Audit Committee – 18 June 2018

Annual Review of Effectiveness of the System Internal Control and the Draft Annual Governance Statement 2017/18

Summary of Report

This report contains the findings and recommendations of the review of the effectiveness of the council's system of internal control, for consideration by Audit Committee.

This review supports production of the annual Governance statement (AGS) for 2017/18 and requires Audit Committee approval prior to publication alongside the pre-audit annual Statement of Accounts (SoA) in June 2018.

CIPFA advises that it is good practice for Audit Committee to receive the AGS before or during the audit of the accounts to enable Audit Committee to raise any points that they feel may need to be addressed prior to formal approval of the post-audit Statement of Accounts in July.

The Annual Governance Statement (AGS) was drafted, assurances were evaluated and supporting evidence gathered. The outcome of this process was a conclusion that the effectiveness of the system of internal control is adequate overall.

Recommendations:

Audit Committee are requested to:

1. Receive, consider and approve the findings and recommendations arising from the annual effectiveness review of the system of internal control, as contained within this report.
2. Receive, review and approve the attached Annual Governance Statement which will be published alongside the post-audit Statement of Accounts by 31st July 2018.
3. Note that the final AGS will be updated as necessary for any changes or findings as a result of the audit of the AGS and Accounts between the date of this Committee and the statutory publication date of 31st July 2018 and any such changes will be reported to Audit Committee on 24th July.

Background

The Accounts and Audit (England) Regulations 2015 states that the Council:

1) Must ensure that it has a sound system of internal control (Regulation 3) which:

   (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
   (b) Ensures that the financial and operational management of the authority is effective; and
   (c) Includes effective arrangements for the management of risk.

2) Conduct a review of the effectiveness of the system of internal control required by regulation 3;

3) The findings of this effectiveness review must be considered by a Committee of the council (Council have delegated this to Audit Committee);

4) The Council must prepare an annual governance statement;

5) The annual governance statement (AGS) must be approved by the council (Audit Committee). In relation to the 2017/18 AGS, this must be approved by 31 July.

The AGS must accompany the body's statement of accounts for that financial year, which for 2017/18 must be audited and published by 31st July 2018.

Additionally, the council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. This is reported in the Internal Audit Opinion 2017/18 report, which is included elsewhere on tonight's agenda and has been used to inform the review of the effectiveness of the system of internal control and the production of the AGS.

Resource and Legal Considerations

Councils must produce annual accounts and the AGS in line with the Accounts and Audit Regulations 2015 in a timely fashion and on an annual basis. The Statement is legally required to be signed by the Chief Executive and Lead Member.

Performance Management and Risk Management Issues

Performance Management
Effective performance management is key to ensuring an effective system of internal control is maintained. Senior managers can support the framework and the assurance gathering process by ensuring that systems and processes are in place within each directorate, including ensuring directorate plans, project and individual risk registers and risk assessments are in place and regularly reviewed and service complaints are responded to and used to drive improvement. In addition, senior officers within each directorate should promptly implement agreed internal and external audit actions within the timescales agreed.

Risk Management
A key aspect of the system of internal control is the identification of key risks to the organisation and to delivery of its key objectives, and key controls needed to mitigate these risks. Comprehensive, embedded and effective risk management arrangements are fundamental to demonstrating good governance.

Equality Implications

None relating directly to this report.

Consultation

The report is prepared in consultation with the Chief Finance Officer (CFO), the Audit Manager, the Monitoring Officer, the Chief Executive, the Leader of the Council and relevant senior managers.

Governance

Governance is the arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

The governance *framework* is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes. The framework is intended to support the council in demonstrating good governance. The framework itself is not a statutory requirement, but rather a discretionary code offered to organisations as good practice. It is important to note that the governance statement (which is a statutory requirement) covers all significant corporate systems, processes and controls, spanning the whole range of the authority's activities, including in particular those designed to ensure that:

- The council's policies are implemented in practice
- Services are delivered efficiently and effectively
- The council's values and ethical standards are met
- Laws and regulations are complied with
- Required processes are adhered to
- Financial statements and other published performance information are accurate and reliable
- Human, financial, environmental and other resources are managed efficiently and effectively.

Background Papers
Audit and Accounts Regulations 2015
Internal Audit report and Opinion on the adequacies of the council's control environment
Various CIPFA Guidance, Local Code of Governance, Various council documents and reports
Various external and internal audit and inspection reports
Ernst Young Annual Audit Letter and various external audit reports

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Effectiveness Review of the System of Internal Control

Walsall Council (via Audit Committee) has a statutory responsibility for conducting a review of the effectiveness of its system of internal control in respect of 2017/18.
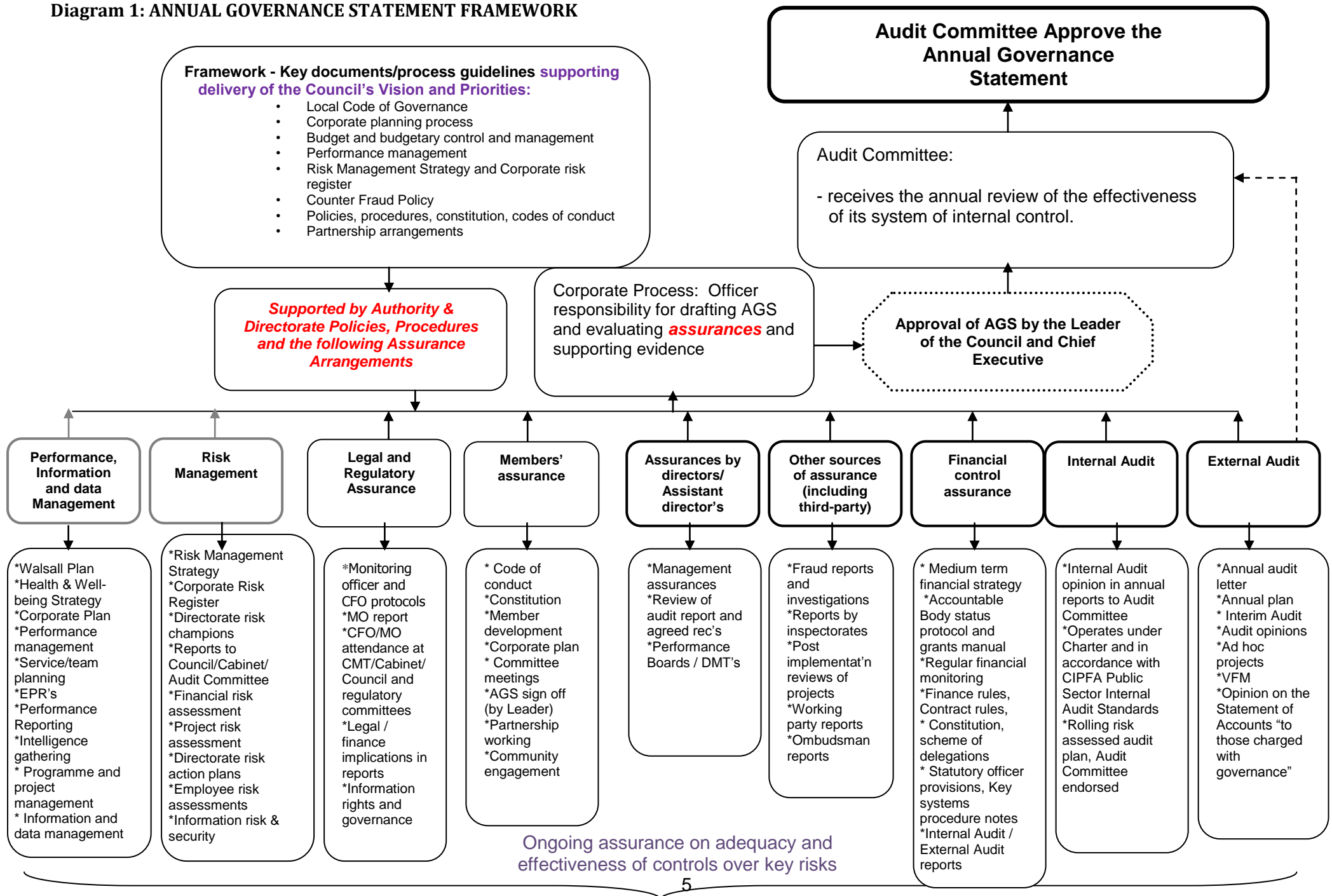
Audit Committee is able to monitor the effectiveness of the governance framework and the internal control environment and the council's internal audit arrangements, and receive their assurance on these matters in a number of ways. Further detail is set out in the following paragraphs and the totality of these is reviewed and considered by Audit Committee in considering the annual review of the effectiveness of the governance framework, and in approving the Annual Governance Statement as required by the Accounts and Audit Regulations, 2015.

