Audit Committee – 22 July 2019

Annual Review of Effectiveness of the System of Internal Control and Annual Governance Statement 2018/19

Summary of Report

This report contains the findings 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 2018/19 and requires Audit Committee approval.

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 and considers the findings 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 2019.

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) by 31st July.

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 2018/19 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. The AGS was formally signed off by both prior to finalisation of this report.

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 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

V Buckley

Vicky Buckley – Head of Finance
9 July 2019

Author:
Vicky Buckley, Head of Finance, ☎01922 652326, ✉ vicky.buckley@walsall.gov.uk

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 2018/19.
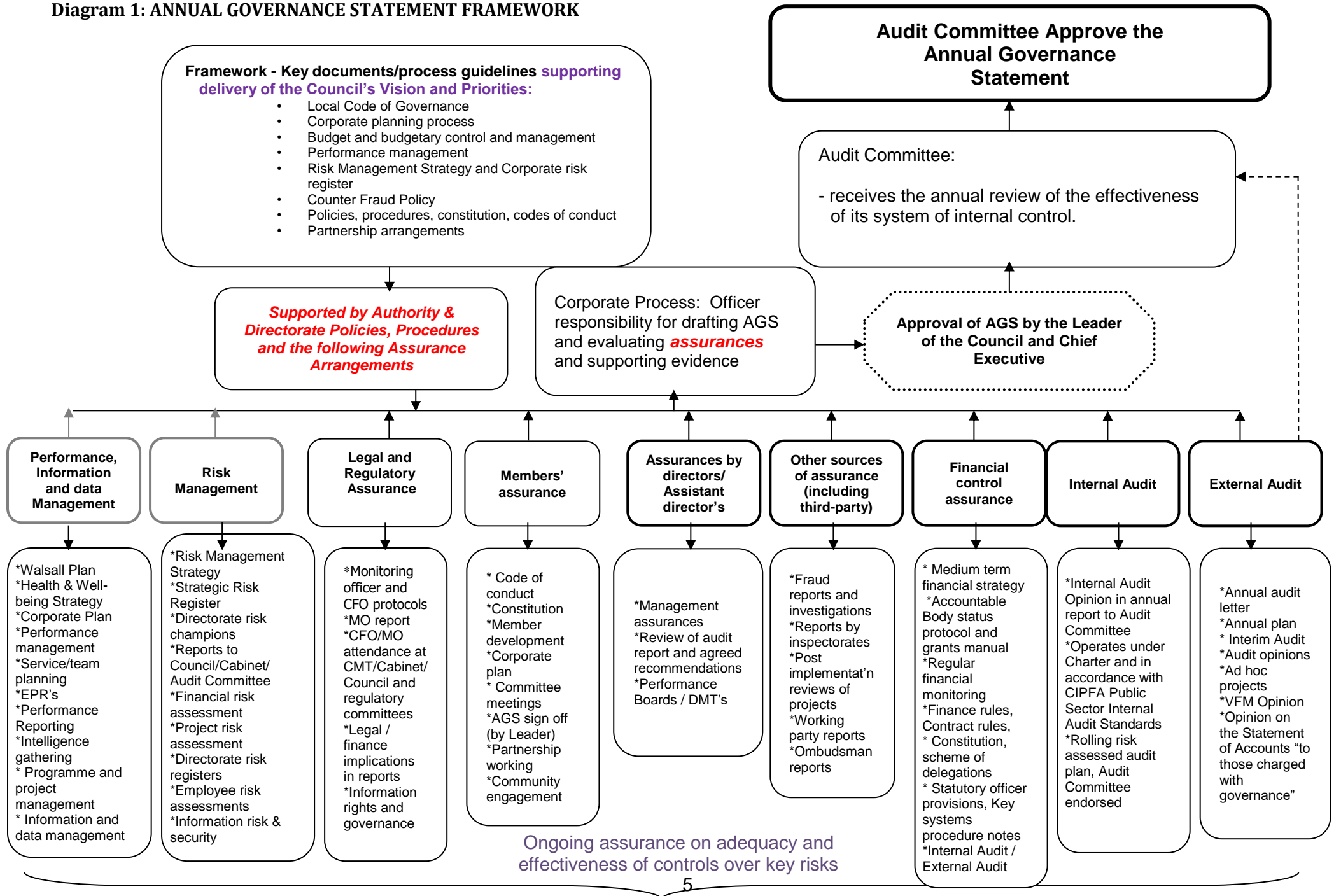
Audit Committee is able to monitor the effectiveness of the governance framework and the internal control environment and the council's internal audit arrangements, and receive their assurance on these matters in a number of ways. Further detail is set out in the following paragraphs and the totality 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).
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate performance Management Framework and Counter Fraud arrangements.
- 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 2018/19 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 *Strategic Risk Register *Directorate risk champions *Reports to Council/Cabinet/ Audit Committee *Financial risk assessment *Project risk assessment *Directorate risk registers *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 recommendations *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	*Internal Audit Opinion in annual report 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 *Opinion on the Statement of Accounts "to those charged with governance"

