

**WIRRAL COUNCIL
CABINET
13 OCTOBER 2011**

| | |
|--------------------------------------|--|
| SUBJECT: | ANNUAL GOVERNANCE STATEMENT (AGS) 2010/11 |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | DIRECTOR OF FINANCE |
| RESPONSIBLE PORTFOLIO HOLDER: | COUNCILLOR STEVE FOULKES |
| KEY DECISION? | YES |

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).
- 1.2 This report explains the requirement for the Authority to produce the AGS declaring the degree to which it meets the Governance Framework.
- 1.3 Cabinet considered a draft AGS on 14 April 2011. The AGS has been revised to provide further information. The revised statement was approved by the Audit and Risk Management Committee on 28 September 2011, subject to issues raised by the District Auditor.

2.0 RECOMMENDATION

- 2.1 That the AGS for 2010/11 be agreed.

3.0 REASON FOR RECOMMENDATION

- 3.1 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).

4.0 BACKGROUND AND KEY ISSUES

Regulatory Framework

- 4.1 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.

- 4.2 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

- 4.3. 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, and 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).
- 4.4. 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.
- 4.5. 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.

4.6. 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

4.7. 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.

4.8. 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.

4.9. 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.

Additional Information

4.10 On 22 September 2011 Cabinet considered a report of an Independent Review undertaken into issues arising from a Public Interest Disclosure Act Report. The Independent Review had led to a Supplemental Report entitled 'Wirral Metropolitan Borough Council's Corporate Governance Arrangements: Refresh & Review' which is critical of Corporate Governance. In line with the recommendations of the report, Cabinet resolved to set up a specific Cabinet committee to drive forward the changes required in the way the Council is managed.

- 4.11. On 28 September 2011 the Audit Commission presented the Annual Governance Report to the Audit and Risk Management Committee. In the published report the District Auditor qualified the Value for Money conclusion drawing "attention to weakness identified in the arrangements for securing value for money in respect of the HESPE contract and other governance and internal control issues arising from the whistleblowing issues and from the recording and control of assets".
- 4.12. Cabinet originally considered the draft AGS on 14 April 2011. The document has been revised to provide further information in relation to:-
- i. Role of the Chief Financial Officer (paragraph 3.20 of the Statement)
 - ii. The Audit & Risk Management Committee (paragraph 4.4 of the Statement)
 - iii. Internal Audit (paragraph 4.7 of the Statement)
 - iv. External Audit (paragraph 4.8 of the Statement)
 - v. Governance (paragraph 5.1.1 of the Statement)
 - vi. Conflicts of Interest and Whistleblowing (paragraph 5.1.6 of the Statement)
 - vii. Public Interest Disclosures (paragraph 5.1.8 of the Statement).

5.0 RELEVANT RISKS

- 5.1 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), leading to adverse comment by the External Auditor.
- 5.2 Failure to manage risks identified may prejudice the achievement of corporate objectives.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options considered.

7.0 CONSULTATION

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

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising from this report.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 There are none arising from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

FNCE/227/11

REPORT AUTHOR: David Taylor-Smith
Deputy Director of Finance
telephone: 0151 666 3149
email: davidtaylor-smith@wirral.gov.uk

APPENDICES

Appendix A - Annual Governance Statement 2010/11

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 (last 3 years)

| Council Meeting | Date |
|-------------------------------------|-------------------|
| 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 |

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 can not 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 2011.

3. The Governance Framework

3.1 The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' lays down principles of governance best practice. Key elements of the systems and processes which comprise the Council's governance arrangements are described in the following paragraphs. Our assessment is based upon the CIPFA/SOLACE guidance.

3.2 Developing and Communicating our Purpose and Vision

- The development of the Authority's purpose and vision is undertaken through corporate and business planning, linked to wider community planning for Wirral through the Local Strategic Partnership (Sustainable Community Strategy / LAA).
- A new Corporate Plan for 2011-14 is being developed, to ensure that it remains fit for purpose taking into account the outcomes of the consultation exercise carried out in December 2010 "Wirral's future – be a part of it" when shaping the future of the Council's services.
- The establishment of five key Corporate Objectives:
 - 1 To create more jobs, achieve a prosperous economy and regenerate Wirral.
 - 2 To create a clean, pleasant, safe and sustainable environment.
 - 3 To improve health and well being for all, ensuring people who require support are full participants in mainstream society.
 - 4 To raise the aspirations of young people.
 - 5 Create an excellent Council.
- A Marketing and Engagement Strategy, in line with the Council's Corporate Plan objectives, has now been developed to promote how the Authority's purpose and vision is being delivered for local people.
- The Local Area Agreement for 2008-11 is included in the Sustainable Community Strategy which sets out Wirral's 'Story of Place' and shared understanding of local needs.

