Audit Committee – 1 September 2010

Annual Report of the Audit Committee 2009/10

Summary of report

This report summarises the Audit Committee's activity for the municipal year 2009/10 and seeks approval for the Chair of Audit Committee to present this report to Council.

Recommendation

1. **That the annual report of the Audit Committee 2009/10 be approved and presented by the Chair of the Audit Committee to the next meeting of the Council.**

Rory Borealis – Executive Director

13 August 2010

Resource and legal considerations

The Council is not obliged by law to appoint an Audit Committee but this has been done in line with good governance practice and guidance from the Chartered Institute of Public Finance (Audit Committees: Practical Guidance for Local Authorities)

Governance issues / Citizen impact

The production of an annual report strengthens assurance reporting and governance.

Performance and risk management issues

Highlighting key risk and performance issues helps ensure that appropriate improvement action is taken.

Equality implications

Assurance reporting encompasses key equality and diversity implications.

Consultation

This annual report is produced in accordance with the agreed work programme for the Audit Committee as agreed at its meeting on 14 June 2010 in the report 'The Roles and Responsibilities of the Audit Committee'.

Background papers
- 'Audit Committees: Practical Guidance for Local Authorities' (Chartered Institute of Public Finance)
- Audit Committee agendas, minutes and reports for the municipal year 2009/10

Authors

Rebecca Neill
Head of Internal Audit
☎ 01922 652831
✉ neillr@walsall.gov.uk

Charles Barber
Audit Manager
☎ 01922 652932
✉ barberc@walsall.gov.uk

Vicky Buckley
Head of Corporate Finance
☎ 01922 652349
✉ buckleyv@walsall.gov.uk

James Walsh
Assistant Director - Finance
☎ 01922 652102
✉ walshj@walsall.gov.uk

Walsall Council
Annual Report of the Audit Committee 2009/10

1. Introduction

The Audit Committee forms part of the overall corporate governance process. The key role of the Committee is to provide independent assurance on the adequacy of the Council's risk management framework and the internal control and reporting environment. Presentation of an annual report to Council assists in the Committee discharging this duty.

The Audit Committee was established by the Council in 2002. Its purpose is:
- to provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment; and
- to oversee the financial reporting.

The key benefits of an Audit Committee are:
- increasing public confidence in the objectivity and fairness of financial and other reporting.
- reinforcing the importance and independence of internal and external audit and similar review processes.
- providing additional assurance through a process of independent review.
- raising awareness of the need for internal control and the implementation of audit recommendations.

The current terms of reference for the Committee can be found at **Appendix 1** of this report.

The Committee received initial feedback at its October 2009 meeting on a self assessment exercise against a recognised best practice framework facilitated by the Council's external auditors, Grant Thornton. A report and action plan on this will be considered by the Committee as part of its 2010/11 work programme.

2. Member and officer attendance

The Audit Committee met 10 times during the 2009/10 year. A summary of meetings is attached at **Appendix 2**.

A number of Audit Committee members also sit on various other committees and panels. On occasions there may be clashes with the Audit Committee and where this occurs, apologies are always received for any episodes of non-attendance.

Senior officers from the Council are also present, including the Council's statutory finance officer (the assistant director – finance), the head of corporate finance, the head of internal audit and the corporate risk and project manager. Where appropriate the external auditor will also attend.

3.   Sources of assurance during 2009/10

The business conducted by the Audit Committee is detailed at **Appendix 2** and can be split into the following themes:
- internal audit;
- external audit / inspection;
- financial management;
- risk management; and
- corporate governance.

The Committee gained assurance in 2009/10 from the themes as follows:

Internal Audit
Annual report 2008/09, summary of audit activity, scrutiny of audit reports, work plan 2010/11 and benchmarking review

The chief internal auditor gave the following opinion in his annual report for 2008/09:
"In my opinion, formed solely on the basis of the work undertaken by internal audit and its partner organization in 2008/9, and the positive action taken, intended to be taken or confirmed as having been taken by managers to implement agreed audit report actions, Walsall Council's overall system of internal control facilitates the effective provision of the council's functions and provides a satisfactory level of assurance regarding the effective, efficient and economic exercise of the council's functions."

During 2008/9, 119 specific audit reviews were undertaken excluding unplanned irregularity and consultancy work. Although most of the reviews, 91 (77%), received a full or significant audit opinion, 28 reviews received an opinion rating of limited (20%) or no assurance (3%). In all cases action plans were agreed with managers to address identified control weaknesses.

A total of 117 suspected frauds and irregularities were reported to internal audit during the year. While none of the cases were material in the context of the Annual Governance Statement, key themes emerging from these reviews included:
- Internet / e mail systems' misuse;
- misuse of grants, resources, equipment, car mileage and time recording; and
- allegations of inappropriate revenue contract awards.

External audit / inspection
Grants report 2007/08, use of resources 2008/09, annual audit letter 2008/09 and 2007/08(update), 2009 inspections, EU funding investigation and external audit approach memorandum 2009/10

The Committee has placed reliance upon the work undertaken by the external auditors. In the external auditors' 2008/09 annual letter, their opinion was as follows:
"We issued an unqualified audit opinion on the Council's accounts on 29 September 2009, in advance of the deadline of 30 September. Our opinion confirms that the accounts present fairly the Council's financial affairs and of the income and expenditure for the year ended 31 March 2009." and …

- we issued an unqualified value for money conclusion; and
- we recognised the Council was performing adequately in its use of resources."

The main responsibility of the external auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice to review and report on the Council's accounts and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The annual letter summarised the significant issues arising from both these areas of work and highlighted some improvement actions.

Details were received of the activity delivered or in train to address improvements arising from the Audit Commission's annual audit and inspection letter for 2007/08, which was received in April 2009.

It was noted that an action plan had been put in place to address control weaknesses arising from external audit's review of 2007/08 grants.

Outcomes of various inspection activities in the 2009 calendar year were reported to the Committee. Principally this related to the results of the first Comprehensive Area Assessment (CAA) published on 9 December 2009, but also included other external judgements of specific services or elements of council activity which have informed the CAA but are not directly part of it. Overall the inspection judgements were broadly in line with other comparable local authorities, with some areas of strong performance and other areas where improvements are needed. A separate report was received on use of resources which concluded an overall satisfactory opinion with an agreed improvement action plan.

The Committee received a report on external audit's investigation into administration of European Structural Fund Objective 2 grant funding. It included an action plan to prevent the significant losses associated with this funding occurring in current and future projects.

Financial management
Accounting policies, statement of accounts 2008/09 and international financial reporting standards, corporate financial performance 2009/10 updates and financial health indicators

The Committee scrutinised the 2008/09 statement of accounts in some detail and also received reports on amendments to accounting policies arising from changes in accounting standards.

The Committee received regular reports on corporate financial performance and noted ongoing year end forecasts and actions being taken by officers to manage the Council's finances.

The Committee agreed a set of financial indicators for publication on the Council website which included treasury management, balance sheet information, revenue performance and management of resources,

Risk management
Review and scrutiny of risk register risks, risk management updates and corporate risk management methodology and strategy revision

The strategic risk register was subject to routine examinations and a number of strategic risks were scrutinised by the Committee during the year. This involved presentations by relevant managers and questioning on action taken to mitigate these risks.

