

METROPOLITAN BOROUGH OF WIRRAL

FINANCE AND CORPORATE MANAGEMENT SELECT COMMITTEE

22 JUNE 2005

REPORT OF THE DIRECTOR OF FINANCE

CORPORATE GOVERNANCE

1. EXECUTIVE SUMMARY

1.1. This report summarises the work undertaken by Internal Audit during 2004/05 to review the Council's implementation of Corporate Governance in accordance with the CIPFA/SOLACE Guidance Note and Framework (2001) and in compliance with the Local Government Accounts and Audit Regulations 2003. The CIPFA/SOLACE Framework requires specific policies, procedures and service delivery arrangements to be in place and Internal Audit has verified this. More detailed audit compliance testing is scheduled to be undertaken during 2005/06 to establish how effectively these are being followed throughout the Council.

2. BACKGROUND

2.1. The Local Government Accounts and Audit Regulations 2003 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 accepted as best practice guidance for establishing a code of corporate governance.

2.3. The CIPFA/SOLACE Guidance Framework recommends that to implement corporate governance effectively 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. A review of the work undertaken by the Council to implement the five key elements of the Corporate Governance initiative has been completed and reports prepared for the Chief Executive and all Chief Officers. The reports identify progress made to date to address specific weaknesses from previous

audits and list any areas of non-compliance with the CIPFA/SOLACE framework. 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.

There are currently no outstanding audit issues.

ii. Service Delivery Arrangements

Considerable progress has been made to date 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.

There are currently no outstanding audit issues.

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 ongoing in a number of key areas. It is essential that this work is concluded without delay and audit recommendations are implemented to ensure compliance with the CIPFA/SOLACE Framework.

The following recommendations arising out of internal audit reports that are currently still outstanding:

- a. The 'terms of reference' for Committees within the Constitution should be reviewed and updated to ensure that all relevant changes resulting from the Fit for Purpose review are included. The Corporate Services Department is currently undertaking work in this area and proposals are scheduled to be presented to Council in July 2005.
- b. The Standards Committee should adopt a more pro-active role which includes assessing standards of conduct within the Council and considering how to utilise internal and external audit more effectively to promote higher ethical standards across the Council.

Work has recently been undertaken to improve the role of the Standards Committee including relevant training in appropriate areas. This will continue as a matter of priority.

iv. Risk Management and Internal Control

Considerable progress has been made to ensure that the Council's strategy, framework and processes for managing risk and how its resources are controlled and demands on them anticipated, are effective and comply with the CIPFA/SOLACE Framework. However, more work needs to be undertaken to ensure that an up to date risk register is prepared, maintained and utilised effectively.

There is one recommendation arising out of the audit report that is still outstanding and upon which work is currently progressing.

- a. The Corporate Risk Register should be completed, approved by Committee, implemented without delay and updated regularly.

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.

Recommendations arising out of audit reports that are currently outstanding and upon which work is currently progressing are:-

- a. The Code of Conduct for Officers should be included in the Constitution and reviewed regularly.
- b. Staff awareness of the policy relating to 'Conflicts of Interest' needs to be raised. Reminders should be issued periodically and it should be included in the induction training and guidance for new employees.
- c. A corporate conflict form should be introduced for all departments with a requirement for all staff to complete annually, including nil returns.

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

3.3. A review of the actions taken by Chief Officers in response to an Audit Commission report on Corporate Governance in 2002/03, specifically gifts and hospitality and compliance with the Local Government Act concerning the role of the Standards Committee, has recently been completed. A report has been prepared for managers on this, identifying areas for improvement and recommending actions to be taken. To summarise the findings, significant progress has been made by officers to address the twelve issues raised in the Audit Commission report although additional actions are still required in a number of areas to fully comply with the action plan produced and agreed at the time. Work is ongoing in respect of the following recommendations and progress will continue to be monitored and reported to this Committee in due course:

- a. Introduce a more user friendly version of the register of Members interests that allows easier reference by Officers and Members.
- b. Issue corporate guidance to standardise the information recorded in Officer and Member gifts and hospitality registers.
- c. Strengthen the effectiveness of Standards Committee by increasing their role, remit and responsibilities in relation to ethical and governance issues.

The recommendations identified above are all included within the internal audit report and action plan produced and agreed with Chief Officers.

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 2003.

11.2. CIPFA/SOLACE Guidance Note and Framework 2001.

11.3. Audit Commission Report on Corporate Governance 2002/2003

12. **RECOMMENDATION**

12.1. That the progress on Corporate Governance be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/139/05