3.3 Ensuring that users receive a high quality of service

- 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 action plans. It is clearly laid out in the annual service and financial planning and performance management cycle.
- All National Indicators, local indicators, projects and activities contained within the departmental plans are reported to the relevant scrutiny committee.
- Data quality training has now been provided to over 100 staff across the council.

- The Council's Customer Access Strategy provides the framework for the development of all Wirral Council's access channels. The overall aim is to make information and high quality services more accessible to our customers in the most efficient and effective way.
- Wirral-wide customer surveys will take place every two years and will be complemented by the involvement of VCAW (Voluntary and Community Action Wirral). Published data will be anonymous. A survey undertaken in 2010/2011 has been utilised by the One Stop Shops to drive improvements within this area.
- Feedback from customers and other performance information will be considered every quarter by the Customer Services Group and will inform the proposed quarterly corporate engagement report. Integration into the Council's cycle of service review and planning will enable further improvement of access to and quality of services. An annual customer services report is also collated.

3.4 Measuring performance and value for money

- The Council has in place a Medium Term Financial Strategy, updated annually to support the medium term aims of the Corporate Plan. This ensures the economical, efficient and effective use of resources, and secures continuous improvement in the way in which its functions are exercised.
- A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.
- The Council has continued to undertake, as part of its public duties, Equality Impact Assessments (EIA's) on strategies, policies, services, projects and procedures. This process ensures that the Council optimises the impact of services for stakeholders.

3.5 Roles and Responsibilities

- Wirral Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
- The roles of the Executive members are clearly defined in the Constitution, including responsibility for leadership and activities of the Authority.
- The roles and responsibilities of all members of the Authority, along with remuneration details, are clearly defined in the Constitution.
- The roles and responsibilities of all senior officers, along with remuneration details, are documented in contracts of employment and job specifications.
- The Constitution complies with and includes all the requirements as listed within the CIPFA/Solace "Delivering Good Governance in Local Government" guidance, however there are a number of areas that need to be updated.
- The Scheme of Delegation has been reviewed to keep pace with changes in the organisational structure and will continue to be reviewed as and when any further changes occur.

3.6 Member/Officer Relations

- A full Scheme of Delegation is included in the Constitution.
- The Constitution includes the delegation of functions to individual cabinet members.
- The responsibility of the Chief Executive for all aspects of operational management is clearly stated in the Constitution.
- Protocol on Member and Officer relations is clearly stated within the Codes and Protocols of the Constitution.
- Arrangements are in place to ensure conformity with ethical standards, and to monitor their continuing effectiveness in practice.

3.7 Partnership Arrangements

- A Partnership Framework and Toolkit has been developed and approved, however, it is yet to be publicised throughout the Authority.
- The Council's single equality scheme, a key activity within the Corporate Plan, was developed in full consultation with Wirral's communities, and details the actions that will be taken across the whole Council to eliminate any discriminatory practices and to promote equality and recognise diversity within employment and service delivery, including in partnership working.
- The Council has produced a local Code of Corporate Governance detailing how the Authority complies with the principles of good governance. However, there are a number of areas that need to be updated.
- The results from the Residents Survey Spring 2010 fed into the priority areas consulted on as part of "Wirral's future – be a part of it". The Corporate and Departmental Plans are being developed based upon the findings of the 'Wirral's Future' consultation. The departmental plans will take account of the needs, views and priorities of individual areas and communities.

3.8 Standards of Conduct

- The Standards Committee, which operated effectively during the 2010/11, has a number of roles and functions, which include promoting and maintaining high standards of conduct by councillors and employees.
- There is a corporate conflict of interest form for completion by Members and Officers. Members' Conflict of Interest forms are now input in to the 'Mod Gov' system which adds to transparency as the system provides online public access.
- Financial Regulations and Contract Procedure Rules are contained within the Council Constitution.