The review of the effectiveness is informed by and assurance obtained from:
- The annual work programme of Audit Committee including receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor's opinion on value for money and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- Findings of the external auditor and other review agencies and inspectorates.
- The work of Internal Audit and the Internal Audit annual report and Opinion on the effectiveness of its risk management, control and governance processes.
- Cabinet, Corporate Management Team (CMT) and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance, financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy and associated processes.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

The following pages set out the governance framework and key areas of assurance, and findings from work and activity undertaken during 2017/18 in these areas. These have been considered in the annual effectiveness review of the system of internal control.

Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Audit Committee Approve the Annual Governance Statement

Framework - Key documents/process guidelines supporting delivery of the Council's Vision and Priorities:
- Local Code of Governance
- Corporate planning process
- Budget and budgetary control and management
- Performance management
- Risk Management Strategy and Corporate risk register
- Counter Fraud Policy
- Policies, procedures, constitution, codes of conduct
- Partnership arrangements

Audit Committee:

- receives the annual review of the effectiveness of its system of internal control.

Supported by Authority & Directorate Policies, Procedures and the following Assurance Arrangements

Corporate Process: Officer responsibility for drafting AGS and evaluating ***assurances*** and supporting evidence

Approval of AGS by the Leader of the Council and Chief Executive

Performance, Information and data Management	Risk Management	Legal and Regulatory Assurance	Members' assurance	Assurances by directors/ Assistant director's	Other sources of assurance (including third-party)	Financial control assurance	Internal Audit	External Audit
*Walsall Plan *Health & Well-being Strategy *Corporate Plan *Performance management *Service/team planning *EPR's *Performance Reporting *Intelligence gathering * Programme and project management * Information and data management	*Risk Management Strategy *Corporate Risk Register *Directorate risk champions *Reports to Council/Cabinet/ Audit Committee *Financial risk assessment *Project risk assessment *Directorate risk action plans *Employee risk assessments *Information risk & security	*Monitoring officer and CFO protocols *MO report *CFO/MO attendance at CMT/Cabinet/ Council and regulatory committees *Legal / finance implications in reports *Information rights and governance	* Code of conduct *Constitution *Member development *Corporate plan * Committee meetings *AGS sign off (by Leader) *Partnership working *Community engagement	*Management assurances *Review of audit report and agreed rec's *Performance Boards / DMT's	*Fraud reports and investigations *Reports by inspectorates *Post implementat'n reviews of projects *Working party reports *Ombudsman reports	* Medium term financial strategy *Accountable Body status protocol and grants manual *Regular financial monitoring *Finance rules, Contract rules, * Constitution, scheme of delegations * Statutory officer provisions, Key systems procedure notes *Internal Audit / External Audit reports	*Internal Audit opinion in annual reports to Audit Committee *Operates under Charter and in accordance with CIPFA Public Sector Internal Audit Standards *Rolling risk assessed audit plan, Audit Committee endorsed	*Annual audit letter *Annual plan * Interim Audit *Audit opinions *Ad hoc projects *VFM *Opinion on the Statement of Accounts "to those charged with governance"

Ongoing assurance on adequacy and effectiveness of controls over key risks

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The review of the effectiveness of the system of internal control is informed by the work of the Audit Committee, other regulatory committees, the work of Internal and External Audit and the work of senior management of the council.

Internal Audit Evaluation of the Effectiveness of its Risk Management, Control and Governance Processes; and Annual Opinion.

The Accounts and Audit (Amendment) Regulations 2015 introduced a revised requirement for the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

The review of the effectiveness of the system of internal control is informed by the work of the Audit Committee and the work of Internal Audit, and Internal Audit's annual report on the overall adequacies of the internal control environment. This is reported to Audit Committee separately on tonight's agenda.

In respect of the 2017/18 financial year, the following Internal Audit Opinion has been given;

"In giving our annual audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

On the basis of our audit work, we consider that the Council's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work, five of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports".

Internal Audit Identified Control Weaknesses

1). Follow up of 2016/17 control weaknesses:

The AGS effectiveness review is informed by work undertaken in 2017/18 to follow up on actions agreed to improve governance issues/control weaknesses identified in the previous year's (2016/17) AGS.

During 2016/17, Internal Audit reviews were undertaken of the core financial system. All but one of the fundamental financial systems audits were found to be operating satisfactorily, receiving a significant assurance opinion (two receiving the highest – a good – opinion). Asset management received a limited opinion, with 9 priority 2 / significant and 1 priority 3 / housekeeping recommendations. There were no priority 1 / fundamental recommendations.

In addition to fundamental financial systems, audits were undertaken in 2016/17 of other financial and non-financial systems and processes that contribute to the council's overall corporate governance arrangements. Internal audit's work identified that although in two thirds of audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited or no assurance opinion. 14 audits were given limited assurance and one was given no assurance.

The table below provides an update on action taken to address the recommendations.

Directorate	Audits	Adequacy of System Design	Effectiveness of Operating Controls	Progress on Implementation of Recommendations
Schools	Little Bloxwich CE Primary	Substantial	**Limited**	All implemented.
	Abbey Primary	**Limited**	Substantial	All implemented.
Economy & Environment	Active Living Centre	Substantial	**Limited**	Report superceded by 2017/18 Procurement audit.
	Town & District Centre Markets	**Limited**	**Limited**	9 implemented, 2 partly implemented, 1 no longer relevant. Next follow up due July 2018.
	Asset Management	**Limited**	**Limited**	Superceded due to ongoing consultancy review within the area, therefore deferred to a later time.
	CRC Energy Efficiency Scheme	Substantial	**Limited**	Followed up during 2017/18 audit – resulting in Limited / Substantial assurance level. Further follow up during 2018/19.
Adult Social Care	Residential Care	Substantial	**Limited**	All implemented.
	Deputyships & Appointeeships	**Limited**	**Limited**	16 implemented, 2 partially implemented. Next follow up July 2018.
	Support Planning, Resource Allocation, Personal Budgets and Direct Payments	Substantial	**Limited**	7 implemented, 3 partially implemented. Next follow up July 2018.
	Community Alarms & Telecare	**No assurance**	**Limited**	9 implemented, 11 partially implemented. Next follow up due October 2018.
Resources & Transformation	Cyber Security (IT)	**Limited**	**Limited**	1 implemented, 4 no longer relevant, 3 not implemented Next follow up due September 2018.
	IT Disaster Recovery Follow	**Limited Progress**		2 partially implemented, 2 not implemented. To be

Directorate	Audits	Adequacy of System Design	Effectiveness of Operating Controls	Progress on Implementation of Recommendations
	up			followed up during 2018/19 audit
	Facilities Management	**Limited**	**Limited**	10 implemented, 5 not implemented. Next follow up July 2018.
Children's Services	Troubled Families (Jan '17)	**Limited**	Substantial	Followed up during 2017/18 audit. Assurances levels for September 17 were Substantial/Good and for February 18, Substantial / Substantial
	Pheasey Park Farm Children's Centre	Substantial	**Limited**	To be followed up during school audit 2018/19.

Within these, nine fundamental weaknesses were reported and progress in implementing these is as follows;

- Town & District Centre Markets (1) - implemented.
- Troubled Families (1) - implemented.
- Appointeeships & Deputyships (1) - implemented.
- Community Alarms and Telecare (3) - 1 implemented, 2 partially implemented, next follow up October 2018.
- Active Living Centre (1) - covered in the 2017/18 Procurement audit, which is currently in draft. IT Disaster Recovery follow up (2) – not yet implemented, further follow up due 2018/19.

Unplanned Follow up: In addition to planned audits, a small number of unplanned jobs, including investigation of suspected frauds and irregularities, were undertaken by the service during 2016/17. While most cases were not material in the context of this opinion, two cases gave cause for concern and investigations were undertaken during 2017. One concluded in formal disciplinary action.

2). Planned work 2017/18:

The AGS effectiveness review is informed by internal audit work undertaken in 2017/18, the findings of these reviews and actions plans put in place by managers to address identified control weaknesses.

During 2017/18, 49 internal audits were undertaken where internal audit provided a formal assurance level. Of these:

- 3 audits (6%) received a 'Good' assurance level;
- 33 audits (67%) received a 'Substantial' assurance level;
- 13 reviews (27%) received a 'Limited' assurance level and
- No audits (0%) received a no assurance opinion.

Overall, 36 reviews (73%) were given a 'Substantial' assurance or above. All core financial systems were given a 'Substantial' or 'Good' assurance.

A total of 389 recommendations have been made.

- 6 (2%) were 'Priority 1' recommendations - that are fundamental to the system and upon which the organisation should take immediate action
- 206 (53%) recommendations were categorised as 'Priority 2' recommendations - although not fundamental to the system, provide scope for improvements to be made.
- 177 (45%) were 'Priority 3' – recommendations considered of a minor nature, but which nevertheless need to be addressed.

