

## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

13 MARCH 2012

<b>SUBJECT:</b>	<b>ANNUAL GOVERNANCE STATEMENT (AGS) 2011/12</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR JEFF GREEN</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The preparation and publication of an Annual Governance Statement 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 Annual Governance Statement declaring the degree to which it meets the Governance Framework.
- 1.3 Attached at Appendix A is a draft Annual Governance Statement for 2011/12.

#### **2.0 RECOMMENDATION**

- 2.1 That subject to: any comments from this Committee; any material changes to the control environment and corporate governance arrangements of the Council between now and the end of the financial year (31 March 2012); the Annual Governance Statement for 2011/12 is agreed and appended to the Statement of Accounts 2011/12.

#### **3.0 REASON FOR RECOMMENDATION**

- 3.1 The production of the Annual Governance Statement 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**

##### **4.1 Regulatory Framework**

- 4.1.1 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.

4.1.2 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 Annual Governance Statement by the Council to replace and subsume the Statement on Internal Control from 2008.

## 4.2 Governance

4.2.1 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).

4.2.2 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.

4.2.3 The Framework identifies six core principles of good governance:

1. Focusing on the purpose of the Authority and on the outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust accountability.

4.2.4 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 Annual Governance Statement to report publicly on the extent to which they comply with the principles.

### **4.3 Process**

4.3.1 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.

4.3.2 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.

4.3.3 The process includes:

- a. Reviewing key governance processes, covering such areas as: adequacy of performance management; key HR functions and policies; and risk management.
- b. Reviewing reports completed by external review agencies, so as to ensure that key findings are considered for inclusion in the Annual Governance Statement 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.

### **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).

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/55/12

**REPORT AUTHOR:** David Taylor-Smith  
Deputy Director of Finance  
telephone: 0151 666 3491  
email: davidtaylor-smith@wirral.gov.uk

## **APPENDICES**

Appendix A – Draft Annual Governance Statement 2011/12

## **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.
- AKA Report

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
The Annual Governance Statement is reported to Audit and Risk Management Committee on an annual basis, prior to it being submitted to Cabinet for consideration and approval as part of the Statement of Accounts.	

**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](http://www.wirral.gov.uk). This statement explains how Wirral Council meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006 (amended 2011) in relation to the publication of a statement on internal control.
- 1.4 Following an independent report, undertaken and produced by AKA (the trading name of Anna Klonowski Associates Ltd.) during the year, the Council reported and acknowledged that serious weaknesses within its corporate governance framework exist. As such action plans have been put in place and steps have been taken to begin addressing the recommendations outlined within the report. (This is highlighted within section 5.1.1 of this report)

**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.

### **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.
- Four key themes make up and provide the foundation for the Corporate Plan:  
Your FAMILY  
Your NEIGHBOURHOOD  
Your ECONOMY  
Your COUNCIL
- The Leader of the Council has changed on a number of occasions during the financial year. Initially Councillor Jeff Green (Conservative) led the Council; however, following the local elections in May 2011, he was replaced by Councillor Steve Foulkes (Labour). The leadership then reverted to Councillor Jeff Green following a vote of no confidence in February 2012. It should be noted that no one party has a majority rule within Wirral.
- Following the recent change in leadership the proposed Draft Corporate Plan 2012/13 has been rejected and Council has instructed officers to continue to work to the goals and targets set out in the existing Corporate Plan. Council has also requested that Officers report back to Cabinet on any adjustments that have been made to Departmental plans predicated on the now rejected Draft Corporate Plan.  
Council further instructed officers to prepare a report that sets out a process and timetable that will deliver an updated Plan within 6 months that:
  - Captures any work done to date, particularly focussing on comments provided by Overview and Scrutiny Committees and partner organisations.
  - Leads to the preparation of an updated draft plan by the middle of May.
  - Builds in a 6 week policy public consultation period.
  - Reports back to Council at the end of August.
  - Informs the Budget Planning process and enables publication of a draft Budget to December Council.

- Wirral's Local Strategic Partnership (LSP) Executive Board is in place to lead and develop the vision for the Borough of Wirral set out in the Sustainable Community Strategy.  
The LSP Executive Board provides strategic guidance to partner organisations and relevant partnerships operating within Wirral's Strategic Partnership and works collaboratively to remove any barriers that hinder or otherwise prevent the vision for the Borough of Wirral being achieved.