3.9 Demonstrating the Values of Good Governance

- The Chair of the Standards Committee is an independent member of the public. The number of independent members is now four which exceeds the statutory requirement for 25 % of the Committee to be independent.
- The Council has a call-in procedure, which allows members to 'call-in' decisions made by Cabinet, Committee of the Cabinet or an individual Cabinet Member of the Council.
- The transparency of the decision making process is served through the publication of agendas and minutes of all Council committees, other than those areas designated as being exempt which are now, where possible, included as an appendix so allowing the rest of the report to be viewed.

3.10 Transparency of the Decision Making Process

- The Cabinet takes the majority of the Council's key decisions, but these are then subject to scrutiny by one of the six Overview and Scrutiny Committees. Some functions fall outside the Cabinet and Scrutiny Committee arrangements, these include planning applications and licensing matters, and separate committees are in place to deal with them.
- The public has access to all meeting minutes with the exception of exempt items.
- Codes of Conduct for Members and employees are in place.
- An Audit and Risk Management Committee provides independent assurance on risk management and control and the effectiveness of the arrangements the Council has for these matters.
- A Corporate Complaints Procedure is in place.

3.11 Quality of Reporting

- Risks now have a separate section within committee reports.

3.12 Risk Management

- The Council has systems for identifying and evaluating all significant risks, developed and maintained with the participation of those involved in planning and delivering services.
- A Corporate Risk Register is in place, which is monitored on an ongoing basis, and the Authority has in place a Risk and Insurance Team.
- A Confidential Reporting (Whistleblowing) Policy is in place. However a number of findings relating to the policy have been identified e.g. it should gain a higher profile, monitoring of its effectiveness and training and guidance issued where required.
- The Council adopted an updated Risk Management Strategy in 2010. This explains the methodology for the management of risk throughout the Authority.

3.13 Use of legal powers to benefit citizens and communities

- The Scheme of Delegation of Functions to Officers, included within the Council Constitution, identifies the legal powers of officers.
- The Director of Law, HR & Asset Management is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council or in any case where he considers that such action is necessary to protect the Council's interests.

3.14 Development of members and officers

- All members receive an induction and attend a specifically organised event to introduce them to the Council and its departments.
- All employees to the Council are invited to a corporate and departmental induction.
- There is a Programme for Member Development which is decided and set a year in advance and reflects the civic year. The decision on what is included in the programme is taken by the Member Training Steering Group (a cross- party group) and is reflective of the development needs of Members as identified in Personal Development Plans.
- Roles and responsibilities of all senior officers, along with remuneration details, are documented in contracts of employment and job specifications.

3.15 Developing the capacity of people with governance responsibilities

- The Audit and Risk Management Committee undertakes an annual self assessment exercise, utilising CIPFA's checklist, in order to assess its role and effectiveness.
- The Key Issues Exchange (KIE) process which is provided to all Council employees helps to highlight the requirement to develop skills and improve performance.

3.16 Encouraging involvement in the membership of the authority

- There is an Older Person's Parliament and Young Person's Parliament which seek to obtain views from these sections of the community.
- The Council engages with communities through eleven Area Forums; providing an opportunity to shape services in their neighbourhood.
- The You Decide and Winter Resilience programmes enable residents to vote on what additional council services they would like to see in their area and tell us what they feel the priorities are.
- A single Wirral Council Consultation Database is being developed to reduce duplication when conducting consultations and make more effective use of the information obtained.

3.17 Stakeholder Engagement and Scrutiny

- A Comprehensive Engagement Strategy (CES), approved by the Local Strategic Partnership (LSP), is in place to help provide a framework approach within which Wirral's LSP works to create a new environment for partnership development and working.
- A programme of transfer of a number of Council-owned Community Centres to community ownership is underway.
- The Council is establishing a Big Society Unit. The Unit will have a particular focus on increasing the involvement of the voluntary, community and faith sector in the delivery of services and to ensure that the Council works closely with this sector to benefit local people and communities. The Unit will be the central point of contact for engaging with the voluntary, community and faith sector.

3.18 Public dialogue and accountability

- The Council has established an Equality Watch membership scheme which sets out a clear commitment to ensuring that no person accessing Council services experiences discrimination of any kind.
- The Authority's commitment to openness can be demonstrated in, for example:
 - Constitution of the Council, publicising the Council's approach to decision-making and standards of conduct.
 - Approach to the Freedom of Information Act
 - Customer Care Guidelines / Customer Services Strategy.
 - Availability of committee minutes to the public except in those areas where it is inappropriate.
 - Area Forums, covering the whole of the borough, which give local people a voice.
- A Sustainable Community Strategy and framework for reviewing partnership delivery of Wirral's long term vision has been implemented.
- An Annual Performance and Financial report is produced following the end of the financial year.