The 6 'Priority 1' recommendations were in each the following audits and further detail is provided in the table below.
- Domiciliary Care (draft) (adult social care)
- Market management (adult social care)
- Forest Arts Centre (draft) (economy and environment)
- Procurement (draft)
- Valley Nursery
- St James Primary School

All recommendations made during the year were accepted by Management.

All of the eight fundamental financial systems audits were found to be operating satisfactorily, receiving a substantial assurance opinion (two receiving the highest – a good – opinion).

In addition to fundamental financial systems, 41 audits were undertaken in 2017/18 of other financial and non-financial systems and processes that contribute to the council's overall corporate governance arrangements.

Internal audit's work identified that although in nearly three quarters audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited or no assurance opinion. The table below details the reviews where a limited assurance level was given (13):

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
Economy & Environment	CRC Energy Efficiency Scheme	**Limited**	Substantial
	Streamlining services (Libraries) (draft)	Substantial	**Limited**
	Forest Arts Centre (draft)	**Limited**	**Limited**
Adult Social Care	Domiciliary Care	**Limited**	**Limited**
	Safeguarding (draft)	Substantial	**Limited**
	Market Management	**Limited**	Substantial
Schools	St Michael's Primary	Substantial	**Limited**

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
	Millfields Nursery	Substantial	**Limited**
	Ogley Hay Nursery	Substantial	**Limited**
	Valley Nursery	Substantial	**Limited**
	Old hall Special	Substantial	**Limited**
Corporate	Procurement (draft)	**Limited**	**Limited**
	Performance Management	Substantial	**Limited**

These reports are considered in detail as part of the Audit Committee's routine consideration of no and limited assurance audit opinions.

Assurance in respect of the effectiveness of the overall system of internal control can therefore be taken from the following:

- All of the core financials systems audits received a substantial or good assurance audit rating, with no fundamental recommendations.
- All recommendations made by Internal Audit have been agreed and management action is being taken to address them.
- Internal Audit will follow up all limited/no assurance reports to ensure progress is made in implementing agreed recommendations and will report back to Audit Committee accordingly.
- The 6 fundamental recommendations are in six separate audit areas. Action is being taken to address these and these will be followed up and reported.

3) Unplanned Work:

In addition to planned audits, a small number of new unplanned jobs, including investigation of suspected frauds and irregularities, were undertaken by the service during 2017/18. No cases gave sufficient cause for concern to be reported within this review.

Risk Management Work

The strategic priorities of the council are set out within the corporate plan and in delivering against these priorities decisions re taken regarding allocation of increasingly finite resources. Councils have needed to become more innovative and commercially minded in order to exploit opportunities whilst operating in an environment where there are high expectations around transparency, integrity and accountability. Value for money remains at the heart of good governance in local authorities and the council acknowledges that:

1. Risk Management is a key element of the council's governance framework,
2. Statutory responsibilities exist within the Accounts Audit Regulations 2015,
3. The council also has specific statutory responsibilities for example to ensure health and safety risks are effectively managed,
4. A members and officer have responsibility and a role to play in managing risk, and
5. Effective management or risk will ensure that the organisation's objectives, and resulting outcomes, are achieved.

Internal Audit continue to support the council in assessing and monitoring key strategic risks to the organisation. A Six monthly corporate risk register report (CRR) was reported to Audit Committee for review. Key risks to the council continue to be (as for most councils): Managing increasing demand pressures, specifically within Adult and Children's

social care; Uncertainty concerning future funding arrangements; Economic uncertainty; Service failures (from a provider perspective and in relation to business continuity); Failure to deliver approved savings and the 4 year budget plan; Recruiting and retaining a workforce with the right skill set. Risks continue to be actively managed.

During 2017/18, a fundamental review of the Corporate Risk Management Strategy was undertaken along with the commencement of work to review strategic risks.   A facilitated session was held with CMT to inform a refresh of the Strategic Risk Register (SRR) and a revised approach reported to Audit Committee, along with a programme of work for the forthcoming year to further embed risk management into the governance framework of the organisation. Work is ongoing to develop the SRR and approach further during 2018/19 and regular updates will be reported back to Audit Committee.

Further work on assurance mapping will be undertaken during 2018/19 which will inform improvements to the governance framework.

Internal Audit Review of AGS Compliance

In 2016/17, Internal Audit supported the Council in developing a framework to provide enhanced governance procedures. The Key Questions used in the framework were agreed by management, and we assisted managers in identifying the evidence needed to support the statements made. In 2017/18, management have updated the evidence trail, and this information has been reviewed by Internal Audit.

In quarter four, we carried out a piece of work to review the Annual Governance Statement with management to assess the extent to which compliance with the framework has been met. Our approach involved issuing an annual governance survey to key responsible officers for populating, obtaining sufficient audit evidence for a sample of key questions through document inspection, observation and discussions with management and staff in order that we could establish whether compliance has been met.

Governance surveys were issued in relation to the following areas:
- Risk Management
- Information Management & Data Quality
- Partnership Working
- Internal Audit
- Financial Controls
- Legal & Regulatory
- Performance Management
- Business Continuity
- Procurement & Contracts
- ICT
- Programme & Project Management
- HR
- Member Relationship

Findings

We have performed follow-up work on 20 Key Questions within the Annual Governance Statement. Our assessment of the current compliance status of a selection of Key Questions across all service lines is indicated in the table below. We have chosen a

sample of questions from the 10 Service Lines on the Annual Governance Statement to confirm compliance and seek evidence where appropriate.

A selection was not chosen from Risk Management due to the ongoing review of the corporate process. A selection was also not chosen from Internal Audit.

Sample of Key Questions

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
Business Continuity Planning	BCP1	Are there adequate and well communicated business continuity arrangements in place to ensure that services can be resumed following an emergency?	BCP tracker spreadsheets were scrutinised and it was identified that there were several BCP's that were in place but had not had a recent review. Discussions with management confirmed that the emergency planning team do monitor and chase for completion, but this is out of the team's control.	In Part Compliant
Business Continuity Planning	BCP2	Are the business continuity arrangements regularly tested and found to be effective?	A schedule of BCP testing has not been established. Tests are essentially completed as and when the BCP is actioned. Examples of these test were provided. Workshops for managers are in the process of being developed with the aim of testing and validating plans.	Compliant
Human Resources	HR9	Are managers aware of the requirement to link staff objectives to Council priorities and strategy?	Discussions were held with management regarding the response to this question and due to the ongoing review of the EPR process this was deemed as part compliant.	In Part Compliant
Human Resources	HR12	Are adequate arrangements in place to ensure that the Working Time Regulations 1998 is complied with fully?	The new starter pack does include information regarding compliance with Working Time Regulations 1998. However, arrangements for existing staff are not established.	In Part Compliant
Legal & Regulatory	LR5	Are all new staff made aware of the relevant statutory requirements of their role during their induction?	A Welcome to Walsall document is provided to new starters, this provides generic statutory duties such as compliance with the Working Time Regulations. However, this does not appear to have been updated since 11/03/16 and there is no date information available on the document. There is also no centralised governance function or process in place to ensure that all new staff are made aware of the relevant statutory requirements, this would be the responsibility of line management.	In Part Compliant
Legal & Regulatory	LR10	Do all employees in each service area have access to the following documents and are they aware of their contents?	All documents listed were found to be available to employees on the Council's intranet and deemed sufficient.	Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
		a) code of conduct for employees b) financial regulation and procedures c) contract procedure rules d) anti-fraud and corruption policy e) anti-money laundering policy f) anti-bribery policy g) whistle blowing policy.		
Performance Management	PM1	Are there relevant, focused and appropriate performance indicators in place for all areas of activities?	The refresh of the Performance Management Framework (PMF) will develop this further. A provisional template for reporting was reviewed and identified performance indicators linking to corporate priorities.	In-Part Compliant
Performance Management	PM11	Is performance reviewed at least quarterly at a senior and operational level?	Individual arrangements within directorates are set and managed by them, therefore assurance could not be provided as to the performance reviews completed. Evidence of corporate reporting was provided and was deemed sufficient.	In-Part Compliant
Financial Controls	FC1	Is actual performance against budget monitored at different levels within each directorate?	Evidence of this provided as part of the budgetary control audit and individual audits that take place during the year.	Compliant
Financial Controls	FC15	Are procedural instructions in place detailing how all financial matters are to be handled within service areas?	Document review deemed this sufficient.	Compliant
Procurement & Contracts	PC2	Are all requests for quotations and tenders issued through the Council's (electronic) procurement system?	Review of the linked electronic tendering document is deemed sufficient, however is only relevant to those quotes and tenders centrally managed.	In-Part Compliant
Procurement & Contracts	PC9	Are disciplinary procedures applied in all instances where officers do not comply with the Contract Rules and Financial Rules or fail to allow sufficient time to retender	The key officer confirmed that the Code of Conduct provides for this and from review of Contract Rules, waivers are included at section 9. However, as disciplinary matters are dealt with on a case by case basis by management, complete assurance cannot be provided that disciplinary	In-Part Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
		contracts without the need to obtain a waiver of the contract procedure rules?	procedures are applied in all cases.	
Project & Programme Management	PPM7	Are all projects reviewed by the Programme Board on a regular basis?	The governance arrangements of project reviews currently sit at directorate level. The Council does not have a set project management approach to provide a clear governance structure for this.	In-Part Compliant
Project & Programme Management	PPM5	Are there formal project management disciplines and processes for managing projects (e.g. PRINCE2 or MSP), and are these applied in an effective and consistent way?	There is a library of project management documents available on the intranet which have been left from the previous Walsall Change Approach. However, from discussions with management, a consistent and agreed project management approach is not established and the previous team responsible for centrally managing project and programme management was disbanded with responsibility remaining unassigned.	In-Part Compliant
Member Relationships	MR2	Are the roles of Members in these committees clearly defined?	The Constitution was consulted and from a sample review of the information defining the roles of Members it was deemed acceptable.	Compliant
Member Relationships	MR7	Are committee meetings usually quorate?	A sample of meeting minutes held on the Council's CMIS site was checked and quorum of Committee meetings deemed acceptable.	Compliant
ICT	IT3	Have all staff been made aware of the Council's IT acceptable usage and security policies and procedures?	The intranet was checked to ensure that the Council's IT acceptable usage and security policies and procedures were available and easy for staff to find and access. This was deemed sufficient.	Compliant
ICT	IT7	Have there been any breaches against IT security policy during the past year? - if yes, please provide details.	Security breaches had been recorded in the key officer response. The April 2018 report to Cabinet was reviewed and confirmed that the IG Framework was presented for approval, this was found to be the case. The document includes a section for breach management and refers to a Reporting and Managing Data Breaches procedure document, which must be followed for all breaches that take place. This is available on the information Governance intranet page and was last updated in August 2017.	Compliant
Information Management	IM1	Are all employees aware of their responsibilities under the:	Training requirements for employees are documented in the approved Information Governance Policy. This was deemed sufficient to ensure that	Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
		• Data Protection Act (DPA), • Freedom of Information Act (FoI), • Caldicott Guidance; • ISO 27001 on Information Security; and • GDPR?	employees are aware of their responsibilities. The Policy also confirmed details of training refresher and consequences of non-compliance with these training requirements.	
Information Management	IM6	Is all information and documentation held and managed in accordance with the Council's information / document retention policy and procedures?	Although it is not possible to provide assurance regarding all information and documentation, the document retention guidelines are detailed and provide appropriate information for information and document retention.	Compliant

