

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 JUNE 2007

REPORT OF THE DIRECTOR OF FINANCE

CORPORATE GOVERNANCE

1. EXECUTIVE SUMMARY

- 1.1. This report summarises the work undertaken by Internal Audit during 2006/07 to review the implementation of Corporate Governance in accordance with the CIPFA/SOLACE Guidance Note and Framework and in compliance with the Local Government Accounts and Audit Regulations 2006.

2. BACKGROUND

- 2.1. The Local Government Accounts and Audit Regulations 2006 require Local Authorities to maintain sound systems of internal control and risk management arrangements.
- 2.2. The CIPFA/SOLACE Guidance Note and Framework (2001) "Corporate Governance in Local Government - A Keystone for Community Governance" is currently accepted as best practice guidance for establishing a locally adopted code of corporate governance, although, updated guidance is due for release in June 2007 entitled "Delivering Good Governance in Local Government". The requirement for Councils to comply with this new best practice will be from 2007/08.
- 2.3. The CIPFA/SOLACE Guidance Framework recommends that to implement corporate governance effectively and comply with the Act each Local Authority should maintain effective arrangements within the following five key dimensions to demonstrate the principles of accountability, effectiveness, openness and inclusivity in its dealings with the local community:

Community Focus
Service Delivery Arrangements
Structures and Processes
Risk Management and Internal Control
Standards of Conduct

3. INTERNAL AUDIT WORK COMPLETED

3.1. Audit reviews have recently been completed to assess the corporate governance processes against the guidance detailed in the CIPFA/SOLACE document. The reports prepared for Chief Officers identify areas for improvement and list any areas of non-compliance. Recommended actions to be undertaken by management to address any issues raised are included within the reports. A summary of the key findings for each of the five dimensions is identified below:

i. Community Focus

Considerable progress has been made to date to develop and implement effective systems to ensure that the Council works for and with the community including community leadership in compliance with the CIPFA/SOLACE Framework.

The Comprehensive Performance Assessment (CPA) report identified a number of weaknesses in this area under the heading of 'Prioritisation and Performance Management' and an action plan has been prepared identifying a number of areas for improvement. The findings of the audit indicate that action plans to address the issues identified have been completed by Chief Officers and no new issues have been identified.

ii. Service Delivery Arrangements

Considerable progress has been made to develop and implement effective systems to ensure that the Council makes decisions, implements policies, delivers services and reviews outcomes to ensure continuous improvement in compliance with the CIPFA/SOLACE Framework.

The CPA 2005 report identified a number of weaknesses in this area under the heading of 'Prioritisation and Performance Management'. The findings of the audit indicate that action plans have been completed by Chief officers to address issues identified for improvement and no new issues have been identified.

iii. Structures and Processes

Whilst significant progress has been made to develop and implement systems to ensure the effectiveness of political and managerial structures and processes to govern decision making and the exercise of authority within the Council, work is still required in a number of key areas. In particular, the Standards Committee role and effectiveness in strengthening the governance arrangements and the ethical framework could be enhanced. It is however acknowledged that there have been developments in this area.

Recommendations arising out of the internal audit reports:

- a. The new Members Code of Conduct should be used to continue developing ethical standards and assessing standards of conduct within Wirral Council.
- b. Work should continue to resolve problems being experienced with the database to enable online access to all forms within the Members' declarations of interest register.

iv. Risk Management and Internal Control

Considerable progress has been made to ensure that Council strategy, framework, and processes for managing risk, how resources are controlled, and how demands on them are anticipated are effective and comply with the CIPFA/SOLACE Framework. The overall opinion assessed against the CIPFA five point recommended maturity model is a mid point score of 'Risk Defined'. This is the same opinion as 2005/06, the reason being that although a great deal of progress has been made in implementing the recommendations from that review, very few have been completed. In particular, a considerable number of recommendations cannot be fully implemented until the revised Risk Management Strategy has been formally approved. The revised strategy has been agreed by the Chief Officers Management Team, and will be reported to Members. However, as a result of this progress I can report that there are good prospects for improvement. There are no significant new recommendations arising out of the assessment for 2006/07, but it is essential that progress continues to be made to further embed risk management throughout the Council.

v. Standards of Conduct

Whilst significant progress has been made to ensure that effective systems are in place to govern standards of behaviour in the Council and protect the reputation, important work in this area is still ongoing and needs to be completed as soon as possible to comply with the CIPFA/SOLACE Framework.

A recommendation arising out of audit reports that is currently outstanding is:

Awareness of the policy relating to 'Conflicts of Interest' should be maintained through regular reminders to all staff.

3.2. Discussions have taken place with all relevant Chief Officers and managers regarding all of the recommendations identified, and action plans identifying reasonable timescales for implementation have been agreed. Any issues that remain outstanding beyond this will be reported to this Committee for action.

3.3. Further audit work is scheduled for 2007/08 in all of the above areas to evaluate the effectiveness of arrangements that the Council is required to put in place to comply with the new CIPFA/SOLACE "Code for Delivering Good Governance in Local Government".

4. **FINANCIAL AND STAFFING IMPLICATIONS**

4.1. There are none arising from this report.

5. **LOCAL MEMBER SUPPORT IMPLICATIONS**

5.1. There are no local Member support implications.

6. **LOCAL AGENDA 21 STATEMENT**

6.1. There are no local agenda 21 implications.

7. **PLANNING IMPLICATIONS**

7.1. There are no planning implications.

8. **EQUAL OPPORTUNITIES IMPLICATIONS**

8.1. There are no equal opportunities implications.

9. **COMMUNITY SAFETY IMPLICATIONS**

9.1. There are no community safety implications.

10. **HUMAN RIGHTS IMPLICATIONS**

10.1. There are no human rights implications.

11. **BACKGROUND PAPERS**

11.1 Local Government Accounts and Audit Regulations 2006.

11.2. CIPFA/SOLACE Guidance Note and Framework 2001.

11.3. Internal Audit Reports.

11.4. Audit Commission CPA Report 2005.

12. **RECOMMENDATION**

12.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/136/07