3.19 Responsibility to staff

- There is a Consultation and Negotiation Policy in place, which deals with the role of workers' unions and their representatives within the decision making process in matters affecting changes in conditions, working practices and personnel policies.
- The Chief Executive has met with staff via his 'roadshows'.
- The Council achieved Level 3 of the Equality Standard – now 'Achieving' status during 2009/10, and is striving to achieve 'Excellent' status, under the Equality Framework for Local Government, by November 2011.

3.20 Role of the Chief Financial Officer

- The financial management arrangements in place comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). However, the Code of Corporate Governance requires updating so as to reflect the arrangements in place. This is planned to take place in the forthcoming year. However, the role of the Chief Financial Officer is fully reflected within the Constitution of the Council.

4. Review of Effectiveness

4.1 Introduction

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 by comments made by the external auditors and other review agencies and inspectorates. Key controls in the governance review process are identified in the following paragraphs.

4.2 Corporate Review

The Council's Corporate Governance Group (CGG) has managed the development of the Annual Governance Statement, in consultation with the Council's Chief Internal Auditor. CGG is chaired by the Interim Chief Executive, and comprises a range of key officers from across the Authority.

4.3 Statutory Officer Responsibilities

- 4.3.1 The Council Constitution sets out the responsibilities of both members and senior managers. Roles and responsibilities have been identified and allocated for the following three statutory posts:

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

- 4.3.2 The Council has designated the Director of Law, HR and Asset Management as the Monitoring Officer. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles operate effectively and an annual report is submitted to Cabinet.

- 4.3.3 The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The financial management of the Authority is conducted in accordance with the Financial Procedure Rules set out in the Constitution.

4.3.4 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 therefore is working towards the National Good Governance Standard.

4.4 Audit and Risk Management Committee

4.4.1. The Council has an Audit and Risk Management Committee (ARMC), which oversees various financial matters, the terms of reference for which comply with latest CIPFA guidelines.

4.4.2. ARMC plays a fundamental role in underpinning the governance of the Authority. The Chief Internal Auditor (CIA) reports independently to ARMC, and, in addition to considering the CIA's Annual Report, the committee produces its own Annual Report demonstrating how it (the ARMC) has fulfilled its terms of reference and improved the Council's governance and control environments.

4.5 Standards Committee

The Council has a Standards Committee, which deals with matters relating to the conduct of Councillors, employees, complaints and probity issues, the terms of reference for which comply with latest guidelines from the Standards Board for England.

4.6 Internal Control

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.

4.7 Internal Audit

4.7.1 The arrangements for the provision of internal audit are contained within the Financial Regulations 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 (amended 2011). 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.

4.7.2 From the work undertaken in 2010/11 the Chief Internal Auditor was able to provide 'reasonable assurance' on the key areas of risk management, corporate governance and financial control.

4.8 External Audit

The Audit Commission reviews compliance with policies, procedures, laws and regulations within their remit. Some Internal Audit work is subject to review by the external auditor. In its most recent review the Audit Commission's overall conclusion was that Internal Audit generally met the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

5. Significant Governance Issues

5.1 Summary

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.

The following have been identified as part of the review of governance.

5.1.1 Governance

Wirral Council's Code of Corporate Governance is to be reviewed and updated to ensure it includes all relevant areas from the CIPFA/SOLACE guidance, including reflecting the role of the Chief Financial Officer. In addition to this, a means of promoting and communicating the Code is to be introduced.

The Constitution of the Council is also to be reviewed so as to ensure it reflects accurately the current governance arrangements.

In the light of the Independent Review, (Cabinet 22 September 2011) and the Audit commission's Annual Governance Report 2010/11 the Council has set up a specific Cabinet Committee to address the governance issues raised in those reports.

The Cabinet Committee will consider how the Council's Audit Team may be strengthened to ensure that warnings they issue are clearly heard and responded to.

The Council needs to report formally the effectiveness of Internal Audit.

5.1.2 Single Status

The Council has partially completed the Single Status Review and it is anticipated to be completed during the forthcoming financial year.

