



## **ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012**

**Wigan Council is committed to the highest standards of corporate governance.**

**Governance is about how bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.**

**It comprises the systems and processes, and culture and values, by which bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.**

**A key aspect of governance is the requirement to put into place *“effective risk management systems, including systems of internal control”*.**

**This Annual Governance Statement supports the Council’s Statement of Accounts and outlines how it manages its affairs to deliver high quality services and ensure that public money is effectively spent**



## **Annual Governance Statement for the year ended 31<sup>st</sup> March 2012**

### **1. Introduction/Background to the Annual Governance Statement**

The preparation of the Annual Governance Statement to support the Annual Statement of Accounts is a statutory requirement for local authorities. Its purpose is to demonstrate and evidence that there is a continuous review of the effectiveness of the Council's internal control, performance, and risk management systems. This allows an assurance on their effectiveness to be provided so that users of the Accounts can be satisfied that proper arrangements are in place to govern spending and safeguard assets. The process also enables the production of a corporate action plan to address any identified weaknesses.

CIPFA have confirmed that "proper practice" in relation to internal control is as detailed in the *Delivering Good Governance in Local Government* publication (CIPFA/SOLACE 2007) and this has statutory backing.

Wigan has always complied with the appropriate legislation and "proper practice" guidance resulting in annual corporate disclosure statements that have always met the current "proper practices" criteria and as such, the format of this years statement is not significantly different than the wider governance statement produced in previous financial years.

A description of the key elements of the Councils assurance and internal control environment is detailed at Appendix 1.

### **2. Council Purpose**

During the financial year the Council's Corporate Strategy was refreshed and presented as a 5 year vision with a simple clear set of priorities for the organisation. The Corporate Strategy presents as a vision for the organisation (*Confident Place – Confident People*), the priorities the Council is focussing on to achieve its vision, and the long term outcomes to be used to measure progress, supported by the key delivery projects to bring about the changes to achieve the required outcomes.

Each individual key delivery project (there are 38 within the Corporate Strategy 2011-2016) has an end date but may not be concluded within a financial year and will be revised throughout the 5 year tenure of the strategy. Appropriate senior officer and Member monitoring has been developed at individual project and also overall strategy level to ensure appropriate delivery.

### **3. Scope of Responsibility**

The governance framework comprises the systems and processes, the culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads its community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services.

Wigan Council, through its elected Members and Officers, is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of Wigan Council's affairs and the stewardship of the resources at its disposal. To this end Wigan Council has approved and adopted a Constitution and a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. Copies of the policy documents are available on our website ([www.wigan.gov.uk](http://www.wigan.gov.uk)) under the "Council, Standards, and Codes Of Practice" sections.

This statement explains how the Council has complied with the CIPFA/SOLACE Framework, and also seeks to identify areas in which our governance arrangements can be strengthened. This statement also meets the requirements of regulation 4 (4) of the Accounts and Audit (England) Regulations 2011 in relation to the approval by Members of "an annual governance statement, prepared in accordance with proper practices in relation to internal control".

The Council is committed to fulfilling its responsibilities in accordance with the highest standards of good governance, underpinned by the ethical behaviour of officers and Members.

The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2012 and up to the date of the approval of the annual report and statement of accounts.

### **4. Purpose of the Assurance Framework and System of Internal Control**

The Council sets the overall strategy and policy (via its Constitution), and has put in place a well-defined organisational structure, with clearly understood lines of responsibility and delegation of authority to help ensure that strategies and policies are effectively implemented and adhered to.

The Chief Executive and Corporate Directors are ultimately responsible to the Council for the system of internal control and reviewing its effectiveness. Any system of internal control can only provide reasonable assurance, and not absolute assurance, that all significant risks will be mitigated. The key issue is that risks, their potential for occurring and possible impact are identified. A conscious decision can then be made on how to prioritise and deal with those risks.

The system, therefore, is designed to effectively manage, rather than eliminate, the risks that are attached to the fulfilment of the Council's Vision of "*Confident Place – Confident People*,". The Council has an internal priority to keep focused on being responsive, responsible, efficient, and effective in the way it delivers public services and this continues to be reflected in its Corporate Strategy.

## **5. The Assurance Framework and Internal Control Environment**

The Authority's Assurance Framework (Appendix 1) is based on ongoing management and review processes developed to minimise the impact of risks to the achievement of the Authority's vision and associated objectives.

The Council has a Constitution which sets out how the Authority operates, how decisions are made and the processes which are followed to ensure that these are efficient, transparent and accountable to local people. Many of these processes are required by statute, while the Authority has determined others locally. The Constitution is divided into appropriate articles that set out the basic rules governing the Authority's business.

The Council's internal control environment is fundamental to the operation of the assurance framework and is designed to manage risk to acceptable levels. It is not possible to eliminate all levels of risk of failure in respect of Council aims and actions, and accordingly can only provide reasonable but not absolute assurance of effectiveness.