The Committee reviewed and endorsed revisions to the corporate risk management strategy.

Corporate governance
Walsall performance framework, annual governance statement 2008/09, treasury management, corporate governance arrangements, fraud & corruption updates, whistle blowing policy, business continuity and scheme of officer delegations

The annual governance statement 2008/09 report concluded that the system of internal control and system of internal audit is satisfactory overall. There were no areas of significant internal control weakness identified, however, there were a number of controls which required improvement including:

- Contractor accounts. 16 accounts were reviewed and 10 were given a limited or no assurance rating opinion and considered to have been poorly managed. Suggestions for improvement have been agreed by managers.
- Performance against the target for implementation of internal audit agreed actions, which was set at 90%, was below 80% during the year. Improvements were made to the reporting and assurance framework during 2008/09, however performance remains below 80%. Further action was taken, including directly by CMT, to ensure improved performance in 2009/10.

The Committee reviewed the Walsall performance framework and gave consideration to how this framework provides effective performance management.

Consideration was given to internal audit's report on overall corporate governance arrangements which received a significant assurance rating. An improvement action plan had been endorsed by the corporate management team which will be subject to audit follow up to ensure full implementation.

Updates on fraud and corruption arrangements were received and approval was given to an updated whistle blowing policy. A report was considered detailing the Council's anti-fraud arrangements against standards in the Audit Commission publication "Protecting the Public Purse". The report outlined that the Council has satisfactory control arrangements in these areas and on issues identified nationally as key fraud risks, as follows:

- false claims for single person discount on council tax
- recruitment fraud
- housing and council tax benefit fraud being on the increase
- large value procurement frauds being identified
- social care direct payment misuse.

This report also contained details of the Council's annual fraud survey return to the Audit Commission which highlighted strong anti-fraud arrangements in the principle risk areas of housing benefits and claimants of council tax single person discounts.

The Committee reviewed the Council's business continuity arrangements, which has also been subject to recent internal audit review.

A report was considered detailing amendments to the scheme of delegation to officers which was reviewed by the Committee.

4.   Annual Governance Statement 2009/10

While not presented to Committee during the 2009/10 municipal year, being presented on 21 June 2010, the annual governance statement and review of effectiveness for the 2009/10 financial year, detailed at **Appendix 3** concluded that:

Findings of the Effectiveness Reviews

The 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 and system of internal audit is adequate overall. This is supported by external audit view that the council is operating at an adequate level in regards to its internal control framework. However there are a number of key recommendations which require addressing, arising from the Grant Thornton European Structural Fund Objective 2 Action Plan (community regeneration in Walsall) external audit report. The main findings of the report and the council's intended actions are referred to within the Annual Governance Statement and have played an integral part in the review of the effectiveness of the current governance arrangements.

5. Conclusion

The Committee was able to confirm that the system of internal control, governance and risk management in the authority was adequate in identifying risks and allowing the authority to understand the appropriate management of these risks.

The Committee was also able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the committee's attention and had not been adequately resolved.

Audit Committee Terms of Reference

Extract from the Council's Constitution - Part 3 (Responsibility for Functions), Table 2 (Responsibility for Council Functions) - Scheme of delegations of non-executive functions to Committees

11. AUDIT COMMITTEE

Membership

7 Members of the authority as determined by the Council with one co-opted member (non-voting) appointed by the Council.

Substitutes

Substitute members may be nominated to the Committee in accordance with paragraph 4 of the Council procedure rules (Part 4).

Chairman and Vice-Chairman

The Chairman and Vice-Chairman will be appointed at the Annual Council meeting for the municipal year.

Quorum

The quorum of the Committee shall be one third of the membership (3), subject to a minimum of two.

Meetings

The Committee will meet six weekly, or thereabouts and will usually meet at the Council House, Walsall at 6.00 p.m.

Access to information

The Committee will comply with the Access to Information Rules set out in Part 4 of the Constitution.

Remit

To act as the Council's Audit Committee, the purpose of which is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting.

Delegations

To exercise the following powers and functions of the Council:

(1) Consider the effectiveness of the Council's control environment and associated anti-fraud and anti-corruption arrangements.

(2) Consider the effectiveness of the Council's risk management arrangements.

(3) Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.

(4) Be satisfied that the Council's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions to improve it.

(5) Approve (but not direct) internal audit's strategy, plan and monitor performance.

(6) Review summary internal audit reports and main issues arising and seek assurance that action has been taken where necessary.

(7) Receive the annual report of the Head of Internal Audit.

(8) Review the effectiveness of key control strategies including; risk management, the local code of governance, arrangements for delivering value for money, anti-fraud arrangements and anti-corruption.

(9) Consider the reports of external audit and inspection agencies.

(10) Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.

(11) Review the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit.

(12) Calling officers and/or Chairs of Committees to assist the Committee in its work.

(13) Considering the exercise of officers' statutory responsibilities and of functions delegated to officers.

(14) To review any issue referred to it by the Chief Executive or any Director or any Council bodies.

(15) To maintain an overview of the Council's constitution in respect of contract procedure rules and financial regulations.

Summary of Audit Committee Work Plan 2009/10

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
25 June 2009	• Walsall Performance Framework					✓
	• Accounting policies			✓		
	• Audit Committee roles and responsibilities, including workplan					✓
	• Internal audit activity for 2008/09	✓				
	• Chief internal auditor's annual report for 2008/09	✓				
	• Annual Governance Statement 2008/09					✓
29 June 2009	• Financial statements 2008/09 presentation			✓		
	• Treasury management update					✓
	• Statement of accounts (pre-audit)			✓		
2 September 2009	• Scrutiny of risk register risks (partnership governance)				✓	
	• EU Funding position		✓			
	• Corporate financial performance 2009/10			✓		
	• Scrutiny of internal audit reports (catering service and a building contract project)	✓				
	• Risk management update				✓	
29 September 2009	• Statement of accounts (post-audit)			✓		

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
27 October 2009	• Internal audit activity to 30/9/10	✓				
	• Audit Committee self assessment					✓
	• Financial health indicators			✓		
	• Corporate governance arrangements					✓
	• Tackling fraud and corruption					✓
8 December 2009	• Scrutiny of risk register risks (building schools for the future)				✓	
	• Scrutiny of internal audit reports (regional housing pot and scrutiny)	✓				
	• Grants report 2007/08		✓			
	• Corporate financial performance 2009/10			✓		
	• Whistle blowing policy					✓
	• Risk management - review of strategic risks				✓	
	• Internal audit workplan 2010/11	✓				
	• Internal audit benchmarking	✓				
19 January 2010	• Risk management methodology presentation				✓	
	• Corporate risk management strategy revision				✓	
	• Use of resources 2008/09		✓			
	• Annual audit letter 2008/09		✓			
	• 2009 Inspections and Annual audit letter update 2007/08		✓			
	• Internal audit activity to 31/12/09	✓				
	• Regional housing pot – internal audit	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	report					
1 March 2010	• Scrutiny of risk register risks (operating model for support services and grant funding exit strategy)				✓	
	• Corporate financial performance 2009/10			✓		
	• Scrutiny of internal audit reports (strategic regeneration framework and links to work)	✓				
	• Protecting the public purse – fraud update					✓
	• Internal audit workplan 2010/11	✓				
24 March 2010	• Investigation into EU funding		✓			
13 April 2010	• International financial reporting standards			✓		
	• Business continuity					✓
	• Scheme of delegation to officers					✓
	• External audit approach memorandum 2009/10		✓	✓		
	• Risk management - review of strategic risks				✓	

Audit Committee - 21 June 2010

Statement of Accounts 2009/10 – Annual Governance Statement and Review of Effectiveness

Summary of report

This report contains the findings and recommendations of the review of the effectiveness of the annual governance framework, including the system of internal control and system of internal audit for review by Audit Committee. It also contains the Annual Governance Statement (AGS) for the 2009/10 Statement of Accounts (SoA) for review and approval, in accordance with the Accounts & Audit (Amendments) Regulations, 2006.