Ongoing assurance on adequacy and effectiveness of controls over key risks

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 2018/19 financial year, the following Internal Audit Opinion has been given;

"On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 20 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.

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."

Internal Audit Identified Control Weaknesses

1). Follow up of 2017/18 control weaknesses:

The AGS effectiveness review is informed by work undertaken in 2018/19 to follow up on actions agreed to improve governance issues/control weaknesses identified in the previous year's (2017/18) AGS.

During 2017/18, Internal Audit reviews were undertaken on the core financial systems. 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 of audit assignments (36 of 49 audits or 73%) the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a 'limited assurance' opinion. No audits were given a 'no assurance' opinion. The table below details the reviews where a limited assurance level was given (12):

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
Economy & Environment	CRC Energy Efficiency Scheme	**Limited**	Substantial
	Forest Arts Centre	**Limited**	**Limited**
Adult Social Care	Domiciliary Care	**Limited**	**Limited**
	Safeguarding	Substantial	**Limited**
	Market Management	**Limited**	Substantial
Schools	St Michael's Primary	Substantial	**Limited**
	Millfields Nursery	Substantial	**Limited**
	Ogley Hay Nursery	Substantial	**Limited**
	Valley Nursery	Substantial	**Limited**
	Old Hall Special	Substantial	**Limited**
Corporate	Procurement	**Limited**	**Limited**
	Performance Management	Substantial	**Limited**

There were 6 'Priority 1' recommendations, 1 in each the following audits:

- Forest Arts Centre (economy and environment)
- Domiciliary Care (adult social care)
- Market management (adult social care)
- Valley Nursery
- St James Primary School
- Procurement

The table below provides an update on action taken to address the 2017/18 recommendations.

Directorate	Audits	Adequacy of System Design	Effectiveness of Operating Controls	Progress on Implementation of Recommendations
Economy & Environment	CRC Energy Efficiency Scheme	**Limited**	Substantial	See 2018/19 audit report assurance: Substantial / Limited. P1 recommendation raised was implemented in time for the 2019/20 audit which is currently underway.

Directorate	Audits	Adequacy of System Design	Effectiveness of Operating Controls	Progress on Implementation of Recommendations
	Forest Arts Centre (draft)	**Limited**	**Limited**	16 out of 19 recommendations raised have been implemented, including the P1 rec. 3 Priority 2 are due to be implemented by end of June 2019.
Adult Social Care	Domiciliary Care	**Limited**	**Limited**	9 out of 13 recommendations raised have been implemented, including the P1 rec. 4 Priority 2 are due to be implemented by end of September 2019.
	Safeguarding	Substantial	**Limited**	All recommendations implemented.
	Market Management	**Limited**	Substantial	3 out of 7 recommendations raised have been implemented. 1 Priority 1 and 3 Priority 2 are due to be implemented by end of September 2019.
Schools	St Michael's Primary	Substantial	**Limited**	All recommendations implemented.
	Millfields Nursery	Substantial	**Limited**	All recommendations implemented.
	Ogley Hay Nursery	Substantial	**Limited**	All recommendations implemented.
	Valley Nursery	Substantial	**Limited**	All recommendations implemented.
	Old Hall Special	Substantial	**Limited**	All recommendations implemented.
Corporate	Procurement	**Limited**	**Limited**	2018/19 audit report assurance is Limited / Limited. Follow Up audit will be undertaken.
	Performance Management	Substantial	**Limited**	All recommendations implemented.