In summary, the Authority's Assurance Framework and Internal Control Environment includes:-

- A high level vision embedded in the service planning, delivery, risk management, and performance management frameworks.
- A Monitoring Officer responsible for maintaining the Authority Constitution, supporting the Standards Committee, and ensuring the legality of Authority actions.
- A Standards Committee to promote and maintain high standards of conduct by the Elected Members and co-opted Members of the Authority.
- A Corporate Overview and Scrutiny Committee to support and challenge the work of the Executive, supported by four appropriate Scrutiny Committees and two Select Scrutiny Committees. As part of a review of democratic services the number of scrutiny committees has recently been reduced to three aligned to the Corporate Strategy.
- An Audit, Governance, and Improvement Review Committee, chaired by the Opposition Leader, including 3 independent (non-elected) Members, to oversee the work of the Internal and External Audit functions and provide independent assurance of the effectiveness of:-

- a. The governance arrangements of the Council and its services.
  - b. The Council's risk management framework and the associated control environment.
  - c. The Council's financial management framework processes and the way this relates to the performance of individual services and the Council as a whole.
- An Internal Audit function that consistently meets professional standards, (as assessed by the Audit Commission and validated by the Audit, Governance and Improvement Review Committee) supports the Authority in the achievement of its improvement and inspectorate agenda and has responsibility for the continual review of major financial controls and the wider internal control environment.
  - Comprehensive budget setting and monitoring framework with clearly defined guidelines and responsibilities with frequent reporting of performance to the Executive.
  - A local Code of Corporate Governance based on the CIPFA/SOLACE Framework that is reassessed bi-annually by Internal Audit.
  - A risk management policy framework approved and monitored by Cabinet and the Audit, Governance and Improvement Review Committee. During 2011/2012 the Council's approach to risk management was refreshed and reapproved by the Audit, Governance, and Improvement Review Committee (29<sup>th</sup> March 2012) to align more closely and complement the Council's updated Corporate Strategy and associated management and monitoring arrangements.
  - A consistent and clear commitment to countering fraud and corruption that is demonstrated within core policy documents and associated investigatory practices with outcomes reported annually to Members.
  - The development of a portfolio of change programmes and a series of strategies that support the achievement of the Council's strategic business objectives and Medium Term Financial Plan (MTFP).
  - Nationally and IIP accredited employee development needs process, dovetailed with well publicised human resource policies, associated procedures, induction processes, and Codes of Conduct designed to ensure that staff are appropriately skilled to deliver the Authority's aims and objectives and conduct themselves in a proper manner.
  - A system of internal control based on a detailed framework contained within the constitution and supported by an extensive range of policy documentation covering all aspects of governance, rules of procedure, codes of conduct, and operational/governance related rules. In addition, a suite of policies cover all aspects of fraud related activity/conduct. Flowing from the above, Members of the Council are regularly and fully briefed on all significant financial, operational, and strategic decisions.

- Following a Senior Management Review, a new organisational structure was introduced from 1<sup>st</sup> April 2011. There are now 3 directorates, lead by Corporate Directors supported by seven Directors. The new approach to SMT is based on an Extended Strategic Management Team which brings together Corporate Directors and Directors on a fortnightly basis, with the core SMT (Corporate Directors) meeting on a 4 weekly basis. The clarity here is that the core (focussed) SMT are responsible for strategic policy debate and AGMA sharing with the extended SMT being responsible for business items and decision making.
- A Responsible Financial Officer (S.151 Officer), supported by statute, to ensure the effective administration of the financial affairs of the Council.

The Chief Finance Officer (CFO) role (S.151 Officer) is undertaken by the Director - Corporate Services who is responsible to the Chief Executive. In terms of statutory responsibilities, the CFO reports directly and independently to the Chief Executive and Leader of the Council.

In addition the CFO is a key member of both SMT (pre-programmed and adhoc meetings) and the Extended Strategic Management Team, and provides a pivotal link between the two management groups on all financial and governance related matters. This approach has been crucial to ensuring that Directors accept financial responsibility for their budgets, present their own associated Cabinet reports, and are held accountable for their directorate performance.

The CFO is at the core of the organisation leading, challenging, and holding to account SMT (collectively) and the CEO and individual Directors.

It is considered that this approach meets best practice as determined by CIPFA guidance in that the CFO is a key member of the leadership team to develop financial strategy via SMT and resource, implement and monitor financial strategy via the Extended Strategic Management Team. The CFO has direct and independent access to the CEO and the Leader of the Council on all financial and governance related matters.

## **6. Review of Effectiveness**

The Authority has a statutory responsibility to conduct, 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 Committees and management with responsibility for the development and maintenance of the governance environment, the Chief Internal Auditors Annual Report and also work completed by external inspectorates.

The effectiveness of the Authority's system of internal control is demonstrated by a range of independent procedures and protocols, including :-

- Strategic Management Teams procedures and associated management action
- Financial Management reporting
- Performance Management reporting (including the formal review of Risk Management)
- Cabinet, Audit, Governance, and Improvement Review Committee, and Committee reporting
- Overview and Scrutiny and Standards functions
- Statutory Officers (Head of Paid Service, Monitoring Officer, S151 Officer and authorised deputies)
- Internal Audit

Collectively, these form the basis of the Council's governance arrangements and are further validated by independent assessments from various external agencies, viz.:-

- External Inspectorate
- External Audit

The Director - Corporate Services and Head of Service Legal and Risk (Monitoring Officer) have been formally given the responsibility for overseeing the implementation and monitoring the operation of the Local Code of Corporate Governance, reviewing the operation of the Local Code in practice, and reporting annually to Cabinet on compliance with the Local Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice. This is supported by the continuous review work performed by Internal Audit.