Conclusions:

- Of the 20 key questions we have chosen to sample, in 10 cases there was evidence of full compliance and in 10 cases there was part compliance as further actions were required.
- There were no instances of non-compliance in the sample selected.
- Survey responses received from key officers has been collated into a master copy which shows compliant, in-part compliance and non-compliant key questions in full.
- Officers will continue to develop the framework and carry out follow ups, particularly around non-compliant areas. A governance group consisting of key senior officers is proposed to follow up the above and review and refresh the existing Governance Framework.

Regulatory Committee – the Audit Committee

The Committee's work is a major aspect of the council's corporate governance framework. Its wide-ranging remit includes providing an independent assurance on the adequacy of the risk management framework and internal control environment. It provides an independent review of governance, risk management, financial reporting and annual governance processes, as well as overseeing the work of internal and external audit.

Audit Committee has a regulatory role in terms of receiving reports on the effectiveness of the system of internal control and the annual work programme of the Audit Committee includes receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit (where applicable), it's opinion on Value For Money and the financial resilience of the council, the external audit opinion on the Statement of Accounts and the Annual Audit and Inspection Letter.

Audit Committee has received and considered regular Internal Audit progress reports and summary reports of all internal audits receiving a 'no' or 'limited' assurance opinion. Where, on audit follow up a no or limited assurance audit report, no or limited progress is made by managers in addressing weaknesses identified, executive directors and their accountable managers are required to attend Audit Committee to provide necessary assurances. This was the case during 2017/18.

In January 2016, the Audit Committee endorsed the self-assessment of its effectiveness using CIPFA's "A Toolkit for Local Authority Audit Committees. 68 key supporting questions were considered by Audit Committee, supported by senior officers including the Chief Finance Officer and Head of Internal Audit. The results showed that Audit Committee was compliant in all areas with the requirements. The next review is due in 2018/19.

Each year the council's external auditors, under Accounting Standards, are required, as part of their risk assessment procedures, to obtain an understanding of the Audit Committee's oversight of the Council's governance arrangements. Our auditors produce a letter setting out a number of questions covering the key areas. Management have provided responses to these, covering:

- The risk that the financial statements may be materially misstated,
- Fraud, including identifying and responding to the risks of fraud,
- Compliance with laws and regulations,
- Internal control and breaches thereof,
- Adopting a going concern basis.

As part of this, Audit Committee consider a number of management responses from the Chief Finance officer (on behalf of management), the Monitoring Officer and the Head of Internal Audit. This support the assurance gathering process.

During 2017/18, the work of the Audit Committee included the following in its assurance role:

- Review at each meeting of progress reports in relation to the Internal Audit plan, including receipt of limited and no assurance findings, updates on priority 1 recommendations.
- Review of and approval of an updated Risk Management Strategy and approval of a work programme to review the Strategic Risks of the organisation and associated risk management framework and procedures.
- Receipt of regular reports on the council's key financial health indicators and financial performance.
- Oversight of the council's treasury management arrangements, including the annual performance report for 2016/17, six monthly performance update, review and update of the treasury management statement and practices, and the annual update to the Treasury Management and Investment Strategy prior to full approval by Council.
- Oversight and approval of the 2016/17 Statement of Accounts and Annual Governance Statement, including approving the annual review of the effectiveness of the internal control environment and a revised Code of Governance.
- Receipt of and review of all external audit reports, including the value for money conclusion and Annual Audit Letter.
- Oversight of other governance matters including the use of Regulation of Investigatory Powers Act (RIPA) 2000.

- Oversight (and referral on as appropriate) of the outcomes of Inspections and external reviews: Information Commissioner Office (ICO) – Data Protection Audit (DPA) and follow up on action plan progress.
- Review of council policies and practices in relation to governance and internal control, prior to approval by full Council – scheme of delegations, Constitution updates, finance rules.

Regulatory Committee – Standards Committee and the Ethical Framework

The functions of the Standards Committee are determined by statute and the Constitution. Standards Committee have a role in ensuring and promoting good ethical conduct. The Constitution clearly sets out the role of officers and members, including the three main statutory posts of the Chief Finance Officer (S151 officer), Head of Paid Service and Monitoring Officer.

The Localism Act 2011 required the council to reconstitute its Standards Committee to deal with potential issues of member conduct. There is a statutory duty under section 27 of the said act for the council to promote and maintain high standards of conduct. To do so the council has to ensure that it has in place a Code of Conduct for elected members, arrangements for dealing with complaints about elected members behaviour, and a Standards Committee to determine issues of conduct. The council established these processes at a special meeting of Council on 25th June 2012.

During 2017/18 a complaint was made and this is currently being investigated. The outcome of this will be reported accordingly, once concluded.

The Standards Committee has now taken oversight of member development to ensure that elected members undertake appropriate training to assist them in fulfilling the requirements of their role. This includes mandatory training for committees dealing with planning and employment issues. An annual report on training will be taken to Standards Committee. In 2017/18 the council reviewed its Elected Member Code of Conduct in consultation with elected members and the revised code was approved at Annual Council on the 23rd May 2018.

As Lead Officer for the Standards Committee, the Monitoring Officer has a key role in promoting the council's Ethical Framework and high standards of conduct within the authority. This includes the maintenance of the Members and Officers Registers of Interests and Gifts and Hospitality. The Monitoring Officer is responsible for establishing and maintaining a register of member's interests. This is held within the office of the Democratic Services Manager and is also accessible through the Council's website through CMIS. The register is updated following the Council's annual meeting each year and periodically thereafter as members advise of changes to their entries on the register. Members' gifts and hospitality is also recorded on the interest register. Regular reminders of the need to keep it up-to-date continue to be provided to all members.

The Monitoring Officer also keeps the register of officer financial and non-financial interests in accordance with 17.3 of the Code of Conduct for Council Employees. The form used by officers for declaring such interests has been revised to make the process of declaration clearer.

The Constitution is a living document and as such is subject to regular review and update. In particular the Officer delegations are reviewed annually. Any changes to the Constitution are reported to Annual Council, and the Constitution is amended accordingly.