The majority of actions have been implemented and confirmed on follow up. One priority 1 recommendation is due for implementation in September (market management). Procurement was subject to a further audit in 2018/19 and the outcome was a limited assurance finding. This will be further followed up in 2019/20 and progress reported to Audit Committee

The AGS effectiveness review is informed by internal audit work undertaken in 2018/19, the findings of these reviews and actions plans put in place by managers to address identified control weaknesses. During 2018/19, 53 internal audits were undertaken where internal audit provided a formal assurance level. Of these:

- 8 audits (15%) received a 'Good' assurance level;
- 30 audits (57%) received a 'Substantial' assurance level;
- 15 reviews (28%) received a 'Limited' assurance level and
- No audits (0%) received a no assurance opinion.

Overall, 38 reviews (72%) were given a 'Substantial' assurance or above. All core financial systems were given a 'Substantial' or 'Good' assurance.

A total of 337 recommendations have been made.

- 20 (6%) were 'Priority 1' recommendations - that are fundamental to the system and upon which the organisation should take immediate action.
- 196 (58%) recommendations were categorised as 'Priority 2' recommendations - although not fundamental to the system, provide scope for improvements to be made.
- 121 (36%) were 'Priority 3' – recommendations considered of a minor nature, but which nevertheless need to be addressed.

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' or 'good' assurance opinion (two receiving the highest – a good – opinion).

In addition to fundamental financial systems, 45 audits were undertaken in 2018/19 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 (20):

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
Economy & Environment	CRC Energy Efficiency Scheme	Substantial	**Limited**
	Licensing	**Limited**	**Limited**
Adult Social Care	Residential & Nursing Care	**Limited**	**Limited**
Children's Services	Schools Governance	**Limited**	Substantial
	Commissioning of Placements	**Limited**	Substantial
Schools	Alumwell Junior	**Limited**	**Limited**
	Busill Jones Primary	**Limited**	**Limited**

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
	New Leaf Inclusion Centre	**Limited**	**Limited**
	The Jane Lane Special	**Limited**	**Limited**
Resources & Transformation	Money, Home, Job - Emergency Payments	Substantial	**Limited**
	Money, Home, Job - Purchase Cards	**Limited**	Substantial
	ICT Business Continuity	**Limited**	**Limited**
Corporate	Performance management Framework	Substantial	**Limited**
	Procurement	**Limited**	**Limited**
	IR35	Substantial	**Limited**

The 20 'Priority 1' recommendations were in the following audits and further detail is provided in the Head of Internal Audit Opinion report in Private on tonight's agenda.

- CRC Energy Efficiency Scheme (economy and environment) – 1
- Licensing (economy and environment) – 2
- Residential & Nursing Care (adult social care) – 4
- Schools Governance (children's services) – 1
- Alumwell Junior (schools) – 1
- Busill Jones Primary (schools) – 1
- New Leaf Inclusion Centre (schools) – 1
- The Jane Lane Special (schools) – 3
- Purchase Cards (resources & transformation - money, home, job) – 1
- ICT Business Continuity (resources and transformation) – 1
- Procurement (corporate) – 4

These reports were considered in detail as part of the Audit Committee's routine consideration of 'limited assurance' audit opinions.

Assurance in respect of the effectiveness of the overall system of internal control can 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.
- The majority of recommendations arising from the previous years limited assurance findings, have been implemented. One, procurement, which received a limited assurance in both 2017/18 and 2018/19, will be followed up in 201/20 and progress reported to Committee.
- Internal Audit will follow up all 'limited assurance' reports to ensure progress is made in implementing agreed recommendations and will report back to Audit Committee accordingly.
- The twenty fundamental recommendations are in eleven separate audit areas. Action is being taken to address these and these will be followed up and reported to the Committee during 2019/20.

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 2018/19. 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 are 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. All members and officers 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. Following Audit Committee approval of a revised Risk Management Strategy and risk work programme in February 2018, progress against the programme was reported to Audit Committee during 2018/19, including implementation of a revised Strategic Risk Register (SRR), which was subject to examination by the Committee. Committee received reports on risk management at their July 2018 and April 2019 meetings on the SRR and directorate risk register updates

During 2018/19, a fundamental review of the Strategic Risk Register (SRR) was undertaken along with the embedding of work to review strategic risks. Work is ongoing to develop the approach further during 2019/20 and regular updates will continue to be reported to Audit Committee. Further work on assurance mapping will also be undertaken during 2019/20 which will inform improvements to the Governance Framework.

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.

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 2019/20, management have updated the evidence trail, and this information has been reviewed by Internal Audit.