Recommendations:

1. To receive, consider and approve the findings and recommendations arising from the annual governance effectiveness review, including the review of the systems of internal audit (**Appendix 1, 2 and 3a, 3b)** and internal control (**Appendix 4 and 5a, 5b).**
2. To receive, consider and approve the Annual Governance Statement as set out in **Appendix 6.**

James T Walsh – Chief Financial Officer
9 June 2010

Rory Borealis – Executive Director (Resources)
9 June 2010

Background

The council is responsible for ensuring that financial management is adequate and effective and that it has a sound system of governance, including internal control and financial control, which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. The council is required to obtain assurance that its governance framework and internal control system is operating effectively in all areas of corporate governance.

The council is further required to publish a statement formally acknowledging that it has maintained effective internal control, including effective internal financial control, during the

course of the financial year. The statement should include financial management, arrangements for the management of risk, and include its corporate governance arrangements. In addition, the authority must conduct an annual review of the effectiveness of its governance framework including its systems of internal control and internal audit.

The 2006 amendments to the Accounts & Audit Regulations 2003 require the authority in producing its 2009/10 AGS (which subsumes the statement on the system of internal control previously produced) and the SoA to consider the findings of the review of the system of internal control, and to review the effectiveness of the system of internal audit:

- Regulation 4 (responsibility for financial management) of the 2003 Regulations requires the findings of the review of the effectiveness of the system of internal control to be considered by a committee or relevant body, or by the members of the body meeting as a whole. This function is undertaken by the Audit Committee.

- Regulation 6 (internal audit) of the 2003 Regulations also requires relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the relevant body to consider the findings. This function is also undertaken by the Audit Committee as it has a role in monitoring internal audit but is independent from it.

Audit Committee are asked to consider the findings of the review of the effectiveness of the governance framework, including the system of internal control, along with the review of the effectiveness of the system of internal audit.

Resource and Legal Considerations

Council's must produce annual accounts in line with the Accounts and Audit Regulations 2003, as amended 2006 and in a timely fashion on an annual basis. The AGS is contained in the Statement of Accounts presented to tonight's meeting. Any changes to the AGS as a result of review by Audit Committee will be accommodated in the final pre-audit accounts before they go on deposit for public scrutiny.

Performance Management and Risk Management Issues

Performance Management
Effective performance management is key to ensuring an effective system of internal control is maintained and promotes good service. 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, service plan, project and individual risk registers, risk assessments and project registers 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 timescale planned and proactively report progress to the Chief Internal Auditor.

Assurance statements were required from Executive and Assistant Directors requiring them to provide assurance that controls were in place and operating during the financial year, and where weaknesses were identified, actions are now in place which are being

actively managed. All statements have been returned and where control weaknesses identified, these have been included in the AGS.

Risk Management
The key aspect of the system of internal control is the identification of key risks to the organisation and key controls needed to mitigate these risks. The AGS is legally required to be signed by the Chief Executive and Lead Member. The Chief Finance Officer (CFO) also signs the AGS and has done so again this year as a significant proportion of the internal control framework falls within his remit and to reflect accountabilities. The requirement falls on the authority and not, as previously, on an individual officer (CFO).

Equality implications

None relating directly to this report.

Consultation

The report is prepared in consultation with the Chief Finance Officer (CFO), the Acting Chief Internal Auditors, the Monitoring Officer, the Leader of the Council, the Chief Executive and the Corporate Management Team (CMT).

Governance

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 council's in demonstrating good governance. The framework itself is not a statutory requirement, but rather a discretionary code offered to organisations as good practice. The framework outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.

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

It is important to note that the governance statement 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
- High-quality 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.

Review of Effectiveness of Governance Arrangements, including the System of Internal Audit and the System of Internal Control (SIC)

Process

The assurance gathering process is a well-established and structured link between the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered. It requires the identification of key controls that are deemed critical to the delivery of these objectives and expects a formal review and risk assessment for the management and delivery of these key controls.

A review of the governance framework, including the internal control environment and its' effectiveness was undertaken by the Head of Finance (Deputy Chief Finance Officer), supported by the Interim Chief Internal Auditors and Monitoring Officer, and in liaison with other senior managers and the corporate management team (CMT). The findings of this review are set out in section 4 of the AGS and in more detail in Appendices 1 to 5 of this report.

A self-assessment document was produced by the Interim Chief Internal Auditors in respect of the effectiveness of Internal Audit, assessed against the CIPFA Code of Internal Audit Practice. The self-assessment was reviewed by the Deputy CFO and is set out in Appendix 1. Appendix 2 reports progress against action taken to address the recommendations from previous years effectiveness reviews. The findings and recommendations of the review relating to 2009/10 are set out in Appendices 3a and 3b.

In addition, the CIFPA/SOLACE Governance framework guidance was used to review the existing internal control framework, evaluate assurances from a number of internal and external sources in order to identify internal control weaknesses and review the effectiveness of internal control, and produce the final AGS for consideration by Audit Committee. The process steps carried out and evidence used is presented at Appendix 4 and Appendices 5a and 5b.

Findings of the Effectiveness Reviews

The 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 and system of internal audit is adequate overall. This is supported by external audit view that the council is operating at an adequate level in regards to its internal control framework. However there are a number of key recommendations which require addressing, arising from the Grant Thornton European Structural Fund Objective 2 Action

Plan (community regeneration in Walsall) external audit report. The main findings of the report and the council's intended actions are referred to within the Annual Governance Statement and have played an integral part in the review of the effectiveness of the current governance arrangements.

The CFO signed off the draft AGS and the review of effectiveness prior to endorsement by CMT and sign off by the Chief Executive and Leader of the council.

The 2009/10 AGS (Appendix 6, section 5) identifies areas of significant internal control weakness relating to the management of the European Structural Fund Objective 2 Action Plan, in respect of European Regional Development Fund (ERDF) grant. Grant Thornton, the council's external auditors, were requested by Council to carry out an investigation into the management of the programme and the circumstances that led to decommitment /clawback of a significant amount of ERDF funds. The report was presented to a special Audit Committee on 24 March 2010.

The council's action plan to address the findings and recommendations of the Grant Thornton report is to be presented to Audit Committee on 14th June for their consideration, comment and approval.

