

<b>Report to:</b>	<b>Audit, Governance and Standards Committee Cabinet</b>
<b>Date of Meeting(s):</b>	<b>22 June 2017 6 July 2017</b>
<b>Subject:</b>	<b>Annual Governance Statement</b>
<b>Report of:</b>	<b>Director of Resources &amp; Contracts (Deputy Chief Executive)</b>
<b>Contact Officer:</b>	<b>Nicola Welch – 01942 827556</b>
<b>Cabinet Portfolio Holder and area:</b>	<b>Councillor C Sweeney, Portfolio Holder for Leisure Client &amp; Resources</b>

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**Summary:** To review / approve the Authority's Annual Governance Statement for the year ended 31 March 2017

**Link to Corporate Priorities:**

Confident Places

- Improving economic and social opportunities;
- An attractive, accessible and lively borough, with a prosperous economy as the location of choice for investment.

Confident People

- Protecting vulnerable groups and enhancing self-reliance, improving life opportunities and independence for everyone to start well, live well and age well;
- Particularly for those most dependent on public services.

Confident Council

- Your Council has re-focused its reduced resources towards early intervention and prevention to achieve more for less – integrating public services around whole life issues to build self-reliance and maximising community assets.

<b>Wards Affected:</b>	All
<b>Recommendation(s):</b>	The Audit, Governance and Standards Committee is requested to review the Annual Governance Statement.  The Cabinet is request to approve the Annual Governance Statement.
<b>Implications:</b>	
<i>What are the <b>financial</b> implications?</i>	No additional costs
<i>What are the <b>legal</b> implications?</i>	None
<i>What are the <b>staffing</b> implications?</i>	None
<i>Customer Impact Assessment attached or not required because (please give reason))</i>	A relevance check has been carried out which shows that the review of itself does not impact on service provision.
<i>What are the <b>property</b> implications in terms of reduction, addition or change to the council's asset base or its occupation?</i>	None
<b>Risks:</b>	Good governance ensures financial risks are properly managed.

Has the Monitoring Officer confirmed that the recommendations within this report are lawful and comply with the Council's Constitution?	Yes
Has the Director of Resources & Contracts (Deputy Chief Executive) (Paul McKeivitt) confirmed that any expenditure referred to within this report is consistent with the Council's budget?	N/A
Are any of the recommendations within this report contrary to the Policy Framework of the Council?	No

<b>What are the alternative options to be considered and reason for selecting the one recommended:</b>	The requirement to produce an Annual Governance Statement is a statutory responsibility (Accounts and Audit Regulations 2015). The Annual Governance statement has been produced in accordance with legislation and structured to accord with the latest best practice CIPFA guidance.
<b><i>Is this a Key Decision and, if so, under which definition?</i></b>	The Non Key decision made as a result of this report will be published within <b>48 hours</b> and

cannot be actioned until **seven working days** have elapsed, i.e. before 18 July 2017, unless exempt from call-in.

This item is included on the Forward Plan.

**There are no background papers for this report**

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<b>Directorate Sign-off:</b>	P McKeivitt
<b>Date:</b>	24 <sup>th</sup> May 2017

Please list any appendices:-

<b>Appendix number or letter</b>	<b>Description</b>
1	Annual Governance Statement for the year end 31 March 2017
2	Corporate Governance Annual Statement of Assurance



## **ANNUAL GOVERNANCE STATEMENT FOR** **THE YEAR ENDED 31<sup>ST</sup> MARCH 2017**

**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 efficiently and effectively spent**

## **Annual Governance Statement for the year ended 31<sup>st</sup> March 2017**

### **1. Introduction and 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 updated 2016) and this has statutory backing.

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

### **2. Council Purpose**

The Council refreshed its Corporate Strategy during 2015/2016 following extensive consultation with residents, staff, businesses and other stakeholders. The revised Corporate Strategy (The Deal for the Future) covering the five year period to 2020 was approved by full Council on 2<sup>nd</sup> March 2016.

The Deal for the Future sets out the Council's vision for 2020 of a confident place with confident people. This strategy outlines what Wigan Council will look like in the future and its approach to meeting the challenges ahead whilst recognising that the vision can only be achieved by working closely with its residents and partners.

A key component of the strategy is the continued roll out of the Deal which underpins everything the Council plans to achieve. The Deal fundamentally marks a new relationship between citizen and state. It signals a positive approach for individuals and communities that encourages self-reliance and independence through an equal partnership.