In quarter four, Internal Audit 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. The 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

Follow-up work was performed on 21 Key Questions within the Annual Governance Statement and Internal Audit's assessment of the current compliance status of a selection of Key Questions across all service lines is indicated in the table below.

A sample of questions was chosen 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	BCP3	Are there adequate and well communicated arrangements in place for computerised systems / records to ensure that these can be reconstituted in the event of a system failure?	The document provided outlines the procedure to follow in the case of a system failure.	Compliant
Business Continuity Planning	BCP7	Do your contingency arrangements include responding to contractor or partnership failure?	The ICT Systems Recovery Plan is currently in draft form and will be revised to take into account data centre hosting changes and management approval obtained	In-part Compliant
Legal & Regulatory	LR2	Are reasonable arrangements in place to promptly identify changes in	Review of the websites used to keep up to date with the changes, provides the assurance they provide access	Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
		legislation that affect the Council?	to the most up to date UK legislation available with additional guidance and a range of services. Annual training programme also offered, tailored to the needs of members.	Compliant
Legal & Regulatory	LR3	Are Members kept up to date with statutory requirements relevant to their role?	Document review deemed this sufficient. Codes and protocols outline how the statutory requirements will be discharged by the Monitoring Officer and Chief Finance Officer.	Compliant
Performance Management	PM3	Are the performance indicators directly aligned to the Council's strategic and departmental objectives as well as any statutory requirements?	Review of the Corporate Plan and Partnership Board's performance frameworks is deemed sufficient.	Compliant
Performance Management	PM5	Is underperformance managed effectively including the use of improvement plans?	Individual arrangements within directorates are set and managed by them, therefore assurance could not be provided as to the use of improvement plans and performance boards. Evidence of corporate reporting was provided and was deemed sufficient.	In-part Compliant
Financial Controls	FC4	Is budget setting directly linked to Council priorities, statutory obligations and service objectives?	Evidence of this provided as part of the budgetary control audit and individual audits that take place during the year.	Compliant
Financial Controls	FC16	Are processes in place for the regular monitoring of compliance with financial regulations, in particular: a) are all purchases of goods and services authorised by an appropriate person; and b) is an authorised signature list held and is it regularly updated?	Evidence of this provided as part of the Accounts Payable and individual audits that take place during the year.	Compliant
Procurement & Contracts	PC4	Are all contracts recorded on the Council's (electronic) contracts register and is this regularly reviewed and updated?	The internal audit of Procurement identified that although contract registers are available and publicised on the Council internet page, they do not currently comply with the 2105 Transparency code as data is missing and is out of date.	In-Part Compliant
Procurement & Contracts	PC6	Is the use of contractors closely monitored to ensure	The Internal Audit of Procurement completed in	In-Part Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
		that the Council receives best value and that service standards are delivered to expected levels?	March 2019 confirmed that the corporate procurement team do not complete proactive spend analysis of supplier spends to identify non-contracted spend and monitor the effectiveness of obtaining best value and compliance with Contract Rules. Complete assurance cannot be provided.	
Project & Programme Management	PPM4	Are all key projects mapped to the Council's key priorities?	The Walsall Proud Programme and ICT programmes are aligned to the Council's key priorities, however, this is not organisation wide at present.	In-part Compliant
Project & Programme Management	PPM6	Are documented procedures in place for monitoring and controlling projects during their lifetime?	All documents listed were found to be available to employees on the Council's intranet, however, The Walsall Proud Programme will consider the existing documentation and may adapt or amend it to better meet the needs. ICT plan to review procedures to ensure they remain fit for purpose.	In-part Compliant
Member Relationships	MR1	Do all Member Committees have clearly defined and approved terms of reference?	Document review deemed this sufficient.	Compliant
Member Relationships	MR4	Has a training programme to develop Members' skills been established for each committee?	Learning and development available to members to participate in outlining mandatory, highly recommended or optional training.	Compliant
ICT	IT2	Does the Council have in place adequate security arrangements to safeguard IT software and hardware?	There are two main systems in places as well as four standalone systems to support specific clients. Sufficient evidence provided to support the key officer's response.	Compliant
ICT	IT10	Is this plan subject to regular testing and review?	Test and review of the system is done on a yearly basis as it would cause severe disruption to front line services. Procedure manuals are available covering how to identify and deal with a disruption and how to restore systems after disruption. Backup logs of disruptions are available which are updated by staff.	Compliant
Information Management	IM2	Are robust procedures in place to ensure electronic or	Review of the Information Governance Policy Framework	Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
		hard copy data held or used by each service area is kept secure in accordance with the provisions of the DPA and not disclosed to unauthorised parties?	and the Retention Guidelines deemed this sufficient.	
Information Management	IM3	Is data held or used by each service area relevant, accurate, up to date and necessary for the purpose it is being held, and is it only used for the purposes set out in the Council's Data Protection notification?	Review of the Information Governance Policy Framework. Also included as part of the Data Protection annual mandatory training.	Compliant
Partnership Working	PW3	Are processes in place to ensure that partnerships are appropriately aligned to Council priorities and strategies?	Cabinet approved the Walsall Plan: Our Health and Well-being strategy 2019-2021 as the overarching plan for the Walsall Partnership on 13th February 2019.	Compliant
Human Resources	HR1	Is authority, responsibility and accountability clearly defined, such that decisions are made and actions are taken by the appropriate people?	Policies and procedures are in place that clearly define the roles and responsibilities of the relevant parties. However, policies have not been updated/reviewed by staff to provide updates where required.	In-part Compliant
Human Resources	HR11	Are procedures and monitoring arrangements in place to ensure that staff are not influenced by prejudice, bias or conflicts of interest (including the influence of gifts and hospitality)?	Documents provided outlines the procedure to follow to ensure staff are not influenced. However, policies have not been updated/reviewed to provide updates where required.	In-part Compliant