5.1.3 Change Programme

The Council's ongoing commitment to introduce efficiencies and service improvements is evidenced through the Strategic Change Programme. During the year, there have been changes to the structure of the Programme. Regular progress reports have been presented to the Council's committees including Council Excellence Overview and Scrutiny Committee and Cabinet.

5.1.4 Partnership Working/ Shared Services

The Council continues to be actively involved in developing the way it works with partners and organises itself to deliver services. A Partnership Framework and Toolkit has been compiled and approved, however its effectiveness needs to be reviewed to ensure it is being adopted Authority wide.

A strategy also needs to be developed for implementing and communicating the Partnership Framework and Toolkit.

A full review of the Partnership Register is also required to ensure that details of all partnerships have been recorded. The Register will then need to be monitored and maintained on an ongoing basis.

5.1.5 Restructuring the Council's Departments

The Council has undergone, and continues to undergo, significant change resulting from the loss of a number of staff through the Early Voluntary Retirement (EVR) and voluntary severance exercise. A corporate approach is being developed through reviewing performance management arrangements and Human Resources policies and the Council's Executive Team is tasked with monitoring the effectiveness of the arrangements in place.

5.1.6 Anti-Fraud and Corruption

During a period of organisational change, the requirement for robust anti-fraud and corruption policies is heightened. Problems have been identified with the level of staff awareness of key anti-fraud policies such as the Confidential Reporting (Whistleblowing) Policy, Gifts and Hospitality and Conflict of Interest Policy, and anti-money laundering. Work is planned to review these policies to ensure their continued relevance and fitness for purpose and the method of their promotion amongst staff, to ensure widespread compliance. The Council has established a dedicated team within Internal Audit with anti-fraud responsibilities. Anti-fraud and corruption training will be provided to all staff via an online training package during 2011/12.

5.1.7 Information Management

The reorganisation of the Information Technology section will enhance the the Council's approach to the management of information.

5.1.8 Public Interest Disclosures

Adult Social Services

The Audit Commission report under the Public Interest Disclosure Act (PIDA), relating to charging in Adult Social Services, followed concerns raised by a member of staff under the Council's whistleblowing procedures. The subsequent internal investigation identified a number of actions and weaknesses which are being addressed, and progress is monitored by both ARMC and Cabinet.

The Leader of the Council requested a further independent review of the concerns raised as a result of the PIDA report. In summary, the Terms of Reference are to determine if all the issues were properly and adequately addressed; to determine if the lessons learned across the Council have been properly and thoroughly heeded; to provide reassurance that no similar matters need to be addressed. The report will be published in due course.

A Supplemental Report relating to the Council's governance arrangements was considered by Cabinet on 22 September 2011, and a specific Cabinet Committee has been set up to drive forward the necessary changes.

An independent investigation into the whistleblower's allegations of bullying and harassment has been reported to Cabinet.

Highways and Engineering Services Procurement Exercise (HESPE)

The Audit Commission report under the Public Interest Disclosure Act (PIDA), relating to the procurement of the HESPE contract, followed concerns raised by a group of staff under the Council's whistleblowing procedures. A number of issues were identified regarding procurement, and general governance policies and procedures: there was no evidence of impropriety by any officers or members. Lessons learned raised by the report are being addressed through an Action Plan incorporated within the current Parks and Countryside Services Procurement Exercise, and progress is monitored by both ARMS and Cabinet.

However, in the light of planned comments by the District Auditor in the Annual Governance Report 2010/11, further work is required.

5.1.9 Vulnerable Adults

The Care Quality Commission's report highlighted concerns in the areas of "safeguarding adults" and "adults with learning disabilities". A comprehensive action plan has been developed and progress is continuing.

5.1.10 International Financial Reporting Standards (IFRS)

The Council continues to work towards the implementation of IFRS for the 2010/11 Statement of Accounts. This includes the work around fixed assets; vehicles, plant and equipment; community and infrastructure assets.

However, in the light of planned comments by the District Auditor in the Annual Governance Report 2010/11, further work is required.

6. Conclusion

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Risk Management Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

To the best of our knowledge, the governance arrangements, as defined above, have been operating effectively during the year with the exception of the key areas identified above.

We propose over the coming year to take any necessary steps to ensure that all of the above matters are addressed as appropriate to enhance our governance arrangements further. Many improvement actions represent work already in progress. 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