The proposed amendments/changes to the Constitution are presented to Audit Committee prior to going to Council to ensure elected members are able to scrutinise and be consulted on any proposed changes. In 2017/18 Democratic Services carried out a comprehensive review of the Constitution in consultation with the Standards Committee and the changes were approved at Annual Council on 23rd May 2018.

Lawfulness and Maladministration

The Monitoring Officer is the councils lead adviser on issues of lawfulness and the council's powers. Part of this role involves monitoring Cabinet and Committee reports, agendas, decisions and procedures to ensure compliance with legislation and the constitution (e.g.: as regards access to information). The majority of this work is undertaken by officers from Legal and Democratic services. The Monitoring Officer also has a duty to ensure, through Democratic Services, that the committee decisions and the reasons for the same are made publicly available. This work is carried out by officers from Democratic Services through the Council's website, by means of CMIS.

There have been no major or potential unlawful acts that have been brought to the attention of the MO in the previous 12 months that would affect the integrity of the organisation.

The MO provides a response to the external auditors annually concerning his oversight of management processes, specifically in relation:

- Fraud, including identifying and responding to the risks of fraud,
- Compliance with laws and regulations,
- Communicating to employees in respect of ethical behaviour and conduct
- Internal control and breaches thereof,

This support the assurance gathering process.

Each year the Local Government Ombudsman issues an Annual Review letter for each council, including annual statistics relating to complaints received and determined during the year. This is published on the Ombudsman's website www.lgo.org.uk and locally is submitted to the Council's Standards Committee for consideration. The council has complied with all of the recommendations issued by the Local Government Ombudsman.

External Audit Assurance

An important area of independent assurance on the effectiveness of the system of internal control is the work of the Council's external auditors.

The council's independent External Auditor has a broad role covering finance and governance matters. Ernst Young's work in 2017/18 included:

a) The Annual Report to Those Charged with Governance (ISO260), published September 2017, which provided an unqualified opinion of the 2016/17 accounts and a formal conclusion that the council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the VFM conclusion). A small number of recommendations were made which were discussed and agreed with the CFO.

b) The results of the Interim Audit work of Ernst Young in relation to the 2017/18 accounts – no issues have been found as part of this review that EY wished to bring to the attention of the Committee.

c) At the time of writing this AGS, EY's work in relation to 2017/18 (namely the Annual Report to Those Charged with Governance, the audit of the Statement of Accounts, and the VFM conclusion) had just commenced. The final AGS to be approved and published in July will provide feedback on that work if there is any impact on the internal control environment and the AGS.

External Audit no longer undertake a formal review of the Internal Audit function, they review the work of Internal Audit however to inform their annual risk assessment. From 20161/17 onwards, assurance to the Council is provided through the 5 yearly external assessment of Internal Audit's Quality Assurance and Improvement Programme (QAIP). The QAIP covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated.   Mazars were assessed in Autumn 2016. The conclusion of that external assessor was:

"From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the Public Sector Internal Audit Standards have been identified that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance. Three areas of minor partial compliance and one area,
which is a new requirement from 2016, have been identified. On this basis it is our opinion that Mazars GRIC - Public Services conforms to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.

The areas of non-compliance related to the following areas, which were agreed by management:

- The audit charters need to be updated to reflect recent changes in PSIAS and the Global Institute of Internal Auditors International Professional Practices Framework (IPPF). and improve clarity for the reader by adopting current best practice in content and layout. The audit charters need to include definitions for board, senior management and the chief audit executive.
- The audit charters should include the recently developed mission statement as required by the IPPF.

The above have been incorporated into the revised Charter which was presented to Audit Committee on 19th February 2017.

Other Inspectorates / External Reviews

During 2017/18, there were a number of external inspections and reviews of the council, the most significant being:

1) *Ofsted Inspection of services for children in need of help and protection, children looked after and care leavers and the effectiveness of the local safeguarding children's board (LSCB)* – June & July 2017. On 4th September, Ofsted published an overall judgement that Children's services in Walsall and the LSCB require improvement to be good. The AGS for 2016/17 identified this as a control weakness and advised that this would be kept under review.

In October, Children's Service Oversight and Scrutiny Committee agreed to lead on scrutinising progress of the council's action plan and to monitor key process against key areas of performance by way of a quarterly update on improvements. Progress

reports were presented to Cabinet on 13th December 2017 and to Scrutiny on 27th March 2018 against the 12 recommendations of the Ofsted action plan.

The March update reported that "*progress has been steady with over half the recommendations progressing as expected and on target with measurable outcomes. The remaining recommendations have some actions that have been subject to some delayed and this has been for a variety of reasons; such as the need to take more time to engage with partners, the need to take more time to ensure there is effective engagement with young people, some capacity issues within Legal and Safeguarding Family Support Service management and the need to reschedule of some of the workshops with front line staff so that they are not overwhelmed and are able to engage and take on board the practice expectations. There are clear plans in place to ensure these delayed actions are progressed by the identified timescale. Positive outcomes are beginning to be evidenced across many recommendations relating to supervision and management oversight, thresholds, Private Fostering CSE and the functioning of Scrutiny and Corporate Parenting Board and it is expected that as work progresses this progress will be more consistently evidenced across all recommendations* ".

Scrutiny will continue to oversee the delivery of the action plan during 2018/19.

2) *LGA Corporate Peer Challenge (CPC)* – the council participated in the Local Government Association (LGA) CPC in September 2017. In addition to the core framework of the CPC process the Council requested that our approach to transformation and our communications function was included with the remit. The feedback report and action plan containing recommendations and suggestions for improvement, actions and dates, was reported to Cabinet for approval on 14th February 2018. The report and action plan can be accessed here.

Key recommendations from the peer team were:

- Develop a coherent narrative of place and ambitions – much already exists but needs bringing together as a coherent vision for the long term future of Walsall the place.
- Use that narrative to place shape more effectively with partners – to help partners to understand the Council's priorities more clearly and to help the Council focus its resources on the partnerships that are most important in achieving that vision.
- Make best use of the newly appointed chief and executive director roles – to strengthen corporate oversight and drive transformation change at pace.
- Review the Workforce Strategy – so the forthcoming planned review reflects the direction of travel of the organisation and the ambitions of staff.
- Channel shift as a key priority – full engagement with customers to align the outcomes with customers' expectations and not just a focus on driving savings. Embrace digitalisation and ensure investment in training to maximise the benefits of this. Fund fit for purpose IT.
- There were also a number of specific suggestions for improvement in relation to transformation and communications,

As stated above, the action plan was approved by Cabinet in February a number of key actions have been implemented to address the above. An organisation wide stock take, supported by external partners is planned in 2018/19 to provide a full assessment of where

the Council is, and to scope what activities and resources are required to move from the current to the future state.

In relation to governance the peer team noted that "*the corporate governance framework appears to work well, there is mutual respect and understanding for roles and responsibilities, and we didn't hear of any adverse indicators relating to how the Council's decision making machinery works. Scrutiny is cross-party, seeks to add value and appears to be effectively holding the Executive to account.* Developing scrutiny's role in commenting on emerging policy issues as well as scrutinising decisions after the event, would lead to a more balanced position".

Financial and Risk Management

The council has a comprehensive set of strategies, plans and procedures in place in relation to financial and risk management. Regular reports are presented to senior officers, management teams, Scrutiny Panels, Audit Committee and Cabinet, including corporate risks, financial health indicators, the medium term financial outlook and service and corporate financial performance against budget, including corrective action plans.

External audit review the councils arrangements for delivering economy, efficiency and effectiveness in its use of resources (VFM conclusion) and audit the annual Statement of Accounts. Their conclusions are set out above under "external audit assurance".

The council's medium term financial strategy, finance rules and scheme of delegations are regularly updated to ensure sound financial planning processes are in place. Updates were approved in 2017 to these. The council has a strong track record of delivering savings and out-turning within/close to the approved budget. Treasury management activities are operated in accordance with the statutory Codes of Practice.

Since 2011/12, the AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the *Application Note to Delivering Good Governance in Local Government: A Framework*.

The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complies with all but one. This relates to Principle 1, in that "*the CFO is a key member of the Leadership Team reporting directly to the Chief Executive with status at least equivalent to other members of the team".* The Statement also states that if this is not the case then the reasons should be explained publicly in the AGS and an explanation of how the actual arrangements deliver the same impact. During 2017/18 the CFO reported to the Executive Director Change & Governance, who reported to the Chief Executive. The CFO attended the Leadership Team (the corporate management team), had access to all confidential papers/matters, had direct and unfettered access to and met frequently with the Chief Executive, and had direct and unfettered access to members, including Cabinet and Audit Committee.

With effect from April 2018, following the promotion of the Assistant Director and CFO to Executive Director, Resources and Transformation, the role of the CFO has been incorporated into the Director role, as such the council is expected to comply with all five principles going forward.