Conclusions:

- Of the 21 key questions sampled, in 13 cases there was evidence of full compliance and in 8 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.

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 of 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.

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 2019/20.

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 was used to support the assurance gathering process.

During 2018/19, 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, and updates on priority 1 recommendations.
- Review of a newly implemented Strategic Risk Register (SRR) and approval of a work programme to review the Strategic Risks of the organisation and associated risk management framework and procedures.
- Oversight and approval of the 2017/18 Statement of Accounts and Annual Governance Statement, including approving the annual review of the effectiveness of the internal control environment.
- Receipt of and review of all external audit reports, including the value for money conclusion and Annual Audit Letter.
- 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 the council's Counter Fraud arrangements, including approval of a programme of work including awareness raising and review of the organisations counter fraud procedures
- 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. The Standards Committee has 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 Member 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. These process were reviewed and changes to the Code and Arrangements were approved at Annual Council on 20th May 2019. These changes incorporated the Best Practice recommendations from the Committee for Standards in Public Life. One of these for example was to include a definition of bullying in the Code of Conduct.

During 2017/18 a complaint was made. Following an independent investigation by external specialist lawyers the Elected member was found to have breached the Council Code of Conduct and was instructed to apologise for their behaviour at a public meeting of Cabinet.

During 2018/19 the council received no complaints which required a formal standards investigation to be undertaken.

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.

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 disclosable pecuniary interests. This is held within the office of Democratic Services and is also accessible through the Council's website via CMIS. The register is updated following the Council's Annual Meeting each year and periodically thereafter as Elected 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 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 2018/19 a number of changes were made to the Constitution in consultation with the Audit Committee and the changes were approved at Annual Council on 20th 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 supports 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 Annual Review letter for 2018/19 will be published on 31st July, but at this stage, and based upon the council's own records, it is believed that the authority 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. Work in 2018/19 included:

a) The Annual Report to Those Charged with Governance (ISA260), published September 2018 by our outgoing auditors Ernst Young, which provided an unqualified

opinion of the 2017/18 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).

b) The results of the Interim Audit work of our incoming auditors Grant Thornton in relation to the 2018/19 accounts – no issues have been found as part of this review that GT wished to bring to the attention of the Committee.

c) At the time of writing this AGS, GT's work in relation to 2018/19 (namely the Annual Report to Those Charged with Governance, the audit of the Statement of Accounts, and the VFM conclusion) is not complete. The 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 2016/17 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 2018/19, there were a number of external inspections and reviews of the council, the with those resulting in Inadequate Outcomes being:

1) Busill Jones – 18th April 2018 - Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports (which includes monitoring visit reports since the inadequate outcome) - https://reports.ofsted.gov.uk/provider/21/104146

An Ofsted Monitoring Inspection was made on 8 to 9 May 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal*

of special measures. The local authority's statement of action is fit for purpose and the school's improvement plan is fit for purpose. The school may not appoint newly qualified teachers before the next monitoring inspection".

