

WIRRAL MBC**STATEMENT ON INTERNAL CONTROL 2006/07****1. Scope of Responsibility**

Wirral Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The authority 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.

In discharging this overall responsibility, the authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not 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 the authority's 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.

The system of internal control has been in place at Wirral MBC for the year ended 31 March 2007 and up to the date of the approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. The Internal Control Environment

The key elements of the Council's internal control environment are as follows:

- The Council has adopted a Constitution, which sets out how it operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Incorporated within the Constitution are Financial and Contract Procedure Rules that govern all activity within these areas. The Constitution has been codified into one document and is available on the Intranet and external web pages.
- The Council has established a Corporate Plan and Statement of Intent setting out its objectives and targets for achievement. This is supported by individual service improvement plans identifying actions to be taken to achieve objectives.
- The Council facilitates policy and decision-making through the establishment of a Cabinet Committee Structure. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under their delegated authority.

- The Council ensures compliance with established policies, procedures, laws and regulations. There is a comprehensive corporate induction programme in place and information regarding policies are held on our Intranet. Presentations, briefings and training are provided to all staff on a regular basis to promote these policies and procedures and ensure continued awareness and compliance.
- The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its Committees and Chief Officers under delegated powers.
- The Council has adopted a “Local Code of Corporate Governance” in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council’s website.
- 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 Risk Management Policy and Strategy in 2004. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental risk management group has defined Terms of Reference to develop a comprehensive performance framework for risk management and to embed risk management across the authority. 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.
- Through reviews by External Audit, various external agencies and Inspectorates, Internal Audit, its Corporate Improvement team and Best Value teams, the Council constantly seeks ways of securing continuous improvement in the way in which it utilises its resources and exercises its functions, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. A wide range of Best Value reviews of services have been carried out and detailed improvement plans from these put in place.
- 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.
- The Council has designated the Head of Legal and Member Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- 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.

- In order to provide an independent review of the adequacy of the system of internal control, the Council maintains an effective Internal Audit Section, which operates to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government, the Institute of Internal Auditors Standards and existing Auditing Practices Board Standards. Internal Audit has well-established protocols for working with External Audit and other external review bodies and all work undertaken is reported to Members and Chief Officers on a quarterly basis and subject to annual review by the Council's External Auditors.
- In order to comply with the amended requirements of the Accounts and Audit Regulations 2006, the Council commissioned a review of the effectiveness of the 'system of internal audit' in operation for 2006/07 and a report was prepared for the Audit and Risk Management Committee identifying the findings. The review involved an assessment of the internal audit service against the CIPFA Code of Practice for Internal Audit in Local Government, a survey of "Customer Satisfaction" through the completion of questionnaires by Chief Officers and Heads of Service and the findings from external reviews undertaken of the service over the period. An action plan developed to address and implement a number of recommendations arising from this review has been implemented by the Chief Internal Auditor.
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.
- The Council has an objective performance management framework as set down in its document "Wirral's Best Value Performance Plan". 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. The Council's policy committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary.

4. Review of Effectiveness

The Council has responsibility for conducting annually a review of the system of internal control. The review of the effectiveness of internal control is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- 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 corporate Performance Information System, support these plans.
- The Head of Legal and Members 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.
- The Council continues to assess how its overall Corporate Governance responsibilities are discharged. In particular the Council has adopted the CIPFA/SOLACE Corporate Governance in Local Government Framework and has developed and implemented a Local Code of Corporate Governance.

