WIRRAL COUNCIL

ANNUAL GOVERNANCE STATEMENT 2008/2009

1.   Scope of Responsibility

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

1.2.   In discharging this overall responsibility Wirral Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3.   Wirral Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at www.wirral.gov.uk.   This statement explains how Wirral Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

2.   The Purpose of the Governance Framework

2.1.   The governance framework comprises the systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2.   The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not fully achieving policies, aims and objectives and therefore provides a reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wirral Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3. The governance framework has been in place for a number of years at Wirral Council and, in particular, for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

Key elements of the systems and processes that comprise the governance arrangements include:

3.1. Wirral Council has revised its Corporate Plan setting out its objectives and there is an accompanying Performance Plan in which achievement of the objectives is monitored.

3.2. Wirral Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. There are Overview and Scrutiny Committees covering all portfolios. An Audit and Risk Management Committee provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. The Constitution is reviewed annually by the Monitoring Officer and is codified into one document which is available on the intranet and external web pages.

3.3. Wirral Council ensures compliance with established policies, procedures, laws and regulations - including risk management. There is a comprehensive corporate induction programme in place and information regarding policies and procedures is held on the intranet, which continues to be enhanced and developed. The Council has a strong Internal Audit function and well established protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.

3.4. The Council has adopted a "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Delivering Good Governance Framework 2007. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council website.

3.5. Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Individual training needs are constantly identified through the Key Issues Exchange process and fed into the Departmental Training plan and addressed by the Corporate Training Group.

3.6. The Council has designated the Director of Law, HR and Asset Management as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.

3.7. Wirral Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.

3.8. The Council has robust systems for identifying and evaluating all significant risks, developed and maintained with the pro-active participation of all those associated with planning and delivering services. The Council adopted a revised Risk Management Policy and Strategy in 2008. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A Corporate Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. A designated Risk Management Officer has been appointed and has approached embedding risk management in accordance with best practice guidance as a "top down" process via presentations, training and the facilitation of workshops to promote this process.

3.9. Wirral Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness.

3.10. The Comprehensive Performance Assessment (CPA) Use of Resources framework assessed the Council as a 'Good' 3 star Authority that is improving well. The Audit Commission annual assessment of the Council identified that it is making good progress in a number of its priority areas.

3.11. The financial management of the Authority is conducted in accordance with the Financial Procedure Rules set out in the Constitution. The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year Financial Strategy, updated annually, to support the medium term aims of the Corporate Plan. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.

3.12. The Council has an objective performance management framework. The system is driven by the Corporate Plan which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee key issue exchanges and actions plans. It is clearly laid out in the annual service and financial planning and performance management cycle. Committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary.

3.13. The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit and Inspection Letter.

4. Review of Effectiveness

4.1. Wirral Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of

internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates:

4.2.   The Council has developed key policy documents, such as the Corporate Plan and Statement of Intent through which the Council expresses its objectives and puts in place the mechanisms by which it can monitor their achievement. Regular progress reports are presented to Cabinet and subject to scrutiny. Departmental Service Improvement Plans that contain a variety of performance indicators and targets, that are regularly reviewed, are maintained on the Performance Information Management System and support these plans.

4.3.   Directorate, Divisional and Service unit business plans contain a variety of performance indicators and targets that are regularly reviewed.

4.4.   The Council Constitution, which is annually reviewed by the Monitoring Officer, sets out the responsibilities of both Members and senior managers. In particular the Council has identified the three statutory posts as follows:-

- Head of Paid Service   - Chief Executive
- Chief Financial Officer   - Director of Finance
- Monitoring Officer   - Director of Law, HR & Asset Management

4.5.   The Head of Legal and Member Services (Monitoring Officer) has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution is reviewed annually.

4.6.   The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace Delivering Good Governance Framework, has developed a local Code of Corporate Governance and is working towards the National Good Governance Standard.

4.7.   The arrangements for the provision of internal audit are contained within the Financial Regulations which are included within the Constitution. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the accounting and other systems of internal control as required by the Accounts and Audit Regulations 2006. The internal audit provision is managed by the Chief Internal Auditor and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

4.8.   The Wirral Internal Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk, and the corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and assistance with fraud

investigations. The resulting work plan is discussed and agreed with the Chief Officers and the Audit and Risk Management Committee and shared with the external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Wirral Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement. These are submitted to Members, Chief Officers, School Heads and Chairs of Governors as appropriate.

4.9. Wirral Internal Audit is subject to regular inspection by the external auditors who place reliance on the work carried out by the internal auditors and indicate in their most recent review that "internal audit provide an effective service that makes a good contribution to the control environment of the Council".

4.10. The review of the effectiveness of the system of internal control reflects best practice guidance identified by the CIPFA Finance Advisory Network and is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny Committee reports;
- the work undertaken by Wirral Internal Audit during the year;
- the work undertaken by the external auditor reported in their Annual Audit and Inspection Letter;
- Other work undertaken by independent inspection bodies.