2) New Leaf - 18th April 2018 - Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports (which includes monitoring visit reports since the inadequate outcome) - https://reports.ofsted.gov.uk/provider/22/134523

   An Ofsted Monitoring Inspection was made on 16th to 17th January 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal of special measures. The school may not appoint newly qualified teachers before the next monitoring inspection.*"

3) Jane Lane – 27th November 2018 - Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports (which includes monitoring visit reports since the inadequate outcome) https://reports.ofsted.gov.uk/provider/25/104271

   An Ofsted Monitoring Inspection was made on 9th to 10th April 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal of special measures. The local authority's statement of action is fit for purpose and the school's improvement plan is fit for purpose".*

4) Walsall Council Local Area SEND Joint Inspection – 4th February 2019 - Inspection outcome that a Written Statement of Action (WSoA) is required because of significant areas of weakness – link to Ofsted / CQC report https://reports.ofsted.gov.uk/provider/44/80574

   The Inspection report was published on the 7th May and the Council and CCG have 70 working days from publication of the report to respond. Walsall Council and the CCG are working closely together on a written statement of action which will set out how weaknesses highlighted in the report will be addressed. Scrutiny will oversee the delivery of the actions during 2019/20.

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.

The council has outturned 2018/19 with an underspend against budget of £438k (0.07% of gross expenditure) and with its general reserves intact.

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 2018/19 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 of these.

Performance Management

The Corporate Plan, 2018-2021 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.

The revised Corporate Performance Management Framework was reported to Audit Committee for review and recommendation to Cabinet, at its meeting on 24th July 2018.

The main objectives of the Corporate Performance Management Framework are to set out how the council ensures the delivery of the Corporate Plan 2018-2021, its vision and priorities, and secures effective and sustainable improvements for the benefit of our residents. The framework sets out the broad performance management principles for how we approach our work and underlines the performance management responsibilities of everyone working for the council. Included in the framework is the basket of headline performance measures which directorates have identified as aligning with the priorities of the 2018-2021 Corporate Plan and that will be routinely monitored and reported on.

Audit Committee considered the Framework and made some recommendations for change. The final Framework was subsequently considered and approved by Cabinet on 24th October 2018.

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.

A report, Corporate Plan Achievements 2018/19, presenting a review of the key achievements during the 2018/19 year in relation to the council's Corporate Plan was considered by Cabinet on 24th April 2019. Quarterly reports for 2019/20 are proposed to be presented to Cabinet.

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.

The Information Governance Policy framework was updated and approved by Audit Committee in April 2018. During 2018/19 procedures have continued to be reviewed, developed and added to the policy framework.

Management of Data Protection Breaches 2018/19

During 2018/19 there were 77 incidents reported as data breaches to the Information Governance team compared to 69 in the previous year (85 in 2016/17). These breaches were categorised from grade 0-1 (internal action required) through to grade 2 (reportable externally), as set out below.

The reporting grades are assessed using the national incident reporting tool guidance as set out by NHS Digital for health and social care incidents alongside the 5 x 5 risk matrix to aid in the assessment and identification of reportable data protection incidents.

The reduction and improved understanding around what constitutes a data protection incident and/or breach of confidentiality against the previous year, confirms that there is a high level of awareness in regard to understanding our duties and responsibilities across all service areas. The table below reflects the amount of reported incidents by grade:

Grade	Total
0	43
1	32
2	2
Total	**77**

The Information Governance team ensure that the council meets its obligations for accountability by issuing regular reports for all data protection incidents to the Forum for Information Governance and Assurance (FIGA). The table below shows the incidents reported by directorate which are monitored by FIGA representatives.

Directorate	Total
Adult Social Care	10
Children's Services	27
Economy and Environment	7
Resources and Transformation	33
Grand Total	**77**

To further support the reporting and monitoring of data protection incidents the Information Governance team ensure that any reported incidents are identifiable by the incident type so that any repetitive incidents or identifiable risks can be addressed by FIGA as the governance board. The table below sets out the amount of incident by their incident type:

Breach Type	Total
Breach of confidentiality	30
Information Disclosed in error	35
Information lost or stolen	12
Grand Total	**77**

Lessons learnt:

As part of duties and obligations under the data protection regulations the council has to ensure that it has taken appropriate steps to reduce incidents by the sharing of lessons learnt and taking the actions required to reduce the potential for further incidents of a repetitive nature.