The Council intends to meet its financial savings targets and its vision for the borough through two key pillars of work i.e. Growth and Reform which incorporate a series of enabling programmes to ensure that the Council's workforce, property estates and technology support its future transformation. Allied to the above the Council has had to adapt not only its systems, services, and processes but also its workforce behaviours, values and ethos at all levels of the organisation to ensure that the necessary reform happens in practice. Three core behaviours ( Be positive, Be accountable, and Be courageous) define how the Council will operate and underpin its new operating model to deliver the detailed requirements of The Deal for the Future.

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

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 (2016)*.

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 the Accounts and Audit (England) Regulations 2015 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 2017 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 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.

The Chief Executive and 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*".

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

The Council'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 Council's vision and associated objectives.

The Council has a Constitution which sets out how the Council 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 Council has determined others locally. The Constitution is divided into appropriate articles that set out the basic rules governing the Council's business.

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

- An enhanced high level vision embedded in the service planning, delivery, risk management, and performance management frameworks.
- A Monitoring Officer responsible for maintaining the Council Constitution, supporting the Standards Committee, and ensuring the legality of all Council actions.
- A Standards Committee (supported by 2 Independent Persons) whose main role is to promote and maintain high standards of conduct by the Elected Members and co-opted Members of the Council. The Committee also has a wider remit in ensuring corporate governance across the Council.
- The Council has a scrutiny function to support and challenge the work of the Executive. The scrutiny committee structure is aligned to the Corporate Strategy:-
  - i. Confident Council Scrutiny Committee
  - ii. Children & Young Peoples Scrutiny Committee
  - iii. Confident Places Scrutiny Committee
  - iv. Health and Social Care Scrutiny Committee
- An Audit and Governance Committee, structured on the CIPFA best practice model and including 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 current professional standards, (as assessed by the Council's External Auditor – Grant Thornton and validated by the Audit and Governance Committee) supports the Council in the achievement of its improvement, VFM, and external 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 recently enhanced local Code of Corporate Governance based on the updated CIPFA/SOLACE Framework (2016) that is reassessed bi-annually by Internal Audit and reported to Members accordingly.
- A risk management policy framework approved and monitored by the Audit and Governance Committee.

- 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.
- A portfolio of transformation programmes and a series of strategies that support the achievement of the Council's strategic business objectives and Medium Term Financial Plan (MTFP).
- MyTime and MyTime Extra processes to focus on growth development and individual employee aspirations. My Time extra (annual assessment) focusses on employee performance and also how the individual employee displays the Council's core behaviours (BeWigan). The process also links to the Council's corporate strategy (Deal for the Future) in helping all staff to fulfil their part of the Staff Deal.
- 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.
- A corporate Strategic Management Team (SMT) that meets on a fortnightly basis for strategic policy debate, Association of Greater Manchester Authorities (AGMA) information sharing, and responsibility for business items and decision making. In addition a fortnightly "Keep in Touch" meeting of all SMT members and their respective Assistant Directors takes place to ensure that corporate priorities are appropriately actioned, monitored, and delivered.
- 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 – Resources & Contracts (Deputy Chief Executive) 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. The CFO is a key member of SMT, providing a pivotal link to all Directors on all financial and governance related matters. As such the CFO represents a core position within the organisation leading, challenging, and holding to account SMT (collectively) and the CEO and individual Directors.

## **6. Review of Effectiveness**

The Council 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 Auditor's Annual Report and also work completed by external inspectorates.

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



- Strategic Management Team's procedures, Corporate Keep In Touch, and associated management actions
- 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 Audit
- External Inspectorates

## **Internal Assurance**

### Governance

The Director – Resources & Contracts (Deputy Chief Executive) and the 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 recent review by Internal Audit re-assessed each component of the enhanced Local Code of Corporate Governance and concluded that the *“The Council's position against its revised local code of corporate governance is still considered to be good; therefore the Internal Audit assurance opinion is satisfactory. The important issue is the Council continues to identify and deal with these challenges appropriately and promptly to ensure the interests of its residents are safeguarded.”*

### Risk Management

The Council's current strategic risks and associated management arrangements were reappraised by the Audit and Governance Committee on 29<sup>th</sup> September 2016 and 23<sup>rd</sup> March 2017.

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

### Internal Audit

The Internal Audit remit reflects 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 Council. The effectiveness of Internal Audit is reviewed through the Audit and Governance Committee who approve all Internal Audit Plans and receive regular reports on Internal Audit Activities.

Significant Internal Audit reviews on governance arrangements (including special investigations), internal control validation, risk management and service planning, budget reductions programme, system development and implementation, and facilitation of the NFI and other counter fraud activities 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 Local Code of Corporate Governance in practice and the extent of management compliance with it. Progress reports were reported to the Audit and Governance Committee on 19<sup>th</sup> January 2017 and 22<sup>nd</sup> June 2017.