### **3.3 Ensuring that users receive a high quality of service**

- The Council's Customer Access Strategy, which was updated during 2011, provides the direction and focus for all services to work together in achieving cost-effective and excellent services for the customer through specific actions and projects. The overall objectives of the Strategy are to improve the quality of life of Wirral people, working with our partners to deliver the best services we can, in the most efficient and effective way. It directly supports the Corporate Plan's aim of engaging and empowering individuals and communities in the design and delivery of council services.
- 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 performance indicators and projects contained within departmental plans are reported to the relevant scrutiny committee.

### **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 clear budget timetable is in place with regular monitoring meetings and liaison with the external auditors regarding the publication of the Council's accounts.

### **3.5 Roles and Responsibilities**

- Policy and decision making is facilitated via a Cabinet Structure with Cabinet Member portfolios.
- Roles and responsibilities of the Executive members and all councillors, along with remuneration details, are clearly defined in the Constitution.

- Roles and responsibilities of all senior officers, along with remuneration details, are documented in contracts of employment and job specifications.

### **3.6 Member/Officer Relations**

- 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.
- The Constitution includes the delegation of functions to individual cabinet members.
- A full Scheme of Delegation is included in the Constitution.

### **3.7 Partnership Arrangements**

- Clear terms of reference are available for specific partnerships setting out the roles and responsibilities of the partnership board along with its purpose.
- A Partnership Framework and Toolkit has been developed and approved, however, it is yet to be publicised throughout the Authority.
- The Council has reviewed and updated its local Code of Corporate Governance detailing how the Authority complies with the principles of good governance as part of the work programme agreed by Cabinet following the AKA report. The amended Code has been agreed by the Corporate Governance Committee and its adoption has been recommended to Council.

### **3.8 Standards of Conduct**

- The Standards Committee has a number of roles and functions, which include promoting and maintaining high standards of conduct by councillors and employees.
- Steps are being taken to ensure appropriate action is taken to ensure the Council is in a position to discharge its duties and responsibilities in respect of Member standards as from 1 July 2012 arising under the Localism Act.
- There is a corporate conflict of interest form for completion by Members and Officers. Members' Conflict of Interest forms are available to the public online which adds to transparency.
- Financial Regulations and Contract Procedure Rules are contained within the Council Constitution.



### **3.9 Demonstrating the Values of Good Governance**

- The transparency of the decision making process is served through the publication of agendas and minutes of all Council Committees, other than exempt items.
- The Chair of the Standards Committee is an independent member of the public. The number of independent members is three which meets the statutory requirement for 25% of the Committee to be independent.
- Council call-in procedure allows members to 'call-in' decisions made by committees of the Council for further consideration by the relevant review committee.

### **3.10 Transparency of the Decision Making Process**

- The Cabinet takes the Council's key decisions, but these are then subject to scrutiny.
- The public has access to all meeting minutes with the exception of exempt items.
- 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.
- Codes of Conduct for Members and employees are in place.

### **3.11 Quality of Reporting**

- All committee reports require the following sections to be completed: Implications for voluntary, community and faith groups / Resource implications: Financial; IT; Staffing; and Assets / Legal implications / Equalities implications / Carbon reduction implications / Planning and community safety implications.
- For ease of reference details of the 'Subject History' (for the last 3 years) are also required.

### **3.12 Risk Management**

- A Corporate Risk Register is in place, which is monitored and reviewed on an ongoing basis, and the Authority has in place a Risk and Insurance Team. The Executive Team also review the Register on a regular basis.
- The Council has systems for identifying and evaluating all significant corporate risks, developed and maintained with the participation of those involved in planning and delivering services.

- The Council's Risk Management Strategy was updated in 2011. This document explains the methodology for the management of risk throughout the Authority.
- A Confidential Reporting (Whistleblowing) Policy is in place along with a Grievance procedure for employees.