In addition to this, the AGS review has identified a number of other controls which require improvement (Appendix 6, section 4). Action plans are in place for these and progress on implementation of actions will be reported to Audit Committee through 2010/11.

Background Papers
Local Code of Governance
Statement of Recommended Practice (SORP) 2009
LAAP Bulletin 71
Audit and Accounts Regulations 2003, amended 2006.
CIPFA/SOLACE Delivering Good Governance in Local Government: Framework.
Various external and internal audit and inspection reports
Chief Internal Auditor report on adequacies of the council's control environment
Various CIPFA Guidance
Various council documents and reports
Grant Thornton ERDF report and council action plan

Author:
Vicky Buckley, Head of Corporate Finance - ☎ 01922 652349,
✉ buckleyv@walsall.gov.uk

CIPFA Code of Practice – Characteristics of Effectiveness – 2009/10 UPDATE

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Internal Audit evidence of achievement
1) Understand its position to the organisation's other sources of assurance and plan its work accordingly.	Internal audit identifies other sources of assurance and takes this into account when preparing the internal audit plan.	Revised audit risk assessment methodology details the sources of assurance which are taken into account when reviewing the annual internal audit plan. The methodology states 'the audit plan is to be reviewed on an annual basis using this methodology; taking into account the organisation's assurance, risk management arrangements and monitoring mechanisms, and the organisation's changing priorities. Current year's audit results should also be taken into account'. In undertaking the above the following sources of assurance are considered:- • Corporate plan / vision / vision priorities. • Directorate / service plans. • Corporate & directorate risk registers. • External audit reports / other inspection / regulator reports. • Cabinet / council meeting minutes and associated papers. • CAKE (cumulative audit knowledge and experience). A tick list of assurance sources which should be consulted in the annual review and revision of the audit plan is compiled and integrated as a control aid in the audit manual. Each annual audit plan is discussed / consulted with the relevant ED / AD / DMT prior to the commencement of the audit year and any amendments are made if necessary. Benchmarking of audit / days with CIPFA benchmarking club is also undertaken.

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Internal Audit evidence of achievement
2) Understand the whole organisation, its needs and objectives.	The audit plan demonstrates how audit work will provide assurance in relation to the authority's objectives. Individual audit assignments identify risks to the achievement of those objectives.	As 1) Each area of auditable activity is identified in the annually risk assessed audit plan The results of audits completed during the year are presented to Audit Committee within the opinion on the overall adequacy of the internal control environment (part of the AGS) Individual audits are undertaken utilising the risk based approach to auditing A specific allocation of days is allocated to the audit of the sufficiency and effectiveness of controls in place to manage all directorate and corporate risks, as identified in the risk registers. Risk register items have been specifically referenced within the audit planning process. Directorate management team meetings take place to discuss planned coverage and future year proposals etc

3) Be seen as a catalyst for change at the heart of the organisation.	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics. Individual assignments may be catalyst for change.	Internal audit have demonstrated a strong supportive role in corporate developments. Examples are given below:
		• Internal audit risk assessment model ensures that there is audit plan coverage of key developments and services across the council. 2009/10 coverage included:
		  ➢ Building schools for the future
		  ➢ Supporting people
		  ➢ Walsall Partnership
		  ➢ Home care commissioning
		  ➢ Walsall & Dudley mental health partnership
		  ➢ Housing 21 contract delivery
		  ➢ Working Neighbourhood Fund (WNF)

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Internal Audit evidence of achievement
		➢ Area Based Grant (ABG) ➢ Independent sector day care, residential & residential nursing ➢ Information security ➢ Project & programme management ➢ Direct payments (personalisation agenda) - Internal audit help revise the council's financial and contract rules; and undertake training sessions, training officers in application of the new rules. Further sessions will take place when the rules are updated as part of the new procurement guide. - Internal audit continue to play a key role in various directorate initiatives, such as ➢ finance direct ➢ future jobs fund ➢ the personalization agenda within social care and inclusion ➢ domiciliary care ➢ review of members' allowances ➢ phone usage ➢ e mail / internet usage ➢ payment cards ➢ fraud / corruption policy ➢ FMSiS (financial management standards in schools). Details of such examples are included in internal audit's irregularity and consultancy work schedules which are reported to audit committee quarterly - Much of internal audit's work is categorised as ad hoc advice e.g. responses to telephone queries / drop ins / meeting requests / email queries from managers regarding a range of issues, including procurement / contract process, application of controls and application of financial and contract rules to everyday issues. All audits are generally catalysts for change. The outcome of each audit is an

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Internal Audit evidence of achievement
		audit report, which may detail an action plan for managers to implement agreed recommendations, as a response to any control weaknesses identified. Some examples: • **Information security** – identified that procedures required updating and communicating to ensure that they are embedded across the council • **Commissioning & Procurement** – internal audit's 2008/09 reviews of these areas were used as a basis for workshops in 2009/10 to progress improvement actions • **Direct payments (personalisation agenda)** - this audit initiated a business solution review of the systems for capturing and recording information regarding the award of direct payments • **Home care service** – provided a basis for improvements to entitlement assessment, monitoring of home care providers, the use of non contracted home care suppliers and ordering & payments to home care providers • **Community alarm service** – this audit triggered change in management of alarm installations, call management, alarm testing, repair & maintenance, inventory, income, procurement and performance management Directorate management teams are made aware of the services offered by internal audit at meetings to discuss the audit plan and through the Audit Charter, which is reviewed annually. A customer service standard is in place for internal audit and a range of information on the audit service is available on the intranet. All ad hoc / general advice is record centrally on the Audit Advice Database. This enables audit to quantify / exemplify performance in this area.

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Internal Audit evidence of achievement
4) Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work.	See 1), 2) and 3). Also see the CIPFA publication, the excellent internal auditor; a good practice guide to skills and competencies, particularly section 2.3. This publication is utilised in all IPM reviews.
5) Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.	Internal audit provides help and advice on request and supports specific projects identified in the plan and on ad hoc basis.	See 1) and 3). Regarding working across external boundaries, the internal audit service has undertaken work in 2009/10 which has involved liaison / cross working with the council's partners, for example, with: • the health sector (tPCT); in the audits of the ICES and learning disabilities pooled budgets • Walsall and Dudley Mental Health Partnership. • Walsall Partnership • Housing 21, who provide residential and day care services on behalf of the council. • Sodexo Limited, who manage the council's community meals service. Internal audit services are also provided to West Midlands Regional Assembly (WMRA), West Midlands Local Government Association (WMLGA) and West Midlands in Europe (WMIE)
6) Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.	When identifying risks and in formulating the plan changes on the national agenda are considered. The audit section maintains awareness of new developments in the services it audits, risk	See 1) and 2). The internal audit section is also involved in the following to ensure awareness of the national / local agenda (forward looking) and impact: • The chief internal auditor attends the Midlands Audit Group (heads of internal auditors). The audit section has a presence on the West Midlands Fraud Group, where best practice in the investigation of fraud / irregularity is shared. • The audit section has a presence on the regional contract auditors' group (inaugural meeting 27/1/09)