- The arrangements for the provision of Internal Audit are contained in the Financial Procedure Rules of the Councils Constitution and detailed in the Internal Audit Charter. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003. The internal audit provision is managed, independently by the Chief Internal Auditor and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- Internal Audit are responsible for monitoring the quality and effectiveness of systems of internal control. The work of the section is based upon an assessment of risk to which the Council is exposed and, from this, an Annual Audit Plan is produced. Resources are allocated within the plan to reflect the level of assessed risk in each area. The plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk to the Council's corporate governance arrangements and reviews of the main financial systems, establishment visits and fraud investigations. The Audit Plan is discussed and agreed with Chief Officers, Members and the Council's External Auditors.
- All reports include an assessment of the adequacy of internal controls and prioritised action plans to address any identified weaknesses. These are submitted to Members, Chief Officers, School Heads and Chairs of Governors as appropriate.
- Opinions expressed in the Annual Internal Audit Report regarding the effectiveness of internal control systems within Departments of the Council are informed by audit work undertaken during the year and assurance statements prepared by senior managers and Chief Officers on an annual basis. These statements reflect the best practice guidance recommended in the CIPFA Advisory Network's publication 'Statement on Internal Control – Meeting the Requirements of the Accounts and Audit Regulations 2003 – A Guide for Practitioners'. An exercise is undertaken annually by Internal Audit to obtain these assurance statements from all Departments and complete detailed reality testing to verify the accuracy of the contents. Reports and action plans are prepared for Members and Chief Officer's identifying weaknesses in systems of control and recommending appropriate actions.
- The Chief Internal Auditor reports to the Deputy Director of Finance representing the Director of Finance. The Chief Internal Auditor also regularly reports to the Chief Executive at scheduled meetings and reports to the Audit and Risk Management Committee on items of note and progress toward achieving the Audit Plan. The Audit and Risk Management Committee approved the Annual Internal Audit Plan for 2006/07.
- The Internal Audit is subject to regular inspection by the Council's External Auditors who place reliance on the work carried out by the section and indicate in their most recent review, undertaken in 2006/07, that "internal audit provide an effective service that makes a good contribution to the control environment of the Council".
- To comply with the amended requirements of the Accounts and Audit Regulations 2006, an independent review of the effectiveness of the system of internal audit has been conducted, as identified in Section 3, and the findings reported to Members. It is planned to develop this annual review process in line with any best practice guidance, as it becomes available.
- A formal review of the Risk Management Policy Statement and Strategy is undertaken every 2 years to ensure their continued relevance to the Council. The annual review also assess performance against the aims and objectives of the Risk Management Strategy

- The Corporate Risk Management Group reports on a quarterly basis to Members and to Chief Officer's progress against individual actions required to manage the key corporate risks and any new risk issues that have been placed on the corporate risk register.

5. Internal Control Issues

Internal Audit has concluded that, based on the work undertaken, overall throughout the Authority 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 identified weaknesses and improve systems of control in key areas.

The following are significant issues that have arisen from the work undertaken in conjunction with the relevant Chief Officers during 2006/07:

- The Audit Commission in a review of the Council's management arrangements for Data Quality during 2006/07 concluded that "the arrangements in place meet standards and are developing, although they are not being applied consistently". In a report for Chief Officers and Members the Council was assessed over 5 key areas and the following comments made. An action plan identifying 17 areas for improvement has been agreed with Chief Officers and scheduled for implementation during 2007/08:
 - a. Governance

Arrangements are assessed as not being formalised in an overarching quality strategy and objectives, roles and responsibilities not being clearly defined or embedded within the Council's performance management framework, and monitoring and review not being consistent.
 - b. Policies

Arrangements in this area are assessed as being in need of strengthening with specific data quality policies and procedure required to be communicated to all staff involved in collecting, monitoring and evaluating performance information.
 - c. Systems and Processes

The arrangements are assessed as generally exceeding the required standards, however are not being applied consistently.
 - d. People and Skills

The arrangements in this area are assessed as being weak and in need of development.
 - e. Data Use

The arrangements are assessed as being effective.

Reliable, accurate and timely information is essential to ensure that services are managed effectively, users are informed and performance accurately accounted for, It is important therefore that these issues are addressed in accordance with the agreed action plan and timescale. Work will be undertaken by Internal Audit during 2007/08 to evaluate progress towards implementing the agreed actions and reports prepared for Members on this.

- Significant progress has been made by the Council to ensure that effective internal controls are in operation within systems for delivering effective Corporate Governance. Whilst this has been acknowledged in reports to Chief Officers it has also been recommended that the Council should continue to develop these systems in line with best practice, particularly with regards to the development of an effective ethical framework and the assessment of standards of conduct.

Action plans have been prepared for Chief Officers that identify actions required to address all of the issues identified within a specified timetable and agreement has been reached with those officers responsible regarding their implementation. Progress will continue to be monitored during 2007/08 and reports prepared for Members at regular intervals. In June 2007, CIPFA/SOLACE intend to release a new code of corporate governance entitled "Delivering Effective Governance in Local Government" that will increase the requirement for Council's to demonstrate good governance in a more open and transparent way in all aspects of its work. A significant amount of work will need to be undertaken to ensure that Wirral Council complies with this guidance; responsibility for ensuring that this happens has been delegated to the Corporate Governance Monitoring Group chaired by the Chief Executive who will take a lead role in this development.

- A significant issue identified by the Audit Commission in previous years relating to the inadequacy of the Disaster Recovery and Business Continuity systems in operation at the Council has to a large degree been addressed. The Council appointed a firm of external consultants with expertise in this area to evaluate the arrangements in place and prepare an action plan identifying recommendations to improve systems and ensure compliance with the Civil Contingencies Act 2004. The majority of the recommendations identified have been implemented although further progress is still required in the following area:
 - a. A programme of review and testing of business /service continuity plans for all critical service areas has not yet been prepared or put into place.