4.11. From the work undertaken by Wirral Internal Audit in 2008/09 the Chief Internal Auditor was able to provide 'reasonable assurance' on the key areas of risk management, corporate governance and financial control. In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council standing or Annual Accounts. Internal Audit did identify a number of concerns that required remedial action and these were reported to the appropriate Chief Officer or Senior Manager during the year. The Annual Internal Audit Report for 2008/09 will be presented to the Audit and Risk Management Committee in June 2009 for consideration and approval.

5. **Significant Governance Issues**

5.1. The Council, working with strategic partners and local communities has agreed the following strategic objectives:-

- To create more jobs, achieve a prosperous economy and regenerate Wirral.
- To create a clean, pleasant, safe & sustainable environment.
- To improve health and well being for all, ensuring people who require support are full participants in mainstream society.

- To raise the aspirations of young people.
- To create an excellent council.

5.2. These form the basis for the Corporate Plan and Performance Improvement/Departmental Plans referred to above and provide the focus for the improvements which are being made in all areas of the Council.

5.3. Continued improvements in the way that the Council manages the delivery of Corporate Governance that include the implementation of the new CIPFA/SOLACE Delivering Good Governance Framework via the Corporate Governance and Corporate Improvement Groups, the preparation of a revised Code of Corporate Governance and the formulation of a Corporate Governance Communications Group to propagate the required cultural changes by raising awareness and understanding should ensure that arrangements in this area continue to remain effective.

5.4. The Comprehensive Performance Assessment (CPA) Use of Resources assessment for 2008 identified the Council as a 'Good' three star Authority that was improving well, with good progress being made across a wide range of services. The Commission stated that the Council has demonstrated significant improvement in levels of recycling and cleanliness, educational attainment and reductions in anti-social behaviour and crime. The assessment was based on the Council's position as at 31 March 2008, however since then significant work has been undertaken by the Council to deliver further continuous improvement in the following areas that will be reflected in future assessments:

- Financial Reporting
- Asset Management
- Probity and Propriety
- Value For Money

CPA will be replaced by Comprehensive Area Assessment from 2009 and involves changes being made to the Use of Resources assessment framework that includes a wider view of resources reflecting people, ICT Data and Environmental resources as well as Financial. This is in effect a harder test for the Council with scoring mechanisms and criteria changing to reflect this, and will clearly present the Council with increased challenges to retain the current scores.

5.5. The Council has completed significant work to implement the Risk Management Framework within all departments to ensure that risks are identified and appropriate actions taken by relevant individuals to mitigate risks. Consequently, the Council has been assessed against the CIPFA five point Risk Maturity Model as 'Risk Defined' and improving, a good mid point score that acknowledges the nature of the work that has been undertaken to date. Further developments are scheduled and must be completed in the following areas to ensure that the infrastructure remains in place to advance the risk maturity and further embed risk management into the culture of the organisation:

5.5.1.   Reporting risks, threats and opportunities to Members via Committee reports.

5.5.2.   The development of an appropriate format for Committee reports that reflects the consideration of risks in the decision making process

5.5.3.   The development of a framework to formalise and encourage reporting of risk management control failures.

5.5.4.   The development of appropriate indicators to track the movement of key risks.

5.5.5.   Defining the role of Members in identifying corporate risks.

5.5.6.   The development and utilisation of a risk management e-learning training package.

5.5.7.   Defining the role of the Corporate Improvement Group in the delivery of corporate risk management systems.

5.5.8.   Utilisation of the Performance Information Management System (PIMS) in the Risk Management process.

5.5.9.   The development of a system that utilises performance information in all key risk areas as a 'trigger' for warning officers and Members of potential risks materialising.

5.5.10. The introduction of a risk management competency within the appraisal system and an update of Chief Officer's job descriptions to include risk management responsibilities.

5.5.11. The utilisation of the Corporate Risk Management Strategy to broadly define the various actions required to be taken by management for each different category of risk.

5.6.   Equality and Diversity is a key element of the Council Plan and through equality impact assessments the Council has identified a number of priority actions to improve ways for people, particularly young people, hard to reach and disengaged groups to communicate with and influence the Council, tackling the causes of community unrest. It is important that these developments continue into the future.

5.7.   The Council continues to be actively involved in developing the way it works with partners and organises itself to deliver services. Developments are continuing in this area to update the partnership register and clarify the legal status all of the partnerships identified and the applicability of Council Codes of Conduct to partners. Work is also being undertaken to develop a Partnership Toolkit and it is considered essential that this work is concluded in accordance with the revised timetable to reduce the risk presented in this area.

5.8. The Council is making effective progress towards delivering the Transformation of Adult Social Services, a major change programme and critical aspect of the Council's strategic objective in this area, aimed at delivering personalised services and independence of choice. This initiative involves radical changes in care services, fee levels for residential and nursing homes and supported living contracts and will require the Council to implement effective systems of control over the different aspects of this initiative to ensure that associated risks are minimised and effectively managed.

5.9. Implementation of recommended actions from the Council's review of its Strategic Assets portfolio following the Cabinet decision in February 2009 will present the Council with significant challenges and increased risks in the future that will require careful and effective management.