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Internal Audit evidence of achievement
	management and corporate governance and disseminates this knowledge to other parts of the local authority.	- Regular updates i.e. IDeA Knowledge / CIPFA publications are received, reviewed and acted upon by the audit management team. - All staff have on-line access to CIPFA's technical information service and receive e-mail updates. - Staff have access to, and are engaged with, CIPFA's on-line audit discussion forum.
7) Be innovative and challenging – shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy.	Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and encouraging managers to develop their own responses to the risks, rather than the audit recommendations. The aim of this is to encourage greater ownership of the control environment amongst managers.	Internal audit has a reporting approach that focuses on risks and encourages managers to develop their own responses to the risks, rather than the audit recommendations. The aim of this is to encourage greater ownership of the control environment amongst managers. The audit manual incorporates this audit reporting approach. This includes the procedure for non agreement of action plan findings. An escalation policy is in place where no agreed action can be found.
8) Ensure the right resources are available – the skills mix, capacity, specialism and qualifications / experience requirements all change constantly.	This is explicitly addressed by a paper on resources to the audit committee. Arrangements are in place to obtain specialist input on IT audit.	- Audit resources against audit plan requirements are routinely reported to the audit committee. - Specialist IT audit expertise is procured through partnership with HW Controls and Assurance. - Required qualifications for each audit grade are stipulated in job descriptions. Fully qualified staff are also engaged in CIPFA's CPD scheme. - IPM's are regularly undertaken in the section and any skills gaps are identified and acted upon at this point. - The CIPFA publication, an excellent internal auditor: a good practice guide to skills and competencies is being utilised in all IPM reviews.

Review of the Effectiveness of Internal Audit by Internal Audit: Summary of Progress with Improvement Recommendations Arising from previous Effectiveness Reviews

Actions have been taken to ensure that the council's systems of internal audit are fully compliant with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. Key improvements to delivery of internal audit service that have been made arising from previous reviews of effectiveness include:

- The audit planning process has been developed to strengthen the links with corporate risks, as well as corporate management team, council and cabinet priorities, refocusing on the importance that management have in ensuring that proper controls are in place to manage those risks

- Audit effectiveness has been improved by focussing on the outcomes of the audit plan rather than the successful completion: outcomes from audits (progress of implementation of agreed actions arising from audits) are reported quarterly to Executive Directors to help ensure full implementation of improvement actions

- The performance management (value for money) programme was extended / enhanced for inclusion within all relevant audit programmes / scopes

- New style meetings (with an extended / enhanced agenda) commenced with the chief finance officer (CFO). The CFO receives regular update to enable progress briefing reports to be given to the Portfolio Holder

- There is extended audit coverage of the council's partnership activity

- Specialist fraud and investigation training and IPM arrangements have been enhanced with reference to the CIPFA skills matrix - 'The Excellent Auditor'

- Updates have been made to the Anti fraud and Anti Corruption policy and Disciplinary policy, including a disciplinary workbook and investigations toolkit.

- The Audit Charter has been enhanced to help ensure that auditors do not have conflicts of interests in the work they undertake

There is one action where further work is still required to ensure that the improvement is fully embedded.

Recommendation	Action taken
Consideration should be given to reviewing customer satisfaction surveys, potentially replacing it with a follow up interview to see how the comments/recommendations fitted into, and showed understanding of, the organisations aims, objectives, risks and governance arrangements.	ACTION – A telephone survey will be conducted with relevant client if the requested written survey is not returned within 21 days. RESPONSIBILITY - Interim Chief Internal Auditors TIMESCALE – End July 2010

Review of Effectiveness of the System of Internal Audit

Process

1) Self-assessment by Internal Audit
2) Independent Officer Review of self-assessment
3) Review of Internal Audit against the CIPFA Code of Practice Checklist and evidence presented to support that review
4) Effectiveness of Audit Committee (in its work related to Internal Audit)
5) External Audit opinion of Internal Audit, to the extent of placing reliance on their work – 2007/08 formal review and Grant Thornton Interim Audit Report (Draft report: May 2010)
6) S151 / CFO Statement
7) Internal Audit performance levels
8) Grant Thornton report on European Structural Funds (ERDF) and Council Action Plan
9) Annual Audit and Inspection letter 2008/09 (AAIL) (22 December 2009)

Need for Review

To ensure that the annual report of the (Interim) Chief Internal Auditors may be relied upon as a key source of evidence for the AGS.

To provide assurance that the delivery of the internal audit service is to the required standard to produce the required outcome i.e. a reliable assurance on internal control and the management of risks in the authority.

Outcomes

1. The key findings from the 2007/08 and 2008/09 internal audit effectiveness review have been reviewed and all but 1 found to be fully implemented. The remaining one is in progress and requires full implementation

2. Evidence supporting the CIPFA code of practice checklist was found to be consistent with the requirements of the Code.

3. The last external audit review of audit in 2007/08 concluded that external audit could place reliance on the work of internal audit. A further review is intended for 2010/11. In their Interim Audit report for year ending 31 March 2009, one low priority recommendation was made in respect of internal audit. The draft Interim Audit report for the year ending 31 March 2010 contains no recommendations

4. Audit Committee scrutinised the 2008/09 accounts and asked detailed questions prior to approval.

5. Audit Committee receive refresher training on areas within their remit, including financial and risk management, their role and role of audit. They received briefings on the new AGS and receive and approve the Walsall Local Code of Governance.

6. The Audit Committee included some members with some financial experience.

7. The annual audit plan, both draft and final, is presented to Audit Committee for consideration and endorsement

8. Audit Committee receive an annual review of internal audit and internal control effectiveness.

9. Quarterly reports on internal audit performance are presented to Audit Committee. Audit Committee review actions and choose 2/3 specific audits reports for detailed scrutiny and receive further detail for their consideration.

10. Audit Committee have a work programme that covers the remit of their roles and responsibilities and this is reviewed and improved annually. They receive training/briefings on their role.

11. Meetings of Audit Committee in 2009/10 (CMIS) provided good examples of scrutiny and member questioning of the audit approach in relation to the council's performance in actioning agreed audit recommendations as this was deemed to be an issue where action was needed, and in scrutinising the council's annual statement of accounts. This has led to improvements in compliance.

12. The Chief Internal Auditors annual report has been reviewed and found to be consistent with:
    a) senior finance and monitoring officer knowledge of the authority,
    b) performance and risk management reports
    c) external audit report findings and
    d) external inspections

13. Internal audit has delivered over 95% of its internal audit plan and all areas covering key financial systems, therefore the audit plan has covered all areas of high risk in terms of internal control.

14. The latest published Use of Resources (UoR) Judgement is UoR 2009 – Walsall scored a 3 in Key Line of Enquiry (KLOE) 4.2 relevant to internal control and risk management. This identified 2 specific areas of weakness where reports stated limited assurance could be given that internal controls were operating effectively – the payroll system and grant claims. Neither were in relation to the work of internal audit. A score of 3 equates to "performing well".

15. UoR 2010 – Grant Thornton had advised that an indicative score of 2 for KLOE 4.2: Internal control and risk management was likely, arising from the weaknesses identified in the ERDF report. One finding related to the work of internal audit. This is set out in the action plan presented to Audit Committee on 14 June and referred to in the AGS. It is not now expected that a UoR score will be received, due to all inspection activity being suspended nationally, however Grant Thornton have indicated that they are satisfied that our Use of Resources score is supported at level 2 or over. A score of 2 is equivalent to "performing adequately".