This issue is being addressed with some urgency to enable the Council to obtain assurance that the actions implemented following the external review of Disaster Recovery and Business Continuity have been successful in addressing all outstanding risk. This issue has been identified in a report for Chief Officers and follow up work is scheduled for 2007/08 to evaluate progress made towards implementing the recommendation.

- Work has been undertaken during the year to evaluate the progress made by the Adult Social Services Department to address a number of significant issues identified during a previous internal audit review concerning the systems in operation for assessing and collecting income by the department. Many of the issues identified in audit reports have either been addressed or are in the process of being addressed in accordance with the agreed action plan however, it is noted that whilst the control environment has improved and systems are more robust, collection rates have not increased in line with projections and the outstanding debt owed to the department is still significant. This has been identified in reports to Chief Officers and Members and recommendations made in an action plan regarding actions required to try and address these issues. The action plan has been agreed with management and we are assured will be implemented during 2007/08.

- The Council has experienced a significant number of problems during the year with the Creditor Payments control environment following the transfer to the new creditors system. During the transfer a large backlog of invoices arose in the Corporate Payments Team, primarily as a result of staff from within all departments not being as adequately prepared for the change as was required. This resulted in a significant number of different types of input error being experienced that only exacerbated the situation, fuelled the already significant backlog and resulted in many payments being processed incorrectly. Following the work undertaken by internal audit, reports were prepared for Chief Officers and the Audit and Risk Management Committee and an action plan agreed to address all of the issues identified and prevent any re-occurrence of this type of incident. Follow up work undertaken by internal audit later in the year indicated that some progress had been made to implement the action plan and recover the overpayments made, however significant work is still required to ensure that all relevant payments are recovered and that the control environment is strengthened to reduce any future risks. Actions required have been identified in a report to the relevant Chief Officer on this and appropriate actions agreed.
- A review of the effectiveness of the physical security arrangements in operation at all of the major office complexes during the year indicated that there were some fundamental issues that needed to be addressed to ensure the continued safety and well being of the workforce employed at, and any visitors to these buildings. Issues identified included the lack of any documented security policies, a failure to undertake effective risk assessments, alarms not being tested and access card systems not being fit for the purpose. Reports containing action plans to address all of the issues identified have been prepared for Chief Officers and Members and implementation is scheduled for 2007/08. Internal Audit intend to undertake some follow up work during 2007/08 to evaluate progress made towards implementing actions required and will be reporting any findings to Chief Officers and Members.
- The findings of a review of the effectiveness of the Recruitment and Selection policies and procedures in operation across the Council indicated that whilst the systems in place concerning permanent appointments were effective, a number of issues were identified in respect of those appointments of a temporary nature. The main issues concern the lack of a consistent policy and the failure to conduct proper checks on prospective appointees. Actions have been agreed with Chief Officers and reported to Members and progress is currently being made to address these issues that should be resolved during 2007/08.

The Council is actively developing the way it works with partners and organises itself to deliver services. Developments of this nature require careful management and the Council has sought to identify and minimise the impact of all risks associated with this change. Chief Officers have identified the risks involved with this type of activity and have prepared plans to contain the risks that have included in some instances amending the Councils Contract Procedure Rules to include specific controls relevant to this type of contract to ensure that projects are completed on time, within budget, and deliver the necessary improvements.

The Council is currently experiencing some problems concerning the process for implementing the new 1Business system. On account of the scale and nature of this project the risks posed are not insignificant and could have far reaching consequences for the Council and its ability to deliver effective services if these issues are not resolved. It is acknowledged that significant work is currently being undertaken by Council officers in conjunction with Fujitsu to identify and address these problems and reports have been prepared for Chief Officers and Members on a regular basis, advising them of the issues and any progress that is being made. It is important that this work continues and the situation is brought to satisfactory conclusion with some urgency.

Substantial work has been undertaken throughout the year by the Council to assess the implementation of the Risk Management Framework. The overall opinion is that significant progress has been made towards the development of an effective risk management framework within the Authority and the current arrangements are rated as being satisfactory and improving. Further progress still needs to be made in a number of areas including the following to ensure that the infrastructure remains in place to advance the risk maturity and ensure that risk management continues to be completely embedded in the culture of the organisation;

- Complete the development and implementation of the Risk Management Strategy for the Council that includes an identification of the Council's risk appetite and tolerance level and guidance on assessing and managing risks with partners and external organisations.

The Council has agreed an action plan to address the areas identified for improvement arising from the work undertaken and Members will continue to be regularly notified of any progress being made.

Signed: _____
Chief Executive

Date: _____

Signed _____
Leader of the Council

Date: _____