### **3.13 Use of legal powers to benefit citizens and communities**

- 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 are invited to a corporate and departmental induction.
- A 'Skills for Wirral' training and development programme is available tailored to both managers and employees.  
There are also currently three 'e-learning' courses which are mandatory for all staff: Equality and Diversity; Stress Awareness; and Fraud Awareness. In addition to these, Attendance management e-learning is also mandatory for all managers.

### **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 for all Council employees helps to highlight the requirement to develop skills and improve performance. It should be noted that the proposed performance appraisal system is in the process of being reviewed.

### **3.16 Encouraging involvement in the membership of the authority**

- The Council engages with communities through eleven Area Forums, providing an opportunity to shape services in their neighbourhood. Consultation has recently taken place to enable residents to influence and contribute to Neighbourhood Plans.

- There are a number of different ways in which young people can have their voices heard and make a difference to the communities in which they live:  
Executive Youth Board  
Youth Voice Conference and Youth Parliament  
United Kingdom Youth Parliament (UKYP)  
Youth Forums
- Wirral's Older People's Parliament provides a forum for older people to voice their opinions, inform the Council and influence its decisions. It is made up of 44 elected members, four from each of Wirral's eleven Area Forums.

### **3.17 Stakeholder Engagement and Scrutiny**

- Wirral's Local Strategic Partnership (LSP) Executive Board is in place to lead and develop the vision for the Borough of Wirral set out in the Sustainable Community Strategy.
- In addition to the eleven area forums, which provide a means to engage with communities, exercises such as the 'You Choose' budget simulator have taken place to engage Wirral citizens. The exercise had the second highest number of responses in the country, and an outcome from which was confirmation there will be no increase in Council Tax Bills for the next financial year.

### **3.18 Public dialogue and accountability**

- The Authority's commitment to openness can be demonstrated in, for example, the Constitution, the approach to the Freedom of Information Act, the Customer Access Strategy, the availability of committee minutes to the public apart from exempt areas, and the Area Forums that give local people a voice.
- Wirral Council's Equality Impact Assessment (EIA) toolkit has been updated to reflect the legal requirements under the Public Sector Equality Duty, which is part of the Equality Act 2010. As part of the Equality Duty 2010, which came into full force in April 2011, the Council has a legal requirement to give due regard to the impact of its policies and decisions on people who share protected characteristics (race, gender, disability, sexual orientation, age, religion / belief, gender re-assignment, marriage / civil partnership, pregnancy / maternity).
- The use of the electronic tendering portal has been firmly established across the authority and contracts are being advertised via this system.
- An Annual Performance and Financial report is produced following the end of the financial year.

### **3.19 Responsibility to staff**

- The Consultation and Negotiation Policy dealing with the role of unions; One Brief; the Staff Suggestion Scheme; and the One Council magazine; all aim to promote open communication processes.
- The Chief Executive has met with a number of staff via departmental visits.

### **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). The amended Wirral Code of Corporate Governance has been updated to reflect these arrangements and has been agreed by the Corporate Governance Committee and its adoption has been recommended to 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 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, 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, as verified by the Audit Commission, operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

4.7.2 From the work undertaken in 2011/12 the Chief Internal Auditor was able to provide 'reasonable assurance' on the key areas of risk management, corporate governance and financial control, subject to the timely implementation of a number of actions to address outstanding issues of a governance nature.

#### **4.8 External Audit**

Wirral Internal Audit is subject to regular inspection 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. The Audit Commission through its inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.

### **5. Significant Governance Issues**

#### **5.1 Summary**

Internal Audit has concluded that, based on the work undertaken, and subject to the timely implementation of a number of actions to address outstanding issues of a governance nature, overall throughout the Council there are sound systems of internal control in place although non-compliance is an issue. 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 areas are highlighted:

##### **5.1.1 Governance – Independent Report**

A report by AKA (the trading name of Anna Klonowski Associates Ltd.), entitled '*Wirral Borough Council's Corporate Governance Arrangements: Refresh and Renew*', was presented to Cabinet on 22 September 2011, and identified examples of Corporate Governance failures/weaknesses:

- a) Inadequate systems to manage performance and spot failures.
- b) Being unable to understand and implement fees and charges properly.
- c) Not being able to commission, manage and, where necessary, dismiss failing contractors and suppliers.
- d) Shortfalls in the way the Council evaluates the impact of its policies both prior to execution and in response to evidence about the impact.