The Internal Audit remit is under continual review to reflect and support the legislative requirements of the Section 151 Officer, the required professional standards, the revisions to the responsibilities of external audit, and the key priorities of the Authority. The effectiveness and detailed remit of Internal Audit are reviewed through the Audit, Governance and Improvement Review Committee who approve all Internal Audit Plans and receive reports on Internal Audit Activities (reports 1<sup>st</sup> December 2011 and 14<sup>th</sup> June 2012). The latter report is contained within the Annual Report for the Section which, in accord with the Accounts and Audit Regulations, provides an annual review of the Service and demonstrates that a high quality and effective Internal Audit service is provided.

The Authority's current risk management arrangements were reapproved by the Audit, Governance, and Improvement Review Committee on 29<sup>th</sup> March 2012. Following the demise of the UoR regime and the major restructuring of the organisation, coupled with the updating of the Council's Corporate Strategy, the approach to risk management needed to be refreshed to ensure it aligns with, and therefore complements, the updated arrangements.



The Council Manages its risks on 3 levels:-

- Strategic Risks – Risks and opportunities which relate to the Council's Vision and Strategic Objectives. Such issues are managed through the Corporate Strategy delivery management processes via SMT and Members.
- Corporate Risks – These were primarily governance-related risks which applied across the organisation and which would have a major (positive or negative) impact on the Council's ability to achieve its vision. Such issues are managed via the Corporate Risk Register management processes.
- Service / Project related risks –. Those risks specific to a project or a particular service area. They may have been of sufficient magnitude that a system failure could have a strategic impact, or they may have been managed entirely at a local (service) level.

Although risk management is the responsibility of each Corporate Director, the Council's Section 151 officer undertakes this responsibility at a corporate level.

Significant Internal Audit reviews on governance arrangements, internal control validation, risk management/service planning, budget reductions programme, and system development/implementation have been completed during the financial year and reported accordingly.

In addition, the Chief Internal Auditor has the responsibility to review independently and report to Members at least annually, to provide assurance on the adequacy and effectiveness of the Code of Corporate Governance in practice and the extent of management compliance with it. Progress reports were reported to the Audit, Governance and Improvement Review Committee on 1<sup>st</sup> December 2011 and 14<sup>th</sup> June 2012.

The Audit Commission complete detailed reviews of all aspects of Internal Audit work (as required under their statutory Code of Practice) to ensure that the section satisfies statutory requirements and maintains the required competence in all Internal Auditing Professional Standards.

On the basis of the above, assurance can be gained that the Authority is committed not only to properly managing its affairs but to striving to improve in respect of all governance related aspects of its functions. This is particularly evident in the key areas of risk management, performance management, service planning, and corporate governance. **In conclusion, it is the opinion of the Director - Corporate Services that the Authority operates an effective overall internal control environment.**

The Council is subject to a programme of independent external audits and statutory inspections. The above assurance opinion is supported by the independent review work performed by external agencies allowing the Council to draw assurance on its governance arrangements from additional external sources, viz.:-

## **Audit Commission**

In December 2010 the Audit Commission revised its VFM methodology with the statutory conclusion being based on two criteria specified by the Audit Commission, viz.:-

- *“The organisation has proper arrangements in place for securing financial resilience.*
- *The organisation has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.”*

The above conclusion being supported by risk-based work focussing on the robustness of the Authority’s arrangements relating to financial governance, strategic financial planning and financial control.

Appropriate External Audit reports were presented to the Audit, Governance, and Improvement Review Committee during 2011/2012 as follows:-

- Annual Governance Report (29<sup>th</sup> September 2011)
- Annual Audit and Inspection Letter (including VFM Conclusion) (2<sup>nd</sup> February 2012)
- 2011/2012 Audit Plan (29<sup>th</sup> March 2012)

The opinions within the above reports continue the previous years’ trends and again commented positively on the Authority’s internal control and performance frameworks as outlined below: -

Key consistent governance related messages from these reports are that the Council:-

- *“...had proper arrangements in place to secure financial resilience including;*  
*Clear and early engagement of senior officers and Members in the identification of how to secure a stable financial position.*  
*Appropriate procedures and analysis to underpin the medium term financial planning.*  
*Systems and processes are in place to manage risks, particularly financial risk.*  
*The Council has clear plans in place that set out how and from where the required savings will be secured.”*
- *“... had proper arrangements in place to challenge how it secures economy, efficiency and effectiveness.”*

## Other Inspectorates

During 2011/2012 the Council was subject to inspections of aspects of its services by :-

Office For Standards in Education, Children's Services and Skills-OFSTED (children's services). *"Children's Services perform well"*.