The Council's External Auditors review various 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.

An annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control; framework is set out in the Annual Internal Audit Report 2016/2017 as follows:-

***Wigan Council operates an effective framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice.***

### **External Assurance**

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.:-

### **OFSTED**

During 16<sup>th</sup> January-9<sup>th</sup> February 2017 the Council was subject to an inspection which reviewed services for children in need of help and protection, children looked after and care leavers and also included a review of the Local Safeguarding Children Board.

The formal report was published on 31<sup>st</sup> March 2017 and awarded an overall "Good" rating with only one of the four inspection components "Children who need help and protection" requiring improvement. This achievement is enhanced by the fact that Wigan is only one of 4 authorities in the North West to be rated "Good" and the only authority in the North West to be rated as "Good" since 2015.

Key messages from the inspectors reflect the significant work undertaken by the Council since previous inspections, viz.:-

- *"Strong and effective leadership identified a decline in the quality of services since the last inspection in 2012 and has planned and implemented effective action to ensure rapid improvements in many areas."*

- *“The need to improve services, combined with implementation of a council-wide approach to service delivery, has resulted in “The Deal” for children. Launched in 2015, this sets out a clear strategic vision, priorities, outcomes and a delivery plan to tackle the need for sustainable and resilient services against a backdrop of reducing resources.”*
- *“Significant work by the local authority has strengthened partnerships with other agencies by developing and implementing a shared approach to multi-agency early help services.”*
- *“Strong political involvement from the lead member means that there are clear lines of accountability and scrutiny. Effective communication between the Chief Executive, Leader of the Council lead member and the DCS promotes a shared understanding of priorities. The DCS and senior management team recognise the key action required to support further improvement.”*

The report also recognises areas where the Authority has taken action and true outcomes are yet to be achieved. Areas where additional improvements can be made are outlined in the report and are being actioned by the Council.

#### External Audit – Grant Thornton

Appropriate External Audit reports (relating to the 2015/2016 financial year) were presented to the Audit and Governance Committee during 2016/2017 as follows:-

- External Audit Progress Report and Update – Audit Findings (4<sup>th</sup> August 2016)
- Annual Audit Letter (including VFM Conclusion) (17<sup>th</sup> November 2016)
- External Audit Progress Report and Update (17<sup>th</sup> November 2016)
- Grant Certification Report (19<sup>th</sup> January 2017)
- External Audit Progress Report (19<sup>th</sup> January 2017)
- Draft External Audit Plans for 2016/2017 Audit (23<sup>rd</sup> March 2017)
- External Audit Progress Report and Update (23<sup>rd</sup> March 2017)

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

Key consistent governance related messages from these reports are that the Council has arrangements in place to deliver the Value for Money conclusion elements. Viz.:-

- *“Despite continuing to be a difficult time for the sector Wigan Council continues to be well managed. It has clear and transparent reporting and demonstrates the principles and values of good governance in line with the development of its “deal for the future” which outlines its way forward as a community highlighting the challenges and opportunities for the future.”*
- *“Overall financial health, whilst challenging remains strong. The Council is on track to deliver its savings and has an appropriate level of reserves. It’s “fresh look” initiative is a cross cutting exercise to review the efficiencies in all services.”*
- *“The Council demonstrates its ability to work well and successfully with others, most notably: its pivotal role in the GM devolution agenda, its successful joint*

*arrangements with the CCG, and close working arrangements with Transport for Greater Manchester.”*

### Ongoing Improvements

Areas where the Council recognises external inspectorate and regulator concerns and is seeking to make improvements include :-

OFSTED – “ensure that the revised quality assurance framework makes audit work more effective in analysing the quality of practice alongside compliance, and that this is evaluated and analysed systematically to inform learning and further improvement.

ICO = “Identification of all key information assets that comprise or contain personal data to ensure information risks are effectively identified, assessed, updated and controlled on a continuous basis in line with Cabinet Office and ICO Best Practice guidelines.”

### **7. Significant Contractual Partnerships Assurances**

The Statement on Recommended Practice (SORP) 2006 placed an additional responsibility on Councils in that their Annual Governance Statement should embrace controls over significant partnership.

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

- Wigan and Leigh Homes
- Wigan Development Company
- Leigh Sports Village
- Wigan Leisure, and Culture Trust
- Norfolk Property Services
- Wigan Borough Clinical Commissioning Group
- AGILYSIS

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

#### Wigan and Leigh Homes

From 1<sup>st</sup> April 2017 the organisation has transferred into the Council following a review of housing services.