- e) A reluctance to listen to and support Wirral Council staff when they have tried to raise and resolve issues on the Council's behalf.
- f) The reluctance of some staff to speak out because of the perceived impact this might have on them and/or their career at Wirral.

It was stated that failure to address the issues detailed in The Corporate Governance Report had led to:

- a) A Public Interest Report,
- b) Two reports under the Public Interest Disclosure Act (PIDA),
- c) A "red flag" raised by the Audit Commission in relation to Adult Social Services Data,
- d) A Care Quality Commission (CQC) Report relating to issues raised by the "red flag",
- e) Concerns raised by the Council's external auditors, and
- f) A number of issues raised by the Director of Finance in the Council's own corporate governance statements.

It should also be noted that a further Audit Commission report is anticipated to be issued in relation to the PIDA report on the Highways and Engineering Services Procurement Exercise (HESPE)

AKA recommended a number of actions. In response, a Corporate Governance Committee (with executive powers) was established, a team created and a comprehensive work programme, to address a range of priority areas of improvement in relation to corporate governance was developed. It was anticipated that this group would operate on a short term basis (it was decommissioned following its meeting on 8 February 2012) and would provide the appropriate building blocks for a wider Improvement Plan.

The Council is working in partnership with the Local Government Association (LGA) and has established an Improvement Board (without executive powers), chaired independently by the LGA to continue and progress its work (the Board first met on 3 February 2012 and is due to operate in the longer term – two years). The initial work programme was based around a number of 'Key Lines Of Enquiry' (KLOEs) as follows:

**KLOE: 1 - Alignment of Corporate Planning & Budget Process**

To develop and implement a process which delivers a legal budget to meet Council Objectives by March 2012.

**KLOE: 2 - Review Code of Corporate Governance**

- To develop and implement a Code of Corporate Governance which is fit for purpose – enforceable, enforced, communicated, understood and which underpins the workings of a modern organisation – by April 2012.
- Ensure issues raised in the Annual Governance Statement are addressed within this process.
- From April 2012 develop and implement a review process.

**KLOE: 3 - Review of relationship between devolved and centralised functions**

To identify and implement a model which defines roles, responsibilities and accountabilities of functions which are provided corporately and functions which are devolved. The revised model, aiming at consistency and flexibility, will be in place by April 2012.

**KLOE: 4 - Review of Internal Audit**

To provide a fit for purpose Internal Audit Service - both in terms of planned work and skills availability, to which management responds, thereby strengthening the corporate governance of the Council, and consequently enhancing service delivery.

**KLOE: 5 - Review of Policy**

To identify a model for a Council Policy Unit and take the necessary steps for implementation by April 2012.

**KLOE: 6 - Review of Committee Services**

- To implement transparent decision making based on appropriate information, in a timely manner.
- To provide the most appropriate committee services support to the democratic process of the Council.

**KLOE: 7 - Review of Performance**

- Develop, implement and embed an effective, measurable corporate performance management process and culture which integrates service and financial outcomes, is consistent with corporate objectives, and which enables responsible Members and officers to be held to account.
- Identify and implement an effective corporate performance management framework which enables responsible Members and officers to be held to account.

**KLOE: 8 - Review of Equalities**

To ensure that the Council meets best practice in respect of equalities and diversity legislation, in all areas of activities including policy development, service delivery, community needs and recruitment.

**KLOE: 9 - Fees & Charges**

- To implement a comprehensive schedule of fees and charges for all appropriate Council services commensurate with law, the Council's Constitution, accepted best practice and Council objectives.
- To review the schedule on an annual basis.

**KLOE: 10 - Member development and capacity**

To ensure that elected Members:

- Understand the roles and responsibilities of Members and officers
- Are equipped to undertake their roles and responsibilities effectively; this includes as individual portfolio holders and as collective executive authority.



There were four additional areas identified in the Comprehensive Work Programme and these are to be the subject of further work from April 2012: KLOE 11 – Review of committee reports over the last 3 months. This is dependent upon work being undertaken around KLOE 6 (Review of Committee Services) and KLOE 2 (Review and refresh the ‘Code of Corporate Governance’) in order that the review may use the information and frameworks developed.