Information Commissioner – ICO (Information Governance and Data Protection) Follow-Up Inspection. *"...the actions taken by the Council to implement the agreed recommendations provide a reasonable assurance that effective controls and processes are in place to mitigate the risk of non-compliance with the DPA."*

Key consistent governance related messages demonstrating Council improvement action and performance stability from these reports are that :-

- *"Robust efficiency plans in place that set out timescales, challenging efficiency targets, how they will be delivered and by whom."*
- *"The large majority of services, settings and institutions inspected by Ofsted are good or better overall ...."*
- *"Data protection and information security related performance measures have been identified and mechanisms are in place to monitor and report on the adopted measures to help the Council identify weaknesses in internal control and take appropriate action."*

## Ongoing Improvements

Outline areas where the Council recognises Audit Commission and other inspectorate/regulator concerns and is seeking to make improvements include :-

- Implementation of enhanced system controls to ensure the prompt deletion of network system access rights of staff when leaving Council employment.
- Completion of an impairment review of all debtor balances in excess of 12 months old.
- Identification of all key information assets that comprise or contain personal data to ensure information risks are effectively identified, assessed and controlled on a continuous basis in line with Cabinet Office guidelines.
- Enhance control of the Council's records management function in line with good practice standards.

## **7. Significant Partnerships Assurances**

The Statement on Recommended Practice (SORP) 2006 placed an additional responsibility on Councils in that their Statement on Internal Control should embrace controls over group activities where an Authority undertakes significant activities through a group. The "proper practices" guidance has extended this responsibility to controls over partnerships considered by the Authority to be significant i.e. have a detrimental effect on the Authority if the partnership failed.

For this purpose the Council considers that the bodies involved are:-

- Wigan and Leigh Housing Company
- Wigan Development Company
- Leigh Sports Village
- Wigan, Leisure, and Culture Trust
- Ashton, Leigh, and Wigan Primary Care Trust (SCA)
- Norfolk Property Services

Assurance on the control environment of the individual bodies has been assessed as follows:-

### **Wigan and Leigh Housing Company**

A comprehensive Assurance Statement has been provided by the Management Team of Wigan and Leigh Housing Company detailing that they are satisfied overall that the company has operated a sound system of governance throughout the financial year.

On 17<sup>th</sup> May 2012 an annual assurance opinion was presented to the Company's Governance, Standards, and Audit Committee by the Chief Internal Auditor within the Annual Internal Audit Report viz.:-

*"From the Internal Audit work undertaken in 2011/2012 it is the opinion of the Chief Internal Auditor/Risk Management Officer that Wigan and Leigh Housing operates an effective overall control environment."*

Wigan and Leigh Housing produce their own Annual Governance Statement, which was presented to the Company's Governance, Standards, and Audit Committee on 17<sup>th</sup> May 2012.

## Wigan Metropolitan Development Company

Wigan Metropolitan Development Company provides good quality office space, industrial units and workshops to over 250 businesses throughout the Wigan Borough all located in prime sites. The company has a property portfolio with a current market value in the region of £10m, with the potential (if all 130 units and offices were let) to generate rental income in the region of £1m per annum .

An Assurance Statement has been provided by the Head of Economic Development in her Council role as Company Secretary of Wigan Metropolitan Development Company that she is satisfied that the company demonstrates “satisfactory” governance arrangements across the governance framework subject to additional work required in respect of staff development.

## Leigh Sports Village

Leigh Sports Village is a partnership venture valued at approximately £83m. Wigan Council have made financial and land asset contributions to the scheme. The major partners are Greenbank Partnerships Ltd, Wigan Council, Wigan Leisure and Culture Trust, Wigan and Leigh College, Leigh Sports Village Company, Sports Council, and a number of local sports clubs.

All the sporting partners previously agreed and signed a Memorandum of Association which sets out terms of proposed working arrangements. The structure is that the majority voting interests in the company will be held by the Council with minority interests in the company held by the various clubs operating on the site once lease agreements are in place. Currently the Council retains all shares, some partners having completed agreements, others remaining in discussions with the Council and are in occupation under licence. Pending completion of the agreement, the Council has appointed the Chairman, Company Secretary, and two non-Executive Directors of the company. The Council’s Head of Economic Development sits on the board.

The Stadium and sporting facilities are owned by the Council. This is and remains the most efficient arrangement as recommended by PricewaterhouseCoopers based on company tax and securement of public funds perspectives.

As the commercial element of the Leigh Sports Village site is being developed in partnership with a local developer, the Council continues to proactively engage and influence the future of the site both from the sporting, cultural and economic regeneration perspective.

A council working group meets regularly to monitor and direct developments. This group is chaired by the Head of Legal and Risk and attended by the Head of Finance and representatives from the Places Directorate and corporate property. Members from this group often attend the Leigh Sports Village board to maintain an ongoing dialogue.

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### Wigan Leisure and Culture Trust (WLCT)

An enhanced Assurance Statement has been provided by the Chief Executive of Wigan Leisure and Culture Trust that he is satisfied that the company has operated a sound system of governance throughout the financial year.

### Norfolk Property Services

In 2005 the Council entered into a partnership agreement with Norfolk Property Services (NPS) for the delivery of a range of property related services. A client function was retained by the Council to manage the contractual relationship including performance and governance issues.