There are recurring themes of small amounts of data being 'disclosed in error' or 'lost or stolen' across a range of services and circumstances. This continues to be addressed by ensuring mandatory Information Governance training is undertaken by all staff every 12 months.

Serious incident reporting:

The council has reported two serious incidents to the Information Commissioner's Office (ICO) both of which are still under investigation. These related to the use of information for safeguarding purposes which was deemed excessive and in light if this the Information Governance team have implemented additional safeguards and training with all appropriate services.

Data Protection Incident improvement actions:

Over the reporting period the Information Governance team have implemented a new breach reporting system to ensure that breaches can be reported quickly and easily from any location. Every incident is then assessed for any potential harm, distress or impact on the rights and freedoms of our clients and investigated fully within an acceptable timeframe. This ensures the council meets with its obligations to investigate and manage data protection incidents accordingly and are able to report the outcomes and requirements of any incidents to an appropriate senior board through FIGA. This also ensures that Information Asset Owners and Information Custodians continue to remain responsible for their service areas.

Update reports are also presented quarterly to FIGA to ensure that this senior management board are aware of data protection breaches in the organisation and can take appropriate action as required.

Protecting Information Training and Awareness:

With the changes in legislation in May 2018 the Information Governance team changed the way that the council undertakes its mandatory new starter and refresher training and awareness by implementing a two staged approach. All staff are now required to complete

the appropriate training modules on an annual basis from the 1st of April to the 31st of March of every financial year.

The NHS Digital "Data Security and Protection" (DSP) Toolkit is an audit tool that enables the council to gain the required level of assurances relating to the provision of its social care services and partnership work with third parties such as Health, Police and Safeguarding. The council is very pleased to report that for the second year running 95% of staff have successfully completed the training against the national Toolkit requirement.

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.

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.

Actions and improvements have been identified as set out in this report and these improvement actions will be monitored and reported back to the appropriate Committee.

The Audit Committee work programme for 2019/20 includes a review of the Governance framework, at which point improvement action progress can be assessed.

Annual Governance Statement 2018/19

1.   Scope of responsibility

This statement is given in respect of the 2018/19 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 2019 and up to the date of approval of the Statement of Accounts (July 2019).

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 2018/19 is available at the following link. Code of Governance. The Local Code of Governance incorporates seven core principles of good governance:
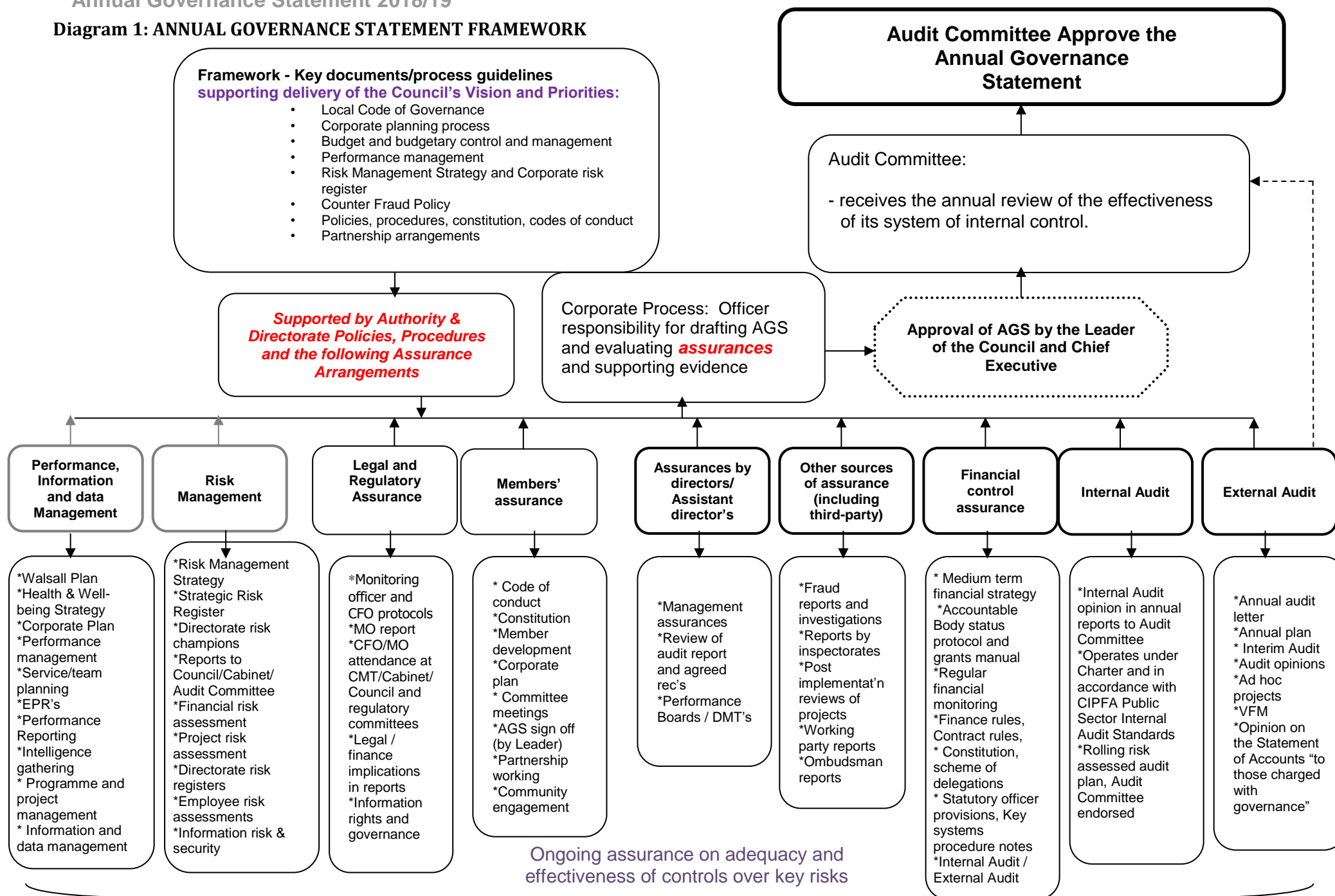
1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2) Ensuring openness and comprehensive stakeholder engagement.
3) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4) Determining the interventions necessary 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