KLOE 12 – Review of Performance (Departmental). This is dependent on the development of KLOE 7 (Review of Performance - Corporate) and the Corporate Plan.

KLOE 13 – Change Team/Programme. This is dependent upon work currently being undertaken in KLOE 1 (Alignment of corporate planning and budget making process), KLOE 7 (Review of Performance - Corporate) and the development of the Corporate Plan.

KLOE 14 – How does the Council learn from past experience? This KLOE is dependent upon developing a better understanding of the new requirement for Self Regulation encompasses Self Assessment, Peer Challenge and Peer Review and links with KLOE 7 (Review of Performance).

### **5.1.2 Job Evaluation**

The Council has partially completed the ‘Job Evaluation’ Review and the Council must ensure the review it is completed during the forthcoming financial year to fulfil the National Joint Council (NJC) Agreement and the local collective agreement agreed via ballot in July 2008. In 1997 the Single Status Agreement set out a framework, which included a National Joint Council (NJC) Job Evaluation scheme that would allow local authorities to ‘harmonise terms and conditions for manual workers and APT (Administrative, Professional and Technical) staff and develop a pay and grading structure that is fair, transparent and equal’.

### **5.1.3 Council Policies**

It is imperative the ownership of all the Council’s core policies (e.g. Conflicts of Interest and Gifts and Hospitality) are confirmed and documented so as to ensure transparency, accountability and ease of resolution regarding any queries. This should also help to ensure policies are kept up to date, remain fit for purpose and are disseminated accordingly.

### **5.1.4 I-procurement System**

The i-procurement system must be utilised and adherence to the Contract Procedure Rules ensured across the Council so as to assist in streamlining orders, securing the most economically advantageous contracts, whilst being undertaken in an open and transparent manner and reducing the possibility of legal challenge.

### **5.1.5 Council Constitution**

A clear timetable must be established, and adhered to, for reviewing and updating the Constitution, so as to ensure the document is kept relevant and

up to date and thus provides the appropriate and necessary rules and guidance to officers and Members when required.

#### **5.1.6 Performance Management System**

It will be essential that the replacement performance management system is utilised across the Authority for all corporate and service plan indicators and projects to enable objective assessment of the Council's performance at a corporate level.

#### **5.1.7 Information Management**

Information assurance and information governance must continue to be strengthened across the Authority, ensuring that roles and responsibilities are clearly understood and performed consistently.

#### **5.1.8 Risk Management Responsibilities**

Clearly defined responsibilities for risk management at departmental level must be established, with ongoing assessment and monitoring co-ordinated through the Risk And Insurance Team.

#### **5.1.9 Benchmarking**

The use of benchmarking across Council services with peer groups should be undertaken - it is anticipated this will form part of the wider 'Review of Performance' (KLOE: 7).

#### **5.1.10 Partnership Register**

The Partnership Register requires updating to ensure it is relevant and fit for purpose, and must be reviewed on a continuous basis, with the effectiveness of the Partnership Framework and Toolkit appraised.

#### **5.1.11 Whistleblowing Policy**

The Whistleblowing Policy and the Grievance Policy should be subject to continuous review and communication across the Council and relevant partners.

#### **5.1.12 Suspensions Details**

Suspensions details should be incorporated within the proposed Employee Relations report every quarter, including timescales and current position.

#### **5.1.13 Member/Officer Training**

Policies and procedures for member and officer training and development must be prioritised ensuring needs assessments are undertaken and addressed where appropriate, thus helping to enhance the challenge and scrutiny functions.

## 6. Conclusion

We have considered assurance from a range of sources including the work of Audit and Risk Management Committee, Internal Audit and external agencies. Significant issues of Governance were reported during the year by an independent review, outlined above.

We propose over the coming year to take all necessary steps to ensure that all of the above matters are addressed as appropriate to strengthen our governance arrangements. A significant step is the creation of an Improvement Board in partnership with the LGA. Many improvement actions represent work already in progress. We are satisfied that these steps will address the need for improvements which were identified and will monitor their implementation.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Chief Executive

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Leader of the Council