A detailed statement on the effectiveness of governance and internal controls is provided in the Strategic Report, Report of the Directors and Financial Statements for the Year Ended 31<sup>st</sup> March 2017.

## 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.

The board was re-structured in October 2016 with the removal of Board Members no longer part of the Council. This decision was undertaken to align the Company with the Council's property and regeneration activities. As part of this restructure the support service functions are now managed by the Council.

## Leigh Sports Village

Leigh Sports Village was created as the result of a public/private/community partnership venture leading to the creation of sporting, retail, educational and leisure assets in Leigh. 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, 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 across the site. The Council retains all shares in the company, the Council having appointed the Chairman, Company Secretary, and three non-Executive Directors of the company. The Council's Director – Resources and Contracts (Deputy Chief Executive) and Assistant Director, Leisure Client and Property sit 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.

## Wigan Leisure and Culture Trust (TA Inspiring Healthy Lifestyles)

A detailed Assurance Statement has been provided (28<sup>th</sup> April 2017) by the Head of Finance of Wigan Leisure and Culture Trust that she 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 performance of NPS Wigan continues to be reported to their local board, which includes the Council's Deputy Chief Executive and a Cabinet Member to ensure the Council's interests are effectively represented. It is anticipated that NPS will generate a profit during the financial year 2016/2017 (on closure of the final accounts), which is beneficial to the council as it gets a share of any profit made by the company.

## Wigan Borough Clinical Commissioning Group

As the responsibility for Public Health was transferred to the Council in 2013 the former Primary Care Trust was disestablished and was replaced by a Wigan Borough Clinical Commissioning Group (WBCCG). This was part of the national reforms of the Health service by the Coalition Government and WBCCG is now the statutory body responsible for commissioning local health services in Wigan.

WBCCG has five local partners, one being Wigan Council with whom it has a collaborative commissioning arrangement. This has been further exemplified by the setting up of a Joint Commissioning Executive which is to be jointly chaired by the Chief Officer of WBCCG and the Chief Executive of Wigan Council and comprises senior officers of both organisations.

This builds on the Joint Commissioning Group previously set up between the Council and the CCG. It is jointly chaired by the Director of Finance of the CCG and the Deputy Chief Executive, Wigan Council. In 2016/2017 this group met quarterly to approve investment proposals that will help deliver the integrated care strategy and health and adult social care objectives. As it stands £13.0m has been committed in relation to approved schemes out of a total fund of £14m.

Further to the Council and CCG agreeing a local joint Integrated Care Strategy and this being endorsed at the Health and Wellbeing Board (HWB) meeting on the 19th March 2014, this has formed the basis of the Wigan Locality plan for Health & Care Reform 'Further, Faster Towards 2020'. The plan is jointly owned by Commissioners and Providers in the locality and details the reform programme required to deliver the activity shifts in the local health and adult social care economy. At the HWB meeting on the 30 March 2016 it was agreed to endorse the rolling forward of the 2015/16 Better Care Fund schemes into 2016/2017, which has supported the first year delivery of the locality plan.

The Council along with the health partners within the locality have been successfully awarded £14.9m from the Greater Manchester Health & Social Care Partnership Transformation Fund in 2016/2017 to invest in 9 specific interventions which will reduce demand on acute services and deliver the aims of the Locality Plan. Further work is ongoing with partners on a phase 2 submission to the Fund which will deliver the large scale structural change required to deliver clinical and financial sustainability with the local health and social care system by 2020/2021. Embedded within the will be the delivery of a

the locality care organisation 'Healthier Wigan Partnership' in a recognisable format by April 2018.

The WBCCG 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 structure and extent of governance processes outlined within the statement and the positive assurance opinions from the CCG's Director of Internal Audit and also its Chief Officer.

## AGILYSIS

A letter of assurance has been provided by Agilisys (Agilisys Partnership Director) that confirms that Agilisys has:-

- delivered the services defined within the contract in line with the contractual requirements
- delivered services within the specified governance framework, ensuring that processes and systems have been operated to meet the contractual levels of service. This has been evidenced and monitored through the governance mechanisms in place within the contract such as Operational and Partnership Boards
- passed the 2017 annual surveillance audit for ISO9001 with a commendation from the auditors regarding the level of co-working and information sharing across the Partnership
- faced a challenging year with the increase in cyber threat globally and have protected the partners ICT environments from multiple attacks from multiple geographies.

Agilisys provide copies of their audited annual accounts for review by ICT Partnership Finance officers.

## **8. Significant Internal Control Issues**

A previous significant internal control issue in respect of the accuracy of the Housing Benefits Subsidy Claim has been mitigated during the year. In addition, the Council also continues to address several previously identified issues, involving Information Governance and schools funds.