The appointment (April 2011) of an officer from Wigan Council's Internal Audit Section into the client role has allowed the partnership to be more actively managed.

As part of the enhanced management process an external review of all Council property related functions was commissioned that confirmed improvement in NPS performance (reported to Economy, Environment, Culture, and Housing Scrutiny Committee) but also identified concerns in the company's long term ability to deliver ongoing improvements. Further work is ongoing to challenge the performance and effectiveness of the partnership with a further report scheduled by 31<sup>st</sup> October 2012.

### Ashton, Leigh, and Wigan Primary Care Trust

The PCT publishes its own Annual Governance Statement detailing the processes in place by which it provides assurance to stakeholders and the public. Assurance can be taken from the Audit Commission's conclusion on the PCT's "*arrangements for securing economy, efficiency and effectiveness in the use of resources*" within the PCT'S Annual Report 2010/2011 that "*proper arrangements*" were in place.

In January 2011 the Council's Chief Executive Officer and Director (Skills, Education and Community Support) were appointed to the posts of Chief Executive and Deputy Chief Executive on a part time/secondment basis. This provided explicit links at a senior officer level between the 2 organisations. Similar links operate at a Member level.

At an operational level the Director Corporate Services and the PCT Director of Finance meet on a quarterly basis.

## 8. Significant Internal Control Issues

One significant internal control issue has been identified (external assessment) during the year involving Information Governance/Data Protection. This issue has been fully addressed by the Council and is detailed in Appendix 2 (Significant Control Issues).

The recent review by Internal Audit re-assessed each component of the Local Code of Corporate Governance and concluded that the *“Council’s position against its local code of corporate governance is still considered to be good, however, since our review last year, it is noted that the Council has gone through and continues to go through a series of major changes including major organisational restructures and revised management arrangements, ongoing significant funding reductions and financial constraints. This clearly has had an impact on the findings of this review and is reflected in the number of areas recognised as development work in progress or work identified that will continue to strengthen the Council’s position.”*

A summary of progress and further agreed action is included at Appendix 2. It also highlights some sensitive issues within the public arena that the Council is addressing and which provide practical illustrations of the Council’s continued commitment to effective governance.

On the basis of the opinion of the Director - Corporate Services as detailed above, we are satisfied that Wigan Council’s internal control/corporate governance arrangements are adequate and are operating effectively. We are satisfied that the enhancements identified will further improve our governance and internal control arrangements. We will assess their implementation and the effectiveness of dealing with the issues outlined as part of the formal risk management process.

Signed: .....



Lord Smith, Leader of the Council & Donna Hall, Chief Executive on behalf of the Members and Senior Officers of Wigan Council.

Date: .....

24/10/11 24<sup>th</sup> Oct '12. ....

## **Appendix. 2**

### ***Corporate Governance Annual Statement of Assurance***

Areas where improvement work is ongoing include:-

Principle 1 Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.

#### **Performance indicators aligned to Corporate Strategy 2011 - 2016**

A single outcomes framework is currently being developed to evaluate and monitor the delivery of the updated Corporate Strategy. This involves the development of a suite of performance indicators aligned to the long-term outcomes specified under each of the three core headings.

#### **Reporting of performance against the Corporate Strategy**

Next year, dashboard reports will be produced and presented to SMT on a monthly basis, whilst summarised reports highlighting the key issues will be presented to Cabinet on a quarterly basis, with the full reports available electronically.

#### **Directorate Plans**

The Change Managers are working closely with the Directors to produce Directorate Plans which are expected to be finalised by the end of June 2012.

#### **Partnership reforms**

In addition to the recent partnership reforms, the Head of Strategy and Transformation confirmed that further work around partnerships is scheduled to take place over the coming months and includes:

- The Leaders' Summit which will have its inaugural meeting in May 2012. During this meeting, the shared strategic vision and priorities for the new partnership and the outcomes on which success will be measured will be set;
- In June 2012, the Health and Wellbeing Board will meet to establish the Health and Wellbeing Strategy for Wigan;
- In July 2012, the Wigan Forward Board will meet to agree the refreshed action plans and outcomes, aligned to the Economic Framework and overarching shared priorities; and
- Lead officers from across the key agencies will come together to tackle new and emerging priority issues as required. The benefits and potential for the establishment of a local investment partnership/trust will be explored to lead on and manage developing investment approaches to tackle shared priorities such as community budgets, social impact bonds and payment by results.

#### **Refreshed Customer Access Strategy**

The Head of Citizen Support confirmed that the whole of Customer Transformation programme will be reviewed by the end of May 2012. A fundamental part of this review will include assessing more cost effective ways of customers contacting the council. Following this review, the Customer Access Strategy will be refreshed and presented to members for approval.



## **Priority Led Budgeting – An approach to rough cut activity based costing to support our approach to Value For Money**

Proposals to support the Council's approach to the 2013/2014 savings requirements and securing value for money across all service areas were approved by SMT on 20<sup>th</sup> March 2012.

A project team has been formed which is led by the Director (Corporate services) and consists of a senior lead from each Directorate (Head of Service) supported by Strategic Finance Managers, Audit, HR Business Partners and Change Programme Managers. Analysis from the Joint Intelligence Unit and further project support resources will be identified.

Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles.

### **Review and update of the Constitution**

The Head of Service (Legal and Risk) confirmed the Council's Constitution is in the process of being reviewed. This includes a review of the Financial Procedure Rules and the Contract Procedure Rules. The updated version will be presented to full Council for approval at the July 2012 meeting.

Principle 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

### **Employee Code of Conduct**

During our mid-year work, the HR Policy and Strategy Manager confirmed that the review of the Employee Code of Conduct was at the final stages. Feedback received from recognised trade unions and Internal Audit had been incorporated in the latest version and the final draft was expected to be presented to the trade unions in October 2011 and their agreement would be sought to implement the revised Code.

The HR Policy and Strategy Manager has confirmed that due to conflicting work priorities, the updated draft was not presented to the trade unions in October 2011. The draft was presented at the trade union consultation meeting on 26<sup>th</sup> April 2012 for feedback and is scheduled for submission to SMT by the end of June 2012.

### **Development of employee register of interests**

Over the last two years, we reported that the development of a centralised register of employees' interests was to be explored. The Chief Internal Auditor confirmed that contact was made with other Greater Manchester Authorities to identify any models of best practice that could potentially be used at Wigan, however, nothing was identified.

Discussions have since been held between the Chief Internal Auditor and the Head of Strategy and Transformation and the possibility of developing a centralised IT based register has been agreed. A formal request to start development work has recently been submitted to the IT section. Confidentiality issues are being considered as part of this work

Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

**Risk Management arrangements**

Due to the recent major restructuring of the organisation as a result of the public spending cuts, the operations within the risk management framework have not been operating cohesively and are no longer fully aligned with the organisational structure or the updated Corporate Strategy. This was discussed at the Audit, Governance and Improvement Review (AGIR) Committee on 29<sup>th</sup> March 2012 and an updated approach was approved.

- The Strategic Risk Register is now embedded within the Corporate Strategy, which identifies all the key opportunities for the Council along with the projects which will deliver the Vision. It is intended that the corporate dashboard will be incorporate and report on the Council's strategic risks.
- An updated Corporate Risk Register, providing a focus on corporate and governance related risks was agreed at the AGIR Committee Meeting on 29<sup>th</sup> March 2012.

A series of risk management workshops have recently been held and attended by Extended SMT members, Heads of Service and Support Managers to ensure a consistent understanding of the updated arrangements.

**Business Continuity arrangements**

Business Continuity Management (BCM) is centrally led to ensure consistency in approaching BCM risks which have a corporate impact, and targeted work is performed to support those services most at risk due to specific hazards (eg fuel shortage, flooding, severe weather, flu pandemic). It includes major partners and links to civil contingencies work with other responding agencies.

There is reliance on Directorates to ensure that business continuity is addressed within their Directorate plans and risk registers, but the BCM plans are not formally reviewed to ensure that the risks are fully addressed and plans are adequate.

Our assessment has also highlighted that Directorate plans and risk registers are currently not in place for all Directorates and it is therefore difficult to evidence that business continuity arrangements are properly addressed in their service delivery arrangements.

Last year, we reported that the new Business Continuity Management Information System (BCMIS) was still pending due to the ongoing Council restructure as the system required Sections to be linked to Services. The system was expected to be rolled out across all Directorates once restructures had taken place, following the training of all relevant Managers.

The Chief Internal Auditor confirmed that the training manual for the BCMIS has been re-written and is now at a final draft stage.

The Civil Contingencies Admin Officer, together with the Civil Contingencies Service Manager, will be responsible for delivering training to all Service Managers which is expected to take place over the coming months. Once staff have received the necessary training, the BCMIS will be rolled-out across the Authority.

### **Scrutiny function and committees**

A review of the Scrutiny function and associated committees has been undertaken. A new Scrutiny committee structure has been agreed to realign to the new Corporate Strategy and three Directorates. The workplan of the new Scrutiny Committees will flow from the Corporate Strategy as the change managers will identify areas for scrutiny.

Principle 5 Delivering the capacity and capability of officers and members to be effective.

### **Member Training and Development Strategy**

The Member Training and Development Strategy is out of date and does not reflect the current improvements being made and future plans for this area. The Principal Democratic Services Officer confirmed that a review and update of the strategy will be undertaken.

### **Performance Management Process**

Last year, we reported that a new approach was being developed to replace the Employee Development Review (EDR) process. The Interim Head of HR and OD confirmed that the launch of the Performance Management Process was delayed due to the delays around the implementation of the new Corporate Strategy.

The new performance management process (Individual Performance Agreement) was launched at the end of April 2012. An article has been published in the Core Brief issued to all employees which provides a brief overview of the process along with the support that will be available for managers and employees.

### **Integration of HR and OD Strategy**

The Interim Head of HR and OD confirmed that the People Strategy has yet to be refreshed. The integration of the Organisational Development and People Strategy will be a task within the Council's Transformation programme. The programme has been developed further and now focuses on 6 areas - creating a high performance culture; a connected workforce; a healthy workforce; an engaged workforce; confident, engaged leaders and a flexible, affordable workforce. These areas will form the focus of the new integrated HR and OD strategy. The delay in finalising the corporate programme has impacted on the timeframe for completion of the updated strategy. It is now proposed that a new strategy will be in place for September 2012.

