2011/12.
- 2.12 In the Audit Commission Annual Governance Report, as at 3 September 2012, the District Auditor stated that "in my opinion the Annual Governance Statement presented for audit does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 because it does not adequately or accurately describe the governance framework and review of effectiveness nor address the weaknesses in the internal control environment highlighted in the Council's Improvement Plan'. His report recommended that the AGS be revised to ensure it:-
- reflects compliance with the CIPFA/SOLACE publication.
  - is consistent with other information on governance that is available to the Council.

- 2.13 The AGS 2011/12 appended to the Statement of Accounts 2011/12 published on 29 June 2012 has been updated and the revised Statement is at Appendix A. The main changes relate to:-

#### Section 4 : Review of Effectiveness

This section previously contained a number of descriptions which have been integrated with Section 3 which describes the Governance Environment with Section 4 enhanced to provide more detailed comments on the effectiveness of the arrangements. This now includes the comments in respect of Internal Control, Internal Audit and External Reviews with the latter bringing the AGS up to date with the reports received post-March 2012 including the Grant Claims and Returns Report 2010/11, the Highways and Engineering Services Public Interest Report and the outcomes of the Peer Challenge / Peer Review into Adult Social Services.

#### Section 5 : Significant Governance Issues

This section previously referred to the issues and the actions taken in response to the AKA 'Wirral Borough Council's Corporate Governance Arrangements: Refresh and Review' presented to Cabinet on 22 September 2011 and areas for further work. This was updated and revised to highlight the significant issues flowing from the reports and findings identified in Section 4 and a new Section 6 Improvement Measures included to show the actions taken, and planned, which lead to the production and agreement of the Wirral Improvement Plan which has been appended to the AGS.

### **3.0 RELEVANT RISKS**

- 3.1 Potential failure of the Council to comply with the statutory requirement of Regulation 4 of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011). This could lead to adverse comment by the External Auditor in the Annual Governance Report.
- 3.2 Failure to manage risks identified may prejudice the achievement of corporate objectives.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 The other option is to not amend the AGS presented to Cabinet on 21 June 2012 which is not considered an appropriate course of action.

### **5.0 CONSULTATION**

- 5.1 Members of the Corporate Governance Group and the Executive Team have been involved in the development of the Annual Governance Statement and the Executive team in the refinement of the Statement.

## **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are none arising directly from this report.

## **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

7.1 There are none arising directly from this report.

## **8.0 LEGAL IMPLICATIONS**

8.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (amended 2006 and 2011).

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There are none arising from this report and so an Equality Impact Assessment (EIA) is not required.

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are none arising directly from this report.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are none arising directly from this report.

## **12.0 RECOMMENDATION**

12.1 That the revised Annual Governance Statement for 2011/12 be agreed.

## **13.0 REASON FOR RECOMMENDATION**

13.1 The production of the AGS is necessary in order to meet fully the statutory requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006 and 2011).

13.2 The revised AGS better reflects the position of the Council at September 2012 when the Statement of Accounts 2011/12 are produced.

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## APPENDICES

Appendix A - Annual Governance Statement 2011/12.

## REFERENCE MATERIAL

- CIPFA The Annual Governance Statement: Meeting the Requirements of the Accounts and Audit Regulations 2003, incorporating Accounts and Audit (Amendment) (England) Regulations 2006: A Rough Guide for Practitioners (2007) (the “Rough Guide”).
- CIPFA/SOLACE Delivering Good Governance in Local Government : Guidance Note and Framework (2007).
- Accounts and Audit Regulations (England) 2006.
- CIPFA Code of Practice for Internal Audit in Local Government 2006.
- CIPFA The Role of the Chief Financial Officer in Local Government 2010.
- CIPFA Application Note to Delivering Good Governance in Local Government: A Framework 2010.

## SUBJECT HISTORY

Council Meeting	Date
Cabinet	21 June 2012
Improvement Board	27 April 2012
Audit and Risk Management Committee	13 March 2012
Cabinet	13 October 2011
Audit and Risk Management Committee	28 September 2011
Cabinet	14 April 2011
Audit and Risk Management Committee	28 March 2011
Cabinet	4 November 2010
Audit and Risk Management Committee	28 September 2010
Cabinet	22 July 2010
Audit and Risk Management Committee	30 June 2010
Cabinet	15 April 2010
Audit and Risk Management Committee	24 March 2010