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.

The important issue is the Council continues to identify and deal with these challenges appropriately and promptly to ensure the interests of its residents are safeguarded.

On the basis of the opinion of the Director – Resources & Contracts (Deputy Chief Executive) as detailed above, we are satisfied that Wigan Council's internal control and 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: .....



**INTERNAL CONTROL FRAMEWORK**

- Constitution and Rules of Procedures (Contract Procedures and Financial Procedures)
- Local code of corporate governance
- Statutory Officers/Role of CFO
- MTFS/Budget Setting and Control Framework
- Business strategy and service planning framework.
- Performance Management.
- Governance and Information Security Working Group
- Project management system.
- Risk Management Policy and Framework.
- Anti Fraud and Corruption Policy and Framework.
- Codes of conduct (Members/Officers).
- Whistle blowing policy.

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

Independent reviews by SMT, and the Audit and Governance Committee to examine draft AGS and supporting evidence and recommend approval via Cabinet.

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

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

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

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

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

Perfance Mangt & Data Quality

- Embedded system throughout organisation.
- Internal & external reviews.
- Action orientated.
- Dashboard reporting to SMT
- Regular progress reports (SMT, committees, A&GC, Cabinet).

Internal Audit

- Strategic & annual plans AG&IRC approved
- Interim and annual reports to A&GC
- Chief Internal Auditor annual opinion
- Operates under terms of reference.
- Risk-based plan.
- Managed audit process
- Anti-Fraud Work

External Audit & Inspectorates

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

Directors & IAO Assurance Statements

- Ongoing assurance (SMT).
- Annual assurance statements
- Regular, scheduled governance reports to A&G Committee

Risk Management

- Embedded in policies & planning
- Effectiveness evaluated
- Annual approval of risk management processes via Members
- 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 Mangt
- Ombudsman

**Corporate Governance Annual Statement of Assurance**

The review of the council’s Local Code of Corporate Governance identified the following issues where improvement work is ongoing. This improvement action will be monitored by the Governance and Information Security Group:-

Area of Consideration	Action	Owner	Deadline	Priority
<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>				
<b>Employee Code of Conduct</b>	The latest version of the Employee Code of Conduct was approved in 2015. The Code will be reviewed during 2017/2018 and reissued appropriately.	Assistant Director- HR and OD	March 2018	Low
<b>Employees Electronic Register of Interests</b>	A review of the Employee Register of Interests has been included in the 2017/2018 Internal Audit Plan. Additional guidance is to be issued to managers to outline their responsibilities in reviewing and approving any declarations from their staff and following the completion of the audit review, it is likely that some development work on the E-Register may need to be commissioned.	Chief Internal Auditor	November 2017	Medium
<b>Whistleblowing Policy</b>	The Whistleblowing Policy is currently being refreshed by HR, in liaison with officers from Legal Services.	Assistant Director- HR and OD	September 2017	Low
<b>Customer Complaints Procedure</b>	The refresh of the Complaints Policy has been delayed due to staff changes and the pending transfer of the complaints function to Customer Services.	Assistant Director- Customer Transformation	September 2017	Medium

Area of Consideration	Action	Owner	Deadline	Priority
<b>Customer Complaints Procedure (continued)</b>	<p>The development of the new Share Point based complaints system has been delayed due to the corporate move to the new version of Share Point and the pending transfer of the complaints function to Customer Services.</p> <p>There is currently no formal corporate review of lessons learned for corporate complaints as resources have not allowed it. This will be picked up in the revised arrangements for complaints within the Resources Directorate.</p>	As above	As above	As above
<b>Procurement Strategy</b>	The Procurement Strategy is to be reviewed and updated by the new Contracts and Procurement Team by December 2017.	Strategic Contracts and Procurement Manager	December 2017	Medium
<b>Recruitment Policy</b>	A refreshed draft of the Recruitment Policy is currently being developed to support the Council's revised approach to recruitment.	Assistant Director- HR and OD	December 2017	Medium
<b>Social Value Policy</b>	A Wigan Council Ethical Commissioning and Social Value Policy has not yet been implemented as AGMA are producing a regional policy, which is to be released imminently.	Strategic Contracts and Procurement Manager	September 2017	Medium
<b>Ensuring openness and comprehensive stakeholder engagement</b>				
<b>Compliance with the Local Government Transparency Code</b>	Progress towards publication of the mandatory Procurement transparency data continues through use of new software, updating of historic data, collection of information by directorates and the roll out of the Agresso Purchase Ordering System.	Strategic Contracts and Procurement Manager	March 2018	Medium
	Some of the data already published has not yet been updated for 2016/2017. This is in the process of being completed.	Assistant Director- Transformation	June 2017	Medium

Area of Consideration	Action	Owner	Deadline	Priority
<b>Consultation Toolkit</b>	There is a consultation toolkit in place to provide guidance for staff but this is currently being refreshed. Once refreshed, this will be included on the consultation web page.	Assistant Director-Transformation	July 2017	Medium
<b>Governance Framework for Significant Partnerships</b>	A Wigan Council Governance Framework for Significant Partnerships document has rolled out through the Governance and Information Security Working Group and will be implemented during 2017/2018.	Assistant Director-Partnerships and Reform	March 2018	Medium
<b>Equality and Diversity</b>	Equality and Diversity information pages for the Council's website have been drafted and are to be published shortly. These include the Annual Report, the Implementation Plan and the Terms of Reference for the Corporate Equality and Diversity Steering Group.	Assistant Director-Transformation	June 2017	Medium
<b>LGA Peer Review</b>	The Council has commissioned a Local Government Association Peer Review which will look at financial management and how embedded the Deal is. This will take place in September/October 2017.	Chief Executive	October 2017	High
<b>Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>				
<b>Children's Services Risk Register</b>	The Children's Services Risk Register has not yet been completed. It was delayed as resources were focused on the recent OFSTED inspection.	Director- Children and Families	June 2017	Medium
<b>Determining the interventions necessary to optimise the achievement of the intended outcomes:</b>				
<b>Budget Manual</b>	The budget manual is to be updated for 2017/2018, in line with the revised Financial Procedure Rules	Assistant Director-Finance	June 2017	Low

Area of Consideration	Action	Owner	Deadline	Priority
<b>Developing the entity's capacity, including the capability of its leadership and the individuals within it:</b>				
<b>Member Training and Development Strategy</b>	The revised Member Training and Development Strategy will be presented to the Councilor Services Working Group at the first meeting of the municipal year.	Democratic Services Manager	June 2017	Medium
<b>Managing risks and performance through robust internal control and strong public financial management:</b>				
<b>Business Continuity Management</b>	Following a survey of service managers in respect of their Services' BCM plan and use of the BCM information system, work is being undertaken to refine the BCM plans and make them less onerous.	Director of Public Health  DCE-Director of Resources and Contracts	December 2017	Medium
<b>Annual Fraud and Conduct Report</b>	An Internal Audit Review against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption has been undertaken and the findings will feed into the Annual Fraud and Conduct Report, which is to be presented to the Audit, Governance and Standards Committee in June 2017.	Chief Internal Auditor	June 2017	Medium
<b>Information Governance Framework</b>	The Information Governance Framework will be refreshed as part of the action plan which resulted from the latest ICO inspection via the Governance and Information Security Working Group. This will now be completed in Quarter 1 of 2017/2018 following the assignment of additional interim resources and the pending restructure of the Data Protection function within Legal Services.	Assistant Director-Legal	July 2017	High

Area of Consideration	Action	Owner	Deadline	Priority
<b>Data Retention</b>	<p>A sub group of the Governance and Information Security Working Group has been established to review e-mail retention arrangements. An action plan has been agreed, which will be implemented during 2017/2018.</p> <p>Work on Data Retention has been incorporated into the Digital Mailroom and Digital Mail Management project. The project plan and delivery roles and responsibilities are currently being drawn up.</p>	<p>Assistant Director-Legal</p> <p>Assistant Director-Transformation</p>	December 2017	Medium
<b>Data Sharing Recording System</b>	The Council now uses “Morecambe Bay”, data sharing system to house all information in relation to data sharing and work is ongoing to populate this system.	Assistant Director-Legal	December 2017	Low
<b>Data Quality Policy</b>	A Data Quality policy has been drafted by the Joint Intelligence Unit and following review by the Governance and Information Security Working Group, it is to be updated to reflect the pending General Data Protection Regulations.	Assistant Director-Transformation	June 2017	Medium
<b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability:</b>				
<b>Value For Money (VFM) Statement</b>	The Council’s VFM arrangements could be strengthened by the preparation of a formal statement to explain how the authority achieves VfM. A review of VFM arrangements has been included in the Internal Audit Plan.	Chief Internal Auditor	December 2017	Low

Area of Consideration	Action	Owner	Deadline	Priority
<b>Internal Audit Peer Review</b>	An external review of Internal Audit will be undertaken in June/July 2017 by an AGMA peer review team against the Public Sector Internal Audit Standards (PSIAS).	Chief Internal Auditor	July 2017	Medium
<b>Partnership Governance Updates</b>	Updates on Partnership Governance will be reported to the Audit Governance and Standards Committee once the Governance Framework for Strategic Partnerships is implemented.	Assistant Director- Reform and Partnerships	March 2018	Low

## **Significant Internal Control Issues**

### **Information Governance - Data Security**

Information security still remains a high risk area for the Council. The Council has continued to suffer data losses during the year and on each occasion officers from Internal Audit have worked with the Council's Data Protection Officer to ensure the breach is properly investigated, that adequate remedial action is taken and lessons learned are communicated widely. On each occasion the ICO has been satisfied with the Council's response and has not enforced any form of penalty.

Enhanced ownership of all data related issues is being promoted through the completion of enhanced Information Asset Owners (IAO) Assurance Statements. Internal Audit facilitates this process by obtaining a signed Assurance Statements from each Information Asset Owner (IAO), defined as Assistant Directors, confirming that adequate information governance arrangements are in place within their service area. As part of this declaration, IAO's are also required to outline any measures needed to strengthen these arrangements.

The Governance and Information Security Working Group chaired by either the Deputy Chief Executive or the AD Legal strive to embed a more consistent approach to information governance, business continuity arrangements, information asset management, data security and the maintenance of up to date Information Risk Registers across the Council.

### **School Frauds**

#### **Devolved Budget**

An Internal Audit review at one of the borough's schools identified that a significant amount of the Delegated Budget Income was unaccounted for. As a result, the School Business Manager (SBM) was suspended whilst a full investigation was undertaken.

Subsequently, the SBM resigned prior to a disciplinary hearing being held. The hearing was, however, held in their absence and the allegation of gross misconduct was found to be proven.

The maximum recoverable amount has been recovered from the former SBM's pension fund. The matter was referred to the police and the former SBM was charged with the theft of school cash. The case has been listed for Crown Court trial later in the year. The Council will take appropriate recovery action post the Court case to recover any outstanding monies.

The school was issued with an Internal Audit report and a number of recommendations were made to improve the internal controls, all of which were agreed by management.

#### **Official Funds**

A financial irregularity has been found at a school. The member of staff responsible for the irregularity resigned during a disciplinary investigation. The matter is now with the Crown Prosecution Service.



## **Housing Benefits Subsidy**

The Council's Housing Benefit Subsidy claim has been qualified each year since 2005/2006 and reported accordingly by the Council's external auditor for a variety of reasons.

The external auditor reported (January 2017) that:-

*"We have in previous years identified significant issues with regard to this claim. Our 2015-16 certification work whilst still identifying a small number of issues also indicated significant improvements in the arrangements the Council has put in place to respond to previous matters and this is reflected in our report to the Department for Work and Pensions."*

*"Our testing in 2015/16 identified a lower error rate and error extrapolation than in 2014/15 and previous years. This is due to management's commitment to implementing our prior year recommendations, training staff better and more quality control checks being undertaken during the processing of housing benefits."*

*"We are continuing to discuss with management further improvements to arrangements to address the matters identified above. We are confident that the changes identified will help improve the processing of housing benefits and compilation of a more accurate and timely claim for audit certification going forward."*

Moving forward it is still recognised that any potential loss needs mitigating, and to ensure this management, Financial Services and Internal Audit continue to work to embed a major culture change, with responsibility, accountability and shared objectives across all management and staff levels.

The situation in respect of the 2016/2017 data should show continued improvement with a confidence to challenge audit findings if considered to be erroneous or not representative of the data population.

## **Other Significant Issues**

A range of issues, involving the Council, 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 and will be included in the Strategic Risk Register which outlines the mitigating actions along with providing a high level mechanism to monitor the effectiveness of the actions being taken.

In addition the Council uses social media channels (Twitter, Facebook, Instagram, and YouTube) to communicate with residents and attracts high interest levels and positive feedback.

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

## **Members Issues**

The number of Members Complaints assessed as warranting formal action has reduced significantly during the financial year. Accordingly the Standards committee and Audit and

Governance Committee have merged to reflect this improved position and reduced workload.

### Members Conduct

A number of press articles have been published outlining the conduct of individual Members and a number of Members have subsequently been reported and investigated under the Council's standards regime and/or by the Police, viz.:-

April 2016	“Council chamber farewell for controversial member.”
June 2016	“Dispute over committee place offer.”
June 2016	“ Councillors saving by behaving.”
June 2016	“ Councillor anger over blog claims.”
October 2016	“Town Hall row is a “vendetta”.”
October 2016	“Pitch battle rages over mowing plan.”
October 2016	“Improved behaviour could spark merger.”
November 2016	“Standards probe held in private.”
January 2017	“Audio expert in council probe.”
March 2017	“Hypocrisy row over Council “tweeting”.”
March 2017	“row erupts over “fake” councillor complaints as Town Hall intervenes.”

The Council has worked hard to deal with poor behaviour from a minority of Members. It is pleasing to note that the number of complaints have reduced. Each complaint it receives is dealt with by a prescribed procedure to determine whether an investigation is necessary and completed accordingly. Additional commentary on Members Conduct is within the “other issues” section below.

### **Financial and Service Delivery Issues**

The local media has published a number of articles related to the Council's financial position and performance and subsequent impact on services. A lot of these articles have praised the Council's progress to date and its ability to make budget reductions while improving services for residents, e.g.:-

April 2016	“Praise for great talent chief executive.”
April 2016	“A million reasons to celebrate.”
April 2016	“All eyes on community schemes.”

May 2016 "Library is here to stay."

May 2016 "Praise for joined up thinking."

May 2016 "Council praised for not hiking up the cost of dying."

May 2016 "Project for at-risk children praised."

June 2016 "Digital delight as Council wins top gong."

July 2016 "Cracking down on fraud to save £300k."

July 2016 "New Believe project to tackle inequality."

August 2016 "Care homes could be in line for £2m."

September 2016 "Trend-bucking council defies the savage cuts."

September 2016 "Roads a "hole" lot better than they used to be."

September 2016 "Staff move to town hall heralds new joint venture."

November 2016 "Wigan has won the beauty contest again."

November 2016 "You're hired."

January 2017 "Get tough on blue badge call."

January 2017 "Deal in Action tour comes to a big conclusion."

January 2017 "Boost for Community Groups to top £7.5m."

February 2017 "Council to sign dementia care charter pledge."

March 2017 "Community Fund given extra boost."

March 2017 "Schools £50m overhaul."

Most of the articles provided a fair and positive account of the Council's performance in the context of budget cuts, but there were a few which were negative about the impact of the government's cuts, e.g.:-

June 2016 "Changes to care charges spark political dispute."

July 2016 "10% cut in rate on cost of care."

September 2016 "Start Well scheme begins in council bid to save £2m."

September 2016 "Libraries shake up in £1.4m cuts plan."

September 2016 "Childrens services IT is "unworkable".

November 2016 "Review prompts action plan."

November 2016	“Campaigners’ criticism of closure plans.”
December 2016	“Fortnightly collection service to be binned.”
December 2016	“Battle of the Bell ..... round two!”
December 2016	“Funds for care budget means tax rates rise.”
January 2017	“Concerns over waste limits.”
February 2017	“Social Housing Shake Up.”
March 2017	“Transforming services is key to saving them.”

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 minimising compulsory job losses. This action as part of the Council’s financial planning and management processes has been consistently endorsed by the Council’s External Auditor (most recently within the 2015/2016 Audit Findings Report), viz.:-

- *“It has clear and transparent reporting and demonstrates the principles and values of good governance in practice with its communication of “deal for the future” which outlines its way forward as a community as well as some of its achievements”.*
- *“Risk continues to be well managed and mitigated where it is possible to do so. This will be a cornerstone for Wigan going forward as it embarks with energy and drive on its new programme of projects.”*

## **Other Issues**

### Members Standards

There have been a total of ten complaints one of which was brought by a Member. Two cases were withdrawn, one case was resolved by informal resolution, one case is ongoing, five cases were assessed by the Monitoring Officer in conjunction with an Independent Person and it was determined that there was no breach of the Members Code, with the remaining case being concluded via a formal Hearing (see above comments).

The complaints have continued to involve a small number of Members across the political spectrum and outcomes have resulted in attempts to resolve the matter by informal resolution such as an apology.

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.

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 its 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.

## **Relevance Check**

**Service Area: Internal Audit**

**Service Lead: Nicola Welch, Chief Internal Auditor**

**Date: 24 May 2017**

**In what ways does this have an impact on an outward facing service? How will the service feel different to your customers or potential customers?**

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 arrangements so that the public and other stakeholders can be assured that proper arrangements are in place to govern spending and safeguard assets.

The preparation of the Annual Governance Statement itself, has no direct impact on budgets or front line service delivery. Whilst the review of effectiveness normally results in the production of a corporate action plan to address any identified weaknesses any changes arising from this will if necessary be subject to a CIA by the manager or service responsible for implementation.

**If not, how does it impact on staff e.g. redundancies, pay grades, working conditions? Why are you confident that these staff changes will not affect the service you provide?**

As above any changes in systems or processes which may impact directly on staff will where necessary be subject to a CIA by the manager or service responsible for the implementation.

Is a Customer Impact Assessment needed? NO