## HR Policy Development Programme

Last year, we reported on the status of the HR Policy Development Programme. The HR Policy and Strategy Manager confirmed that the HR Policy Development Programme (non-schools) is on-going. The programme of work is based on priorities identified by the Strategic Management Team and recognised trade unions.

Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability.

### Review of all internal and external communications

Last year, we reported that links to out to date documents were contained on the intranet. The Interim HR and OD Manager confirmed that all internal and external communications will be reviewed following the redesign and restructure of the Media and Communications team.

### Significant Internal Control Issues

#### Information Governance - Data Security

The Council's arrangements for managing the safe custody of the information it holds, were reviewed by the Office of the Information Commissioner (OIC) in November 2010. The overall conclusion of the review was *"The arrangements for data protection compliance - with regard to governance and controls - provide only a limited assurance that processes and procedures are in place and are being complied with."* An Action Plan covering 47 recommendations was agreed that was subject to re-inspection by the ICO in October 2011.

The OIC report of 5<sup>th</sup> March 2012 (following the scheduled re-inspection) showed actual and planned improvements in key processes and concluded *"The ICO considers that the actions taken by the Council to implement the agreed recommendations provide a reasonable assurance that effective controls and processes are in place to mitigate the risks of non-compliance with the DPA. The ICO recognises the improvements made by the Council since the original audit report was issued in February 2011. Some recommendations have still to be fully implemented but assurances have been given that the agreed actions – or alternative solutions – are in progress or planned."*

Related internal control issues in respect of information technology had previously been highlighted by the Audit Commission in the Annual Audit Letter -2010/2011 (Audit, Governance and Improvement Review committee 2<sup>nd</sup> February 2012). A detailed Authority response was submitted to the Audit, Governance and Improvement Review committee on 29<sup>th</sup> February 2012 outlining actions taken to provide assurance that the areas of greatest priority had been addressed with other areas subject to the implementation of the ICT managed service arrangements.

There is therefore, a clear recognition that the work performed to date has improved the overall position, although there is no room for complacency as it is acknowledged that further work is still needed in a number of areas.

## **Other Significant Issues**

A range of issues, involving the Authority, has attracted press and public interest during the financial year. Many of these issues have been recognised as significant risks to the Council and are/will be included in the Corporate Risk Register which outlines the mitigating actions along with providing a high level mechanism to monitor the effectiveness of the actions being taken.

A précis of the issues with the remedial action taken/scheduled is detailed below, viz.:-

### **Employment Issues**

#### **Chief Executive Retirement**

Between January and March 2012 the proposed retirement of the Council's then Chief Executive Officer (Joyce Redfern) attracted significant media coverage, as expected. The proposal to allow the Chief Executive to retire linked to an internal senior management post reduction and internal recruitment of a replacement Chief Executive was approved by Council on 11<sup>th</sup> January 2012. As in all early retirement/voluntary retirement applications the decision was fully supported by an appropriate business case detailing the amount and payback period of the projected financial benefits to the Council.

### **Members Issues**

#### **Members Conduct**

Several press articles have been published outlining the number of Members of Wigan Council who have been reported to the local Standards Committee. However, only a very small number of complaints were subsequently found to be in breach of the statutory Code of Conduct. The Council accepts that it receives a regular flow of complaints, each of which is dealt with by a statutorily prescribed procedure to determine whether an investigation was necessary

### **Economic Downturn/Financial and Service Delivery Issues**

A range of articles have been reported in the media stemming from the continuing economic/fiscal downturn, the impact of Coalition Government actions particularly in respect of funding, and the Council budget position. The articles generally concerned the ongoing impact of the Government funding cuts and the effect on Council finances, jobs and service provision. Key articles included.:-

*May 2011 – "Closure of Centres will not affect care."*

*May 2011 – "Council is forced to cut posts."*

*July 2011 – "£2.2m Council Tax debt."*

*August 2011 – “Careers Service Overhaul.”*

*August 2011 – “Big shake-up for libraries.”*

*September 2011 – “Drumcroom Axe.”*

*October 2011 – “Council may hive off Lakes centres.”*

*November 2011 “Landmark buildings up for sale.”*

*January 2012 – “7800 more jobs face axe”*

*February 2012 – Town Hall “Experts” cost £1m.”*

Although the above articles presented a negative slant on the Council's actions other positive articles covering associated issues have also been published, including :-l

*September 2011 – “Pat on back for finance chiefs.”*

*October 2011 – “Benefit claims are faster with a new process.”*

*October 2011 – “Social Services gets thumbs up from its users.”*

*December 2011 – “Joining forces to save £2m.”*

*March 2012 – “Council offers value for money.”*

*April 2012 – “Pay rise for Council staff is welcomed.”*

The Council's consistent response to these issues is that formal Impact Assessments are performed to analyse the impact of proposed service reductions on vulnerable members of the community and it has prepared promptly for the financial downturn and addressed all issues in a structured way with the ongoing intention of safeguarding the front line services it provides to residents and minimise compulsory job losses. This action as part of the Council's financial planning and management processes has been consistently endorsed by the Audit Commission, viz.:-

- *“Appropriate procedures and analysis to underpin the medium term financial planning.*
- *Systems and processes are in place to manage risks, particularly financial risk.”*

## **Other Issues**

### Care in the Community Arrears

Within the 2010/2011 Annual Governance Statement the Council disclosed issues in respect of the control and ownership of arrears in respect of Adult Services charges and confirmed the establishment of an appropriate Working Group of key officers to agree the principles necessary to successfully and appropriately develop the strategy, priorities, and processes to recover the outstanding arrears and also the extent and source of the likely additional short term resources needed.