16. The external auditor's 'Annual Audit and Inspection Letter 2008/09 published 22 December 2009 stated: 'The council's internal audit function is key in ensuring that the Council operates a sound system of internal control. We consider the work of Internal Audit as part of our assessment of the internal control environment and to assist in documenting the key financial controls in place. We did not identify any significant issues that we felt warranted reporting to the council'.

17. The review for 2009/10 found that the system of internal audit is operating adequately overall, however the Grant Thornton European Structural Fund Objective 2 Action Plan report highlighted the following key recommendation in respect of the system of internal audit:

"There should be an Internal Audit review of the procedures and systems for all significant grant funding streams at the inception of the grant and subsequently during ongoing programme.

18. Grant Thornton undertook a review of the effectiveness of the Audit Committee and a draft report was made available in May 2010. An action plan will be produced and agreed with Audit Committee to address the recommendations. This will require implementation in 2010/11.

Recommendation of the Review of the Effectiveness of the System of Internal Audit 2009/10

Outstanding Actions from 2008/09 AGS: Implementation of Recommendations

The target for implementation of Internal Audit's recommendations is set at 90%. Performance against this target has been below 80% in recent years and this issue was raised in the 2007/08 and 2008/09 AGS as a control issue requiring improvement as this potentially limited the effectiveness of the Audit Committee's monitoring of the internal control environment. This resulted in a report to the corporate management team (CMT) and Audit Committee agreeing a number of actions. As a result of the above action, performance has improved to 87%. That is, 87% of desired outcomes arising from earlier internal audit findings were confirmed as achieved at internal audit's next visit. While 87% of control issues identified in previous audits were found to have been fully addressed at the next audit, 13% continued to be identified as issues requiring further management attention to resolve.

Of the 13% or 23 of agreed actions not implemented, 17% (4) were 3* and therefore high priority. 61% (14) were 2* and 22% (5) were 1*. 91% (21) of the unimplemented agreed actions had been confirmed as implemented by the relevant manager. These can be broken down as 14% (3) 3*, 62% (13) 2* and 24% (5) 1*. The reason for non implementation of these agreed actions was found to be as follows:

- 91% - managers had not undertaken actions as agreed; and
- 9% - managers had undertaken some or all of the agreed actions but these actions had not been entirely successful in addressing the weaknesses identified.

The conclusion is that the performance in this area is much improved, following the additional controls put in place by CMT and Audit Committee during 2009/10 and additional reporting. The 3* high priority items not implemented equates to 4 out of the 181 agreed actions (2% of the total agreed actions) or 8% (4/53) of three star actions. These will be followed up to ensure full implementation and any non-compliance reported to Audit Committee and CMT

Key Recommendations

1) During 2010/11 implementation of agreed audit actions will continue to be monitored and reported to Audit Committee and CMT and non-compliance with high priority actions escalated. .
2) The recommendations arising from the Grant Thornton European Structural Fund Objective 2 Action plan investigation require implementation in so far as they relate to the system of internal audit.
3) The Grant Thornton review of effectiveness of Audit Committee and resulting action plan should to be agreed by Audit Committee and implemented in 2010/11.

Review of Internal Control and Annual Governance Statement 2009/10 Assurance Gathering Process (using CIPFA/SOLACE published guidance)

Objective 1 - Establishing principal statutory obligations and organisational objectives

Step 1: In support of objective 1: A mechanism is established to identify principal statutory obligations	
Examples of Assurance:	**Walsall evidence:**
1. Responsibilities for statutory obligations are formally established	Inspection of: • Walsall Constitution (recording individual officer and member responsibilities), including a scheme of delegations which was revised in 2009/10. • Code of Conduct for members (and officers • Minutes of delegations to officers and committees available – council, cabinet, scrutiny, standards committee, audit committee • Terms of reference of relevant committees are in the Constitution and approved by Council • CFO, Monitoring officer and other key officer job descriptions set out responsibilities • Structure charts exist.
2. Record held of statutory obligations	• Accessible record of statutory obligations (e.g. finance, HR and legal library in place). • Constitution and scheme of delegations • Central register of members and officers interest • Central gifts and hospitality registers in place and maintained
3. Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative changes exist and are used	• Appointment of suitably qualified and experienced officers, selected against accurate and specific job descriptions and person specifications identifying specifi8c competencies and qualifications. • Corporate and specific induction. • Ongoing professional training and development. • All reports to members and officers contain sections on legal, financial, HR and other implications of policy, issue, etc. • Awareness training for legislative and other changes – DDA, Age discrimination, etc. • Statutory officers posts attend CMT, Council, • Senior finance attendee at directorate management teams. • Forthcoming legislative changes reported as part of budget. • Monitoring officer/CFO receive correspondence from Government offices and professional bodies. • Statutory officers are part of recognised professional networks, bodies etc.

4. Effective action is taken where areas of non-compliance are found in either mechanism or legislation.	Evidence to demonstrate that action has been taken to overcome identified areas of non-compliance includes: • Internal /external audit reports to Audit Committee and progress reports • Financial monitoring reports to officers and members on progress on delivering corrective action plans in response to service overspends. • ERDF action plan produced in response to Grant Thornton

Step 2: In support of objective 1: A mechanism is in place to establish corporate objectives

Examples of Assurance:	Walsall evidence:
1. Consultation with stakeholders on priorities and objectives	Comprehensive Internal and/or external consultation exercises have been analysed and published; budget consultation reports, staff survey results and actions, community plan, forums, citizens panel. See CAA 2009 and AAIL April and December 2009.
2. The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).	Authority's approved and published strategic plan takes account of all consultation and local and national priorities: See corporate plan and sustainable community strategy (SCS), corporate budget plan and associated documents. Corporate Assessment 2008 (CA) indicated this as a strength of the authority.
3. Priorities and objectives are aligned to principal statutory obligations and relate to available funding	• Corporate priorities and objectives are clearly set out in the corporate plan and SCS • Corporate plan linked to corporate budget plan and medium term financial strategy • Corporate budget process identifies new legislative requirements and funding thereof.
4. Objectives are reflected in departmental plans and are clearly matched with associated budgets	• Corporate plan links to service and team plans and individual PDPs • Directorate, AD, service and teams plans produced in accordance with approved guidelines. • Directorate and service plans clearly reflect corporate objectives and match approved funding. • CA 2008 highlighted this as a strength and that priorities focus investment and resource allocation.
5. The authority's objectives are clearly communicated to staff and to all stakeholders	• Clear evidence of consultation with stakeholders (e.g. budget and other consultation). • Sustainable Community strategy in place, approved following extensive consultation • Objectives cascaded via corporate plan and corporate budget plan through service and team plans and individual IPMs. • Corporate plan on website and intranet site.