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 Approve the Annual Governance Statement

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 *Strategic Risk Register *Directorate risk champions *Reports to Council/Cabinet/ Audit Committee *Financial risk assessment *Project risk assessment *Directorate risk registers *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	*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 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 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 24 April 2019. The report can be accessed at the following link: Corporate Plan Achievements 2018/19

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 2018/19; and again in May 2019.

The Constitution also sets out Codes of Conduct for members and officers, 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.   Following Audit Committee approval of a revised Risk Management Strategy and risk work programme in February 2018, progress against the programme was reported to Audit Committee during 2018/19, including implementation of a revised Strategic Risk Register (SRR), which was subject to examination by the Committee. Committee received reports on risk management at their July 2018 and April 2019 meetings on the SRR and directorate risk register updates

During 2018/19, a fundamental review of the Strategic Risk Register (SRR) was undertaken along with the embedding of work to review strategic risks.   Work is ongoing to develop the approach further during 2019/20 and regular updates will continue to be reported to Audit Committee. Further work on assurance mapping will also be undertaken during 2019/20 which will inform improvements to the Governance Framework.

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 Executive Director, Resources and Transformation and S151 Officer was responsible during 2018/19 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 of these during 2018/19.

Arrangements for the provision of Internal Audit are contained within the council's Constitution. The council, via its statutory S151 Officer 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 2018/19 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, and council actions to address these.
- 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, Strategic Risk Register, Corporate performance Management Framework and Counter Fraud arrangements.
- 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 2018/19 in:
  - receiving limited assurance internal audit reports.
  - reviewing the risk management strategy, strategy risk register and approach.
  - reviewing the corporate performance management framework
  - approving accounting polies, the statement of accounts and the annual governance statement
  - reviewing counter fraud arrangements
- Internal Audit evaluation of the effectiveness of the council's risk management, control and governance processes; identified control weaknesses 2018/19 and the Annual Opinion.
- Progress in addressing governance Issues and control weaknesses identified in the 2017/18 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 strategic risks.
- The work of other regulatory Committees – Standards.
- The work of Inspectorates and the council's response and actions plans to address Inadequate findings.
- The work of external audit.
- The work of scrutiny and oversight of Ofsted Inspection report and action plans.
- 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 as appropriate.

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 2018/19 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control report to Audit Committee on 22nd July 2019. Actions are in place to address these.

....
Dr Helen Paterson
Chief Executive
Date: 9 July 2019

....

Councillor Mike Bird
Leader of the Council

Date: 9 July 2019

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.