This issue was again reported in the media. However, to date revised monitoring and recovery processes have been introduced and key debts targeted and recovery arrangements made.

In all of the above instances, appropriate and prompt action was taken within a controlled framework to mitigate any potential financial and/or reputational loss to the Council.

### Housing Benefits Subsidy

The Council's Housing Benefit Subsidy claim has been qualified each year since 2005/2006. At this point in time Benefits and Internal Audit staff are working with the external auditor to try and overturn significant subsidy clawbacks based on extrapolating numbers and values of errors from very small testing samples. Some of the issues result from DWP policy opinions differing from those of responsible Authority officers and consultants and may be challenged by appeal in the future, etc. At this time point in time several million pounds of subsidy reclaim are in the balance although it is anticipated that this figure will be significantly reduced by the results of additional testing and the support of the external auditor in negotiations with the DWP.

### Housing Benefits Quality Assurance

Due to resources being focused on the development and implementation of the new Housing Benefit and Council Tax Northgate system, the quality assurance process has not been operating during 2011/2012. Some testing has been carried out since late March but the process will be reintroduced fully with the development of the Performance Management and Quality Assurance module in the near future. The operation of some other controls has been affected by the implementation of the new system and an ongoing major staff restructuring . These are subject to review by Internal Audit as part of the annual fundamental systems review process.

The Council's governance and risk management arrangements enable it to deal openly and effectively with situations such as those highlighted above. The nature of the organisation means that there will always be difficult situations to deal with, but it's internal control mechanisms ensure that actions are taken appropriately and promptly, and it is openly accountable for those actions. This is a major strength of the Council and a significant factor in its continued external assessment categorisation.

**ANNUAL GOVERNANCE STATEMENT FRAMEWORK**

**INTERNAL CONTROL FRAMEWORK**

- Constitution and Rules of Procedures (Standing Orders and Financial Regulations)
- Local code of corporate governance
- Statutory Officers
- Role of CFO
- MTF/S/Budget Setting and Control Framework
- Business strategy and service planning framework.
- Performance Management.
- Annual budget and budgetary control.
- Project management system.
- Risk Management Policy and Framework.
- Anti Fraud and Corruption Policy and Framework.
- Codes of conduct (Members/Officers).

**Authority Service Planning, Performance, Risk Management and BCM Frameworks.**

Independent reviews by SMT/ESMT, Standards and O&S Co-ordinating committees, and the Audit Governance and Improvement Review Committee to examine draft AGS and supporting evidence and recommend approval via Cabinet.

*IA Team with responsibility for reviewing controls, drafting AGS, evaluating assurances and supporting evidence.*

Annual review of the effectiveness of the system of Internal Audit (Audit, Governance, & Improvement Review Committee)

Annual Governance Statement approved by Cabinet, signed by Leader and Chief Executive and (published with the statement of accounts).

Directorate Management Teams and SMT, Cabinet, and individual committees  
Formal record of debates and decisions

- Monitors risk and management.
- Monitors risk profiles.
- Considers risk relating to new projects and initiatives.
- Receives risk monitoring reports.

**Performance Management & Data Quality**

- Embedded system throughout organisation.
- Internal & external reviews.
- Action orientated.
- Nat./local KPI's
- Regular progress reports (SMT, committees, AG&IRC, Cabinet).
- Strategic & annual plans AG&IRC approved
- Interim and annual reports to AG&IRC
- Chief Internal Auditor annual opinion
- Operates under terms of reference.
- Risk-based plan.
- Managed audit process
- Anti-Fraud Work

**Internal Audit**

**External Audit & Inspectorates**

- Annual plan.
- Annual Audit letter.
- Audit opinion (Governance Report).
- Departmental governance
- Inspectorate Reports

**Directors & IAO Assurance Statements**

- Ongoing assurance (SMT).
- Annual assurance statements
- Cascaded through all employees.
- Regular, scheduled governance reports to A,G,&IR Committee

**Risk Management**

- Embedded in policies & planning
- Effectiveness evaluated
- Annual approval of risk management processes via Members
- Cascaded through all employees.
- Results analysed by IA and support Strategic Risk management.

**Other Sources Of Assurance**

- Scrutiny & Standards Committees (including annual reports)
- S.151 Officer
- Monitoring Officer
- Partnerships
- Governance
- Fraud reports and investigations.
- Project Management
- Ombudsman
- IIP Accreditation