Step 3: In support of objective 1: Effective corporate governance arrangements are embedded within the authority	
Examples of assurance:	**Walsall evidence:**
1. Code of corporate governance established	• This is not mandatory, but best practice. Walsall has adopted a Local Code Governance which was presented to Audit Committee for consideration and approved in April 2008. This was then approved by Standards Committee in June and by full Council in July. • Walsall also has a comprehensive internal control framework, which covers corporate governance issues.
2. Review and monitoring arrangements in place	• There are clear arrangements for continuously monitoring compliance with the internal control framework e.g. reports on compliance are submitted to the audit committee, internal and external audit also monitor compliance via their work plans, assurance statements from directors, financial monitoring and performance reports. • Effectiveness review of internal control and internal audit in place. • Internal/external audit reports on adequacy of internal control arrangements. • External audit reports on adequacy of financial and vfm arrangements. • Annual audit and inspection letter and UoR score in 2009 • 2010 UoR judgement acknowledges adequate governance arrangements
3. Committee charged with governance responsibilities	• Audit committee terms of reference and roles and responsibilities set out in Constitution • Terms of reference are comprehensive and cover all appropriate aspects of corporate governance and approved by Council. • Minutes from audit committee.
4. Governance training provided to key officers and all members	• Induction courses for key new officers and all new members. • Briefings/training on standards/ethics • Member development steering group, member development strategy and individual plans in place • Ongoing awareness training is provided as appropriate to key staff and members.
5. Staff, public and other stakeholder awareness of corporate governance	• The annual governance statement is published and is accessible to all staff, the public and other stakeholders via CMIS. • All staff receive code of conduct and copy of HR policies and financial procedures. • Whistleblowing policy (re-publicised in 2009/10) • All managers received training on absence management, HR legislation, DDA requirements once approved by Council, Local Code of Governance awareness sessions to be established. • Constitution widely available. • Finance and contract rules widely publicised. • Revisions of HR policies go through TU consultation prior to implementation

Step 4: In support of objective 1: Performance management arrangements are in place	
Examples of assurance:	**Walsall evidence:**
1. Comprehensive and effective performance management systems operate routinely	• CIPFF contains a clearly defined performance management framework that identifies performance measures, responsibility for achieving each performance measure, collation of data, approval of the performance measures, reporting and frequency, how data quality is assured (data quality assurance policy), how poor performance is addressed • Year-on-year comparison of achievement against performance targets • Benchmarking results, including directorate and service benchmarking results. • Evidence of corrective action planning • Evidence of improvement in performance • VFM and performance management in CA 2009 rated as adequate. • Data quality audit acknowledged as adequate • VFM opinion unqualified in 2008/09 accounts
2. Key performance indicators are established and monitored	• Beacon index reported quarterly to cabinet. • (KPIs, including BVPI's established and included in directorate and service plans. • Robust monitoring system implemented. • Regular reports on progress on delivering approved PIs, traffic light system of monitoring and corrective action planning in place. • CMT and directorate performance boards in place. • VFM opinion unqualified in 2008/09 accounts
3. The authority knows how well it is performing against its planned outcomes	• Regular reports to members on the delivery of national, authority and directorate PI's. • VFM. Opinion unqualified • Regular budget monitoring reports (capital and revenue) presented. • National comparative performance – spend per head, VFM profiles used. • External audit acknowledgement that Walsall understands its costs and uses these in setting budget.
4. Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes	• Monitoring reports are regularly presented to the appropriate committee. • The reports include performance results, a clear indication of below target, on target and at, or above, target results, highlighting areas where corrective action is necessary. • Targets are set over the medium term. • Committee reports on below par performance include action plans to improve performance • Performance targets in subsequent corporate and departmental and/or service business plans are revised in the light of actual performance • Continuous improvement is strived for by increasing the difficulty of performance targets when they have been met over a period (e.g. year-on-year movements on KPI results) • Pis/performance supports budget and investment decision making
5. The authority continuously improves its performance management	• The performance management systems are reviewed and updated to take account of changes in organisational structure, and other factors i.e. review of service planning guidance • Performance management arrangements are reviewed to assimilate new techniques and/or technology e.g. PMIS

Step 1 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles	
Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	
The code should reflect the requirements for local authorities to:	**Source documents/good practice/other means that may be used to demonstrate compliance**
1. develop and promote the authority's purpose and vision	Sustainable community strategy which was subject to comprehensive consultation, focuses on key objectives and priorities, which are then reflected in the corporate plan and budget process. Accountable agreements Organisational assessment 2009
2. review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	Sustainable Community Strategy (SCS) in place Partnership meetings Partnership project board is implementing improvements to partnership governance. New governance arrangements for partnerships and accountable agreements established 2009/10
3. ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	SCS Partnership protocol is now in place Local Governance Code once embedded will support this. Local Compact
4. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance (not police service)	Annual statement of accounts and summary of accounts produced and published Annual report 2005/06, 2006/07 and 2007/08 produced and published. Performance published on website and performance reports
5. decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	This information is reflected in the authority's: Corporate plan Customer service standards Data quality report Beacon Index Customer consultation and satisfaction surveys Reviews of complaints
6. put in place effective arrangements to identify and deal with failure in service delivery	First stop shop and Complaints procedure "Tell us" and reporting. Member protocol and complaints procedure also now in place. Performance management boards and Beacon index corrective action plans, LNPs.
7. decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	The results are reflected in authority's performance plans and in reviewing the work of the authority VFM opinion unqualified CA 2008 states Walsall has good arrangements for improving VFM, is aware of high cost services and has a strategy to bring council tax in line with comparators External audit acknowledge council understands its costs and uses this to set a budget The authority has a climate change strategy. Environmental impact included in all cabinet decision reports

Step 2 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles

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

The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that maybe used to demonstrate compliance
1. set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice (this is not relevant for the police service)	Constitution, scheme of officer delegations, statutory officer responsibilities set out, roles of officers and members set out, as are committee roles, officer and member codes of conduct. Record of decisions and supporting materials are kept
2. set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers	As above, plus Conditions of employment and structure charts, role of Audit and Standards Committee, and scrutiny members set out
3. determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required	Constitution sets out these requirements Scheme of officer delegations (Revised May 2009) Statutory officer provisions set out of S151/monitoring officer/Head of paid service Statutory officers meetings quarterly
4. make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management[6]	CEO is head of paid service. Job descriptions/employee specifications and structure charts indicate respective roles and responsibilities CMT have weekly meeting with a set rolling agenda planner covering strategic, governance and significant operational issues, including risk, performance and financial management. Performance and Financial management system sets out accountabilities Scheme of delegation sets out key responsibilities and delegations Terms of employment and conditions.
5. develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained[7]	Chief executive and leader have unwritten protocol in place – each aware of and understand and respect respective roles

---

[6] In the police service the Chief Executive or equivalent is responsible for the operational management of the Police authority; the Chief Constable is responsible for the operational management of the Force.

[7] The Authority Chair, Chief Executive, Treasurer and Chief Constable in the police service.