5.10. The Audit Commission in its review of Access to Services assessed the Council as providing a 'good two star service that had promising prospects for improvement ….because of its impact on improving and providing access to services to meet the needs of the borough's diverse communities – one of the Council's aims.' The review identified some areas for improvement that have been included within development plans that the Corporate Improvement Group is overseeing the implementation of, as part of the Council's Change Programme.

5.11. The Council has, in its role as the Local Area Agreement (LAA) Accountable Body, established amongst its partners a commitment to a clear and common vision for Wirral and it is recognised that each of the partners identifies with their role in achieving this vision. The terms of reference for the Local Area Agreement Programme Board (LAAPB) identify its role in ensuring that the partnership achieves its targets and takes remedial action where necessary. Through Wirral's Local Strategic Partnership (LSP) a sustainable community strategy is being developed to bring together shared objectives and will be approved through the governance arrangements of individual LSP partners.

5.12. The Council continues to develop and implement extensive efficiency programmes to improve services and respond to the challenges of the Gershon report and the need to identify significant savings in both the current and future years.

5.13. Internal Audit has concluded that, based on the work undertaken, overall throughout the Council there are sound systems of internal control in place. However, improvements in the internal control environment can always be made and reports have been produced and discussed with Chief Officers and Members during the year that recommend appropriate actions to be taken within an agreed timescale to address weaknesses and improve systems of control in key areas that include the following:

5.13.1. Following an internal governance review and subsequent comments by the Audit Commission a revised Confidential Reporting (Whistleblowing) Policy has been prepared for the Council that has been widely publicised on the

Internet site, the local Intranet and through the staff team briefing and Key Issue Exchange processes. However, following work conducted by Internal Audit it is apparent that more work is required to fully raise awareness, understanding and compliance with the policy amongst all levels of the workforce. This is particularly prevalent in the following areas:

- General awareness of processes to be followed and designated contacts.
- Understanding of systems and processes designed to distinguish between Whistleblowing and grievance reporting.
- Monitoring the effectiveness of the policy.
- Development of training and guidance provided to nominated Confidential Reporting Officers.

5.13.2. The Council has recently updated its ICT Security Policy to reflect changes in the structure of ICT delivery across the Council and significant developments in the use of the following:

- Broadband Communications
- Agile Working
- Increased Volume and Sensitivity of Data
- Corporate Change Programme
- Government Connect Initiative

It is important that the revised policy and guidance framework is fully embedded into the working culture of the Council and that all relevant Members and Officers are familiar with the requirements of this so that the Council's assets, information systems and legal obligations are adequately protected.

5.13.3. Security of data has improved but still remains a key issue within the Council. Work is currently taking place to develop policies and procedures regarding the transfer of data and the use of removable media within the Council and with external partners that include periodic risk assessments of these arrangements and more effective guidance and training for the workforce. These arrangements need to be fully implemented without delay to comply with Government standards and prevent and minimise risk of the occurrence of fraud.

5.13.4. The Council is currently updating its codes of practice for Overseas Travel and Travelling and Subsistence in line with current best practice and to ensure that the systems in operation across the Council are efficient, effective and adequately reduce any risks posed in these areas.

5.13.5. The Council Constitution has been reviewed for fitness for purpose and compliance with best professional practice as part of the annual governance review process. Work is currently being undertaken to develop a protocol detailing the specific nature of the relationship between the Leader of the Council and the Chief Executive for inclusion. It is recommended that this is concluded in line with the agreed timescale.

5.13.6. The Council is currently developing detailed Corporate Policy and Guidance for staff over the use of Credit Cards to ensure that adequate controls are in operation over these systems that comply with industry best practice. It is essential that this work is completed as soon as possible in order to ensure that the increased risks resulting from the current economic downturn are kept to a minimum.

5.13.7. The Performance Management Framework is still in the process of being reviewed and updated by officers. Upon completion of this work it is important that the framework is made available to all of the Council workforce via the Intranet site and briefings, particularly with regards to data quality and guidance on setting performance targets. This will ensure that data reporting is accurate and any corrective actions to address performance issues are taken as appropriate.

5.13.8. Corporate policy on the utilisation of Mobile Telecommunications is currently being developed by the Council to improve the overall control environment following technological developments in this field and the overall availability and demand for utilisation of these devices. It is important that policy and guidance is implemented effectively across all departments of the Council to ensure that the control environment in this developing area is secure and that any risks are minimised.

5.13.9. The Council has made significant progress to implement the Single Status agreement which was made nationally between the National Joint Council (NJC) for Local Government and Signatory Trades Unions on 1 April 1997. This sets out the review of Pay and Grading which is designed to equalise terms and conditions of service for Council employees. An integral part of this is the management of workforce change and the application of an equality proof pay structure and set of harmonised terms and conditions of employment that include a job evaluation exercise covering all affected posts to ensure consistency, fairness and a justification for differences of grade and salary between jobholders.

5.14. We propose over the coming year to take any necessary steps to ensure that all of the above matters are addressed as appropriate to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____   Date: _____

             Chief Executive

Signed: _____   Date: _____

             Leader of the Council