The LGA CPC reported that Walsall has effective financial management arrangements and is in a relatively strong financial position, with adequate reserves held against its key financial risks. It acknowledged the need to review its budgeting model for demand led services in adults' social care and children's services, to ensure that the council fully understands the factors that drive costs in these areas, can predict as afar as possible changes in demand, and understands the way in which the system that allocate services to those that need them end to generate costs. This has been under review during 207/18 to support the transformation programme in these two demand led services.

Performance Management

The Corporate Plan, Our Vision "Inequalities are reduced and all potential is maximised" and Our Purpose "To create an environment that provides opportunities for all individuals and communities to fulfil their potential", explains what we are doing as a council and what we are trying to achieve. Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken is aimed at continuing to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances.

Where required, specific performance boards, including arrangements that involve partner agencies, continue to meet. In some areas this has included a focus on developing information sharing arrangements to enhance the intelligence available to assess performance. The opportunity has been taken to streamline and remove duplication in reporting arrangements.

The LG CPC peer team advised that the Council needed to strengthen its performance management framework and approach stating that currently this is fragmented and processes for corporate reporting on performance to be over reliant on a dedicated but small central team.

The corporate performance management framework is currently under review to ensure it aligns completely with the refreshed Corporate Plan and associated updated performance monitoring processes. The learning and agreed actions from the internal audit that took place in 2017 will also shape the refreshed framework. The Council's priorities are informed by partnership needs analysis and so continue to align with the priorities of the wider Walsall Plan.

Information Governance

The council takes information management very seriously and has prioritised effort and resources into raising awareness to members and employees of everyone's responsibilities when handling information of all types but particularly personal and sensitive information which relates to our residents.

The Forum for Information Governance (FIGA), which meets quarterly, consists of Information Champions (senior management) and Information Asset Owners from key areas across the council to review and address information risks. There are also designated officers who carry out the roles of Senior Information Risk Owner (SIRO), Caldicott Guardian and Data Protection Officer.

During 2017/18 procedures have continued to be reviewed, developed and added to the policy framework. The Information Governance Policy framework was updated and approved by Audit Committee in April 2018.

Update on Office of the Information Commissioner (ICO) audit 2016

The Information Commissioner undertook a data protection audit in November 2016. The audit focussed on three areas: Records management (manual and electronic); Subject access requests (SAR's) (procedures in operation for recognising and responding to individuals' requests for access to their personal data); and Data sharing.

The Office of the Information Commissioner (ICO) conclusion was that "*there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The audit has identified some scope for improvement in existing arrangements to reduce the risk of non-compliance with the DPA. We have made two reasonable assurance assessments in relation to records management and data sharing and one limited assurance assessment in relation to subject access requests where controls could be enhanced to address the issues summarised below*".

The ICO issued 49 recommendations for completion with an additional action that required the Information Governance Policy Framework to be updated following completion of all the tasks.

A 3 month update was provided to Audit Committee on 24th June 2017 and a further progress report was presented to Audit Committee on 20th November 2017 which confirmed that 46 of the 49 recommendations were complete and advising that the ICO had carried out a desk review of evidence to support progress to date on 6th November. As the update provided assurances that all recommendations met were underpinned by robust evidence, the ICO did not request any further information.

Further, the ICO provided a response to the council noting the significant progress and advising that whilst they were happy to consider the Audit closed, they considered that one of the actions relating to quality assurance of SARs was not yet complete as it required a more formal approach. The Assurance Team quality assure all SAR's that have been processed by team members still receiving training and utilise this as a learning opportunity, discussing with team members the process and requirements of the Act. As proficiency improves a selection of pages from each case is reviewed, the volume of which reduces as proficiency improves. Cases are not released without agreement of senior team member.

2 of the remaining 3 actions were completed by December 2017, The remaining action relating to the update of the overarching Policy Framework, which, as stated above, was completed and reported to Cabinet in April 2018.

The ongoing management of performance in the handling of SARs has led to detailed monitoring reports being presented to FIGA and, in line with ICO recommendations, reported through to CMT. Whilst rates of compliance are still lower than acceptable the challenges the service have faced in terms of loss of resource and varying levels of skills and experience within the team have enabled a more in-depth review of processes, procedures and performance data to support permanent improvements in service delivery.

Compliance is summarised for each quarter in the table below.

Quarter	SAR's due out	SAR's out in time	% compliance
1	23	6	26%
2	21	7	33%
3	19	11	58%
4	35	23	66%

Performance data for the last 2 quarters of the year showed continuing improvement in compliance and an overall reduction in the number of open cases, due largely to the clearing of overdue requests and the service manager is confident compliance will continue to improve. Compliance with statutory timelines for the second half of the year (quarters 3 and 4) was 33 percentage points higher than the first half of the year (quarters 1 and 2) which demonstrates the improvement that has been made. However the rate of compliance over a rolling 12 months of cases will remain low for some time to come. Current request levels are manageable with existing resource levels but there is a risk that the introduction of GDPR and the lowering of timescales will cause a drop in performance. It also represents a service to customers that is below acceptable service standards.

Handling Breaches of the Data Protection Act (DPA)

During 2017/18 there were 69 incidents reported as data breaches to the Information Governance team compared to 85 the previous year. These breaches were categorised based on their breach type, as set out below.

Although there is still an acceptable level of awareness in regard to data breaches and that staff are actively reporting, the Information Governance and Assurance team are pro-actively reviewing the process for assurance of appropriate incident management and awareness.

All services by breach type

Nature of Breach	Total
Disclosed in Error	47
Lost in transit	4
Lost or stolen paperwork	6
Other	2
Technical / security failing	6
Unauthorised access S.55	1
Wilful Inappropriate Access or Disclosure s.55	1
Lost or stolen hardware not encrypted	1
Lost or stolen paperwork; Lost or stolen hardware - encrypted; Lost or stolen hardware - not encrypted	1
Grand Total	69

The learning from these breaches has highlighted an increase in the number of data breaches being reported and recurring themes of small amounts of data being 'disclosed in error', 'lost or stolen paperwork' or 'security failing' across a range of services and circumstances. This has been addressed by reviewing the content of the mandatory

training and enforcing through the national Information Governance (IG) Toolkit requirements that training is completed annually as part of our ongoing obligations.

The council's data breach procedure includes the requirements of the Guidance for Reporting, Managing and Investigating Information Governance and Cyber Security Serious Incidents Requiring Investigation, published by NHS Digital, and a total of 11 data breaches were reported as involving adult social care/health data where breaches related to disclosures in error or lost in transit with 5 of those breaches resulting in an assessment of no breach found/near miss and no breaches being assessed as reportable to the ICO.

The table below is an overview of all breaches grouped by the data protection principle breached. This breakdown enables the Information Governance and Assurance Team to assess the need for additional awareness raising and training with regards to how data is processed in accordance with the principles of data protection law.

Breach by Principle:

Type of Breach	Total
Principle 1 - fair & lawful	4
Principle 3 - not excessive	1
Principle 4 - accurate / up to date	4
Principle 7 - kept secure	60
Grand Total	69

Information Asset Owners and Information Custodians are now instructed to maintain and update a Council wide Information Asset Register of all information assets held in offices, off-site storage locations, systems such as IT applications and document storage systems. As part of this the Information Governance and Assurance Team have also rolled out a Record of Processing Activity audit that reflects the processing conditions placed on each information asset.

When a breach occurs the register enables the appropriate Asset Owner to be alerted and any immediate actions implemented. It assists with the plotting of data flows within and outside of the council in order to identify and mitigate risk. As part of this the table below highlights the origin of such information governance and data breaches.

Breach by location

Breach responsibility	Total
Local Authority (LA) as Data Controller	59
Local Authority with 3rd Party Data Processor (LA as Data Controller)	2
Other Data Controller Not LA	8
Grand Total	69

This provides the council with both evidence of actions taken against external breaches and a reduction in the actual number of internal only incidents to 61 where the council as Data Controller is the origin of the incident.

Protecting Information Training and Awareness

As part of the council's information governance training needs analysis review, a decision was made and agreed by FIGA to enhance the content of the mandatory training. Based on the organisational requirement for compliance with the national Information Governance Toolkit the Information Governance and Assurance Team released a new online refresher program which enabled the Council to record and achieve the requirement.

The updates to the courses reflect the ever changing technological advances, social media, and cybercrime high risk areas as well as planned changes to data protection law; principally GDPR, to be implemented in May 2018. The frequency of the course is now annually mandated. The Information Governance and Assurance Team continue to listen to feedback and are currently redesigning training so that staff and elected members are required to complete one course as a new starter to the organisation and an annual refresher course thereafter. This revised course is due to be launched by June 2018 for the new financial year.

As at March 31st 2018 the council reported via the national IG Toolkit that 95% of staff had successfully completed the appropriate level of training.

To support a blended learning approach alternative formats have and are being developed for employees who do not use ICT equipment, as well as the option to have the course delivered face to face where necessary.

Ongoing Actions:

The Information Governance and Assurance Team are continually working to improve our incident management and reporting process and as part of this we have enforced the requirement to respond to incidents within a reasonable timescale throughout all directorates via FIGA as our internal reporting board.

From 25th May, new General Data Protection Regulations (GDPR) come into force. Work is in hand to implement GDPR. As part of our improvements the team are also implementing new processes to support Privacy by Design as a requirement under GDPR, which includes appropriate reporting and management of Data Breach incidents. This will be kept under review and reported accordingly to Audit Committee during 208/19 as required, as failure to comply with GDPR can have serious financial and reputational implications.

Freedom of Information (FOI) and Environmental Information Regulation Access Requests (EIR)

The council continues to have difficulty in managing the volume of requests for FOI and EIR, which means our compliance with the ICO performance rates is lower than required.

The council continues to review the way it manages and handles FOI requests and low level requests are now being directly responded to by some services, where appropriate.

Other Supporting Evidence

The review of effectiveness is also informed and evidenced by the following;

a) Quality assurance controls put in place by Internal Audit and managers, in managing and delivering the Internal Audit service in accordance with the Public Sector Internal Audit Standards and including such areas as discussion/agreement of the risk based audit plan and each individual audit review;

b) The role of the Audit Committee in endorsing Internal Audit's work plan and in their regular review and scrutiny of audit performance;

c) The work of Audit Committee reviewing specific reports which have been awarded no or limited assurance for detailed scrutiny, ensuring the committee is able to be assured that operational and control issues are being dealt with appropriately and that managers' agreed actions are being implemented. The Committee are able to seek explanation from managers failing to progress agreed actions.

d) The preparation and presentation of an Annual Report to Council of Audit Committee's work, assisting it to discharge the committee duty to provide independent assurance on the adequacy of the council's risk management framework and the internal control and reporting environment.

e) The regular review of Internal Audit work by the CFO including meetings with Internal Audit.

Based on the work of Audit Committee, the Internal Audit Annual Opinion, the work and findings of Internal and External Audit, the system of Internal Control is assessed as satisfactory overall. Some improvements have been identified as set out in this report and these improvement actions will be monitored and reported back to the appropriate Committee.

Annual Governance Statement 2017/18

1. Scope of responsibility

This statement is given in respect of the 2017/18 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Walsall Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and this includes arrangements for the management of risk.

Walsall has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and sets out its commitment to good governance. This statement explains how Walsall Council has complied with the Code and also meets the requirement of the Accounts and Audit Regulations 2015.

2. The purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Walsall Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Walsall Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts (July 2018).

3. The Governance Framework

The key elements of the council's governance arrangements, including the system of internal control, are contained in the council's Local Code of Governance. The Code in force during 2017/18 is available at the following link. Code of Governance. The Local Code of Governance incorporates seven core principles of good governance:
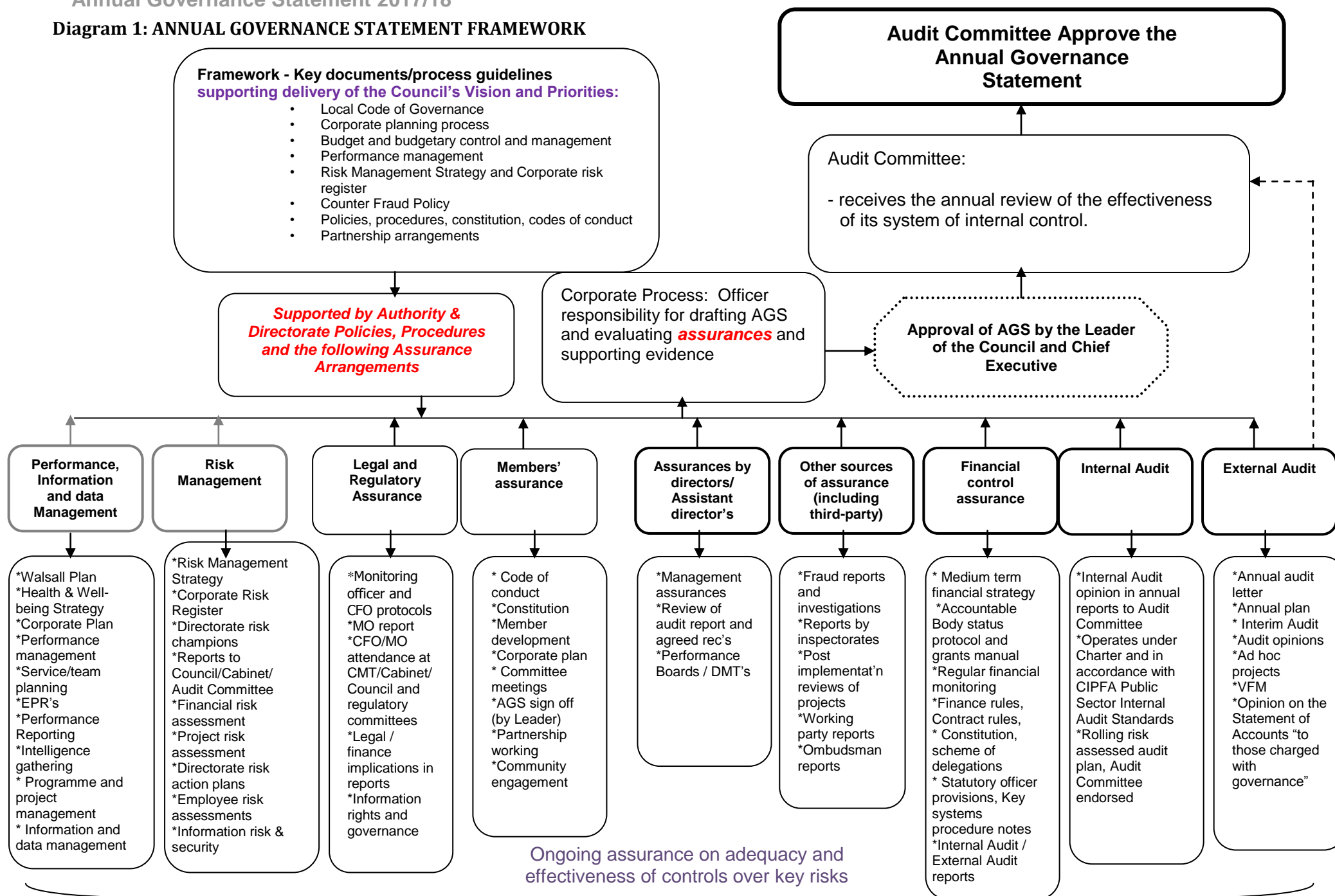
1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2) Ensuring openness and comprehensive stakeholder engagement.
3) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4) Determining the interventions necessary to optimise the achievement of the intended outcomes.
5) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6) Managing risks and performance through robust internal control and strong public financial management.
7) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Local Code also sets out how the council will put these into practice, including by (list is not exhaustive, see Local Code for full list):

- *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*
- *Ensuring openness and comprehensive stakeholder engagement.*
- *Defining outcomes in terms of sustainable economic, social, and environmental benefits.*
- *Determining the interventions necessary to optimise the achievement of the intended outcomes.*
- *Developing the entity's capacity, including the capability of its leadership and the individuals within it.*
- *Managing risks and performance through robust internal control and strong public financial management*
- *Implementing good practices in transparency, reporting, and audit to deliver effective accountability.*

The governance framework consists of the local Code of Governance supported by the strategies, corporate systems, policies, practices and processes, spanning the whole range of the council's activities. This includes management information, finance and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate employee performance review (EPR) framework, a risk management strategy and process, and a system of officer and member delegation and accountability and codes of conduct. Diagram 1 illustrates the overall governance framework which is discussed in more detail in the following sections.

Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Audit Committee Approve the Annual Governance Statement

Framework - Key documents/process guidelines supporting delivery of the Council's Vision and Priorities:
- Local Code of Governance
- Corporate planning process
- Budget and budgetary control and management
- Performance management
- Risk Management Strategy and Corporate risk register
- Counter Fraud Policy
- Policies, procedures, constitution, codes of conduct
- Partnership arrangements

Audit Committee:

- receives the annual review of the effectiveness of its system of internal control.

Supported by Authority & Directorate Policies, Procedures and the following Assurance Arrangements

Corporate Process: Officer responsibility for drafting AGS and evaluating **assurances** and supporting evidence

Approval of AGS by the Leader of the Council and Chief Executive

Performance, Information and data Management	**Risk Management**	**Legal and Regulatory Assurance**	**Members' assurance**	**Assurances by directors/ Assistant director's**	**Other sources of assurance (including third-party)**	**Financial control assurance**	**Internal Audit**	**External Audit**
*Walsall Plan *Health & Well-being Strategy *Corporate Plan *Performance management *Service/team planning *EPR's *Performance Reporting *Intelligence gathering * Programme and project management * Information and data management	*Risk Management Strategy *Corporate Risk Register *Directorate risk champions *Reports to Council/Cabinet/ Audit Committee *Financial risk assessment *Project risk assessment *Directorate risk action plans *Employee risk assessments *Information risk & security	*Monitoring officer and CFO protocols *MO report *CFO/MO attendance at CMT/Cabinet/ Council and regulatory committees *Legal / finance implications in reports *Information rights and governance	* Code of conduct *Constitution *Member development *Corporate plan * Committee meetings *AGS sign off (by Leader) *Partnership working *Community engagement	*Management assurances *Review of audit report and agreed rec's *Performance Boards / DMT's	*Fraud reports and investigations *Reports by inspectorates *Post implementat'n reviews of projects *Working party reports *Ombudsman reports	* Medium term financial strategy *Accountable Body status protocol and grants manual *Regular financial monitoring *Finance rules, Contract rules, * Constitution, scheme of delegations * Statutory officer provisions, Key systems procedure notes *Internal Audit / External Audit reports	*Internal Audit opinion in annual reports to Audit Committee *Operates under Charter and in accordance with CIPFA Public Sector Internal Audit Standards *Rolling risk assessed audit plan, Audit Committee endorsed	*Annual audit letter *Annual plan * Interim Audit *Audit opinions *Ad hoc projects *VFM *Opinion on the Statement of Accounts "to those charged with governance"

Ongoing assurance on adequacy and effectiveness of controls over key risks

The council acknowledges its responsibility for ensuring that effective governance arrangements, including an effective system of internal control (including financial control), are maintained and operated in connection with the resources concerned. Any system of internal control, including internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. Development and maintenance of the system is undertaken by managers within the council.

In particular, the system includes the following key elements:

- A Partnership Plan (Walsall Plan – the Health and Wellbeing Strategy for the borough), setting out ambition, objectives and priorities of the council and key partners, developed following consultation with the community and stakeholders – supported by our Corporate Plan 2017-2020, refreshed in February 2018 (Corporate Plan 2018-2021).
- A robust financial framework, incorporating a comprehensive medium term financial strategy and plan, budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- An information governance framework.
- A comprehensive risk management strategy and internal control framework, operating at both strategic and operational levels.
- An approved Constitution, including finance and contract rules, a scheme of delegations and decision-making processes of the Council, ensuring sound decision making and compliance with regulations and the law.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance.
- Comprehensive policies and procedures, including codes of conduct (member and officer ethics and behaviours), whistle blowing policy and a counter-fraud and anti-corruption policy and strategy.
- Clear measures of financial performance linked to the corporate plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the council.
- A risk assessed Internal Audit plan that is planned in advance which and covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the council.
- Member and officer development strategy and individual development planning processes.
- Comprehensive communication and consultation arrangements both internally and externally.

There are a number of key elements of the governance framework and internal control environment which assist the council in monitoring and managing the achievement of its objectives. These are included in the council's published overarching strategies and plans including; the Walsall Plan; the Corporate Plan (both informed by key strategic needs assessments - the joints strategic needs assessment, economic needs assessment and community safety needs assessment; Medium term financial strategy, corporate budget plan, capital strategy, risk management strategy; treasury management and investment strategy; change management approach, and directorate strategy and planning documents. These documents set out the council's priorities.

The Corporate Plan 2017-2020 (refreshed February 2018 as Corporate Plan 2018-2021) explains what we are doing as a Council and what we are trying to achieve. Key achievements delivered against priorities over the last 12 months were reported to Cabinet on 25th April 2018. The report can be accessed at the following link: [Review of Achievements 2017/18](#).

The refreshed Corporate Plan 2018-2021 reflected and built on these key priorities and following the LGA Corporate Peer Challenge in September 2017, included a fifth priority focussing on improving how we operate. This is intended to ensure our transformation ambitions are fit for purpose.

Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to aim to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. The council is currently reviewing the corporate performance management framework to suit the measures being reported on and an increased focus on delivery of activity to address the priority issues.

The council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules which set out the control environment in which the council operates. The Constitution was reviewed and updated during 2017/18; and again in May 2018.

The Constitution also sets out Codes of Conduct for member and officer, setting out appropriate standards of conduct and expectations around ethics and behaviours.

The council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. During 2017/18, Audit Committee approved a refreshed Corporate Risk Management Strategy. The Strategy provides the foundation on which robust risk management activity, which supports the efficient and effective delivery of services, will be embedded within business processes and a contribution to the effectiveness of the governance framework. An action plan has also been developed to further embed risk management into the governance framework of the organisation.
Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves.

The council has a robust medium term financial strategy and a rolling four year plan to support delivery of resource allocation in line with council priorities. This is regularly reviewed in light of ever-changing financial and economic conditions and pressures arising from demand led services.

The Assistant Director of Finance was responsible during 2017/18 for the proper administration of the Council's affairs, as required by Section 151 of the Local Government Act 1972. The AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2016).* The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complied with all but one during 2017/18. This related to Principle 1, in that "*the CFO is a key member of the Leadership Team reporting directly to the Chief Executive with status at least equivalent to other members of the team".* The Statement also states that if this is not the case then the reasons should be explained publicly in the AGS and an explanation of how the actual arrangements deliver the same impact.

During 2017/18, the CFO reported to the Executive Director Change & Governance, who reported to the Chief Executive. The CFO attended the Leadership Team (the corporate management team), had access to all confidential papers/matters, had direct and unfettered access to and met frequently with the Chief Executive, and had direct and unfettered access to members, including Cabinet and Audit Committee. With effect from April 2018, following the promotion of the Assistant Director and CFO to Executive Director, Resources and Transformation, the role of the CFO has been incorporated into the Director role, as such the council is expected to comply with all five principles going forward.

Arrangements for the provision of Internal Audit are contained within the council's Constitution. The council, via its statutory Chief Finance Officer (CFO) must ensure that there is an adequate and effective Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2015.

Executive directors and accountable budget and asset owners are required to provide assurance via internal audit reports and where appropriate, to Audit Committee, that agreed audit actions are being implemented, and where control weaknesses are identified, to put in place remedial action in a timely manner, and as agreed with audit.

The Audit Committee receives summary reports of audits receiving a no or limited assurance opinion and external audit recommendations and actions and seeks to ensure that control weaknesses where identified are addressed. The Committee has a function in respect of the system of internal control and its effectiveness and the work of the Committee includes the review of the Annual Governance Statement and its formal approval in September of each year.

4.   Review of Effectiveness

Walsall Council (via Audit Committee) has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness is informed by and assurance obtained from:
- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on Value for Money and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- A review of AGS via key questions by Internal Audit during 2017/18 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy and associated processes.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

In respect of the system of internal control, a review of the following areas has been undertaken and reported to Audit Committee on 18th June 2018 to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2017/18 in:
  - receiving no and unlimited audit reports.
  - reviewing the risk management strategy and approach.
  - reviewing treasury management, financial health, performance
  - approving accounting polies and the statement of accounts

- oversight (and referral on as appropriate) of the outcomes of Inspections and external reviews
- reviewing council policies and procedures
- Internal Audit evaluation of the effectiveness of the council's risk management, control and governance processes; identified control weaknesses 2017/18 and the Annual Opinion.
- Progress in addressing governance Issues and control weaknesses identified in the 2016/17 AGS and progress in addressing these.
- The work of Internal Audit to assess the extent to which compliance with the AGS framework has been met by the council.
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013.
- Regular reporting to and scrutiny by Audit Committee of corporate risks.
- The work of other regulatory Committees – Standards.
- The work of Inspectorates.
- The work of external audit.
- The work of scrutiny and in particular oversight of the 2017 Ofsted Inspection report and action plan on children's services - assessing the Walsall as "requires improvement to be good".
- Financial and performance reporting, including in relation to financial and budgetary control, risk, information governance and data protection arrangements, and other supporting evidence.

Some control weaknesses were identified as a result of the work of the above evaluation and actions have been put in place to address the findings and follow ups will be undertaken, and feedback reported to the Committee.

5. Significant Governance Issues

Officers who drafted this Annual Governance Statement, evaluated assurances and supporting evidence, have concluded that the effectiveness of the governance framework, in respect of the system of internal control is satisfactory overall.

Identified control weaknesses have been reported to Audit Committee throughout 2017/18 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control reported to Audit Committee on 18th June 2018. Actions are in place to address these.

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Dr Helen Paterson
Chief Executive
Date: xx June 2018

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Councillor Sean Coughlan
Leader of the Council (May 2016 – May 2018)

Date: xx June 2018

In approving this statement, the views and assurances of the statutory officers and Executive Directors have been sought and appropriate evidence obtained to support it.