6. make a senior officer (usually the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	Section 151 responsibilities set out in S112/114 Local Gov't Finance Act 1988 Statutory provision CFO (S151 officer) attends CMT. Constitution and scheme of delegations Appropriate procedures, protocols in place. Capital and medium term and treasury management strategies set out overall financial management arrangements. MO and CFO required to be consulted on all committee reports and decision where there is a financial impact
7. make a senior officer (other than the Responsible Financial Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with	Monitoring officer is AD legal and constitutional services MO attends CMT. Constitution and scheme of delegations Appropriate procedures, protocols in place. MO and CFO required to be consulted on all committee reports
8. develop protocols to ensure effective communication between members and officers in their respective roles	Member/officer protocol Informal Cabinet/CMT meetings take place monthly. Regular briefings with portfolio holders
9. set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable)	Pay and conditions policies and practices Members Allowances administered by MO Appointments panel in place
10. ensure that effective mechanisms exist to monitor service delivery	Quarterly service plan reviews and performance reported to CMT Performance Boards in place receiving reports on service delivery performance Reporting to CMT & Cabinet – Beacon Index etc
11. ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	SCS developed following comprehensive consultation Corporate plan and service plans support SCS. Briefings on SCS undertaken to scrutiny and officers prior to adoption. Comprehensive consultation on policy changes (i.e. bin service, new neighbourhood management model), budget consultation.
12. when working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	Protocols for partnership working are in place and being embedded For some partnerships there is: • a clear statement of the partnership principles and objectives • clarity of each partner's role within the partnership • definition of roles of partnership board members • line management responsibilities for staff who support the partnership • a statement of funding sources for joint projects and clear accountability for proper financial administration

	• a protocol for dispute resolution within the partnership A partnership working group produced a partnership toolkit which will ensure a consistent approach, including governance issues. This requires embedding.
13. when working in partnership: - ensure that there is clarity about the legal status of the partnership - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	For some partnerships there is: • a clear statement of the partnership principles and objectives • clarity of each partner's role within the partnership • definition of roles of partnership board members • line management responsibilities for staff who support the partnership • a statement of funding sources for joint projects and clear accountability for proper financial administration • a protocol for dispute resolution within the partnership Accountability agreements are in place for major partnerships. A partnership working group produced a partnership toolkit which will ensure a consistent approach, including governance issues. This requires embedding.

Step 3 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance
1. ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	CA 2008 identified positive working relationships and climate of respect between officers and members Regular portfolio meetings held with EDs Reports to standards committee Informal CMT/Cabinet meetings as well as formal Regular meetings between CE and Leader
2. ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	Member Code of Conduct Officer Code of Conduct in place. Performance management system and performance appraisal/supervision in place. Complaints procedures including members complaints process in place Antifraud and corruption policy in place Member/officer protocol in place Monitoring officer role in monitoring this Standards committee report on complaints against members.
3. put in place arrangements to ensure that members and employees of the	Financial and contract procedure rules in place. Codes of conduct in place

authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice[8]	Constitution and scheme of delegations Register of interests exist. Monitoring officer/CFO presence at CMT, Council, Cabinet, Audit Committee and Standards Board and where decision making powers. Whistleblowing and other HR procedures in place
4. develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	Codes of conduct exist Values set out in the corporate plan and consulted on via management/leadership forum and other means.
5. put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Codes of conduct comply with relevant guidance. Ethical training provided to members. HR procedures in place which comply with good practice. Contracts have ethical section Standards committee reports
6. develop and maintain an effective standards committee	Terms of reference in place, regular meetings held Training for the committee provided. Monitoring officer is lead officer
7. use the organisations shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	Decision making practices are transparent. Scrutiny have a right of call-in
8. In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	Protocols for some partnership working in place. This is being further developed by a corporate partnership group.

Step 4 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles	
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	
The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance
1. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is responsible.	Scrutiny is supported by robust evidence and data analysis although acknowledged that scrutiny is variable, there are good examples of working. Standards Committee receive reports from the ombudsman, annual report on ombudsman's activity. Minutes of meetings Audit Committee review of AGS and SoA: minutes
2. develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Decision making records held and available on council website/CMIS along with reports and agendas CMT minutes and performance board minutes published Records/minutes of corporate working groups and partnership meetings.

---

[8] In the police service "employees" includes the Chief Constable and staff under the direction and control of the Chief Constable.

3.	put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Members Code of Conduct Training received Reminder on agendas re register of interest Register of Interests and letter for newly elected members Monitoring officer/CFO representative at key meetings Officer Code of conduct and HR procedures in place Record of hospitality and gifts maintained in directorates and centrally.
4.	develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee	Terms of reference approved by Council in Constitution Work programme and roles and responsibilities reviewed annually. Membership includes members with some financial knowledge and experience Training for committee members – rolling awareness Review of effectiveness undertaken by external audit: action plan to be agreed and implemented in 2010/11 (See annual review of effectiveness summary for further detail)
5.	put in place effective transparent and accessible arrangements for dealing with complaints	Corporate complaints procedure "Tell US" Additional mechanisms for Social services & members Annual report produced on complaints and actions Standards committee report on complaints against members. FOI act officer in place.
6.	Ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	Members' induction scheme Training for committee chairs Reports with standard headings, including risk, financial, legal and performance implications. Formal reports to partnership boards Monthly financial reporting Quarterly performance reporting. Partnership toolkit and register
7.	ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	Record of decision making and supporting materials include reports which must have legal and finance implications. Cabinet reports not presented unless consultation sheet signed off Attendance of 151 & MO at Cabinet/Council. And attend CMT Legal officers at regulatory committees Devolved finance support in each directorate.
8.	ensure that risk management is embedded into the culture of the organisation , with members and managers at all levels recognising that risk management is part of their job	Risk management strategy and corporate and directorate registers and risk action plans in place UoR auditors judgement score of 3 in 2009 and minimum of adequate in 2010 Financial standards and regulations in place Risk is highlighted in all reports Member champion Directorate champions Quarterly reporting to Cabinet and Audit Committee Audit Committee choose 2/3 risks per quarter to scrutinise/review Business continuity plans in priority services and

	being rolled out All jobs have a risk assessment and reviewed as circumstances change.
9. ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access	Whistle blowing policy in place
10. actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	Constitution and delegations and financial and contract rules Internal audit plan and audits Monitoring officer/CFO advice in meetings and in reports (financial/legal implications) Consultation sheets – finance/legal consultation on reports required. Legal services team and job descriptions
11. recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	As above.
12. Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.	As above

Step 5 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles	
Developing the capacity and capability of members and officers to be effective	
The local code should reflect the requirements for local authorities to:	**Source documents/good practice/other means that may be used to demonstrate compliance**
1. provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Member and officer development strategies and training and development plans Induction for new members and officers Update courses/information offered to members and officers where relevant externally Core competencies for employees Continuing professional development compulsory for certain posts (e.g. finance) Management competencies being rolled out
2. ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation	Job description/personal specifications MO/CFO Attendance at corporate management team and council/cabinet meetings Quarterly meeting of 3 statutory officers Scheme of delegations and Constitution Statutory provisions

		CFO role set out in financial procedures
3.	assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Training development plan and strategy for members Member and Officer training group in place Internal and external training provided.
4.	develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Training and development plan reflect requirements of a modern councillor including: • the ability to scrutinise and challenge • leadership and influencing skills And can be tailored to individual needs.
5.	ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs	Performance management system and performance boards. Quarterly beacon index reporting to cabinet. UoR judgement Individual member training plans. Annual audit and inspection letter and interim audit AGS
6.	ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	Walsall consults comprehensively on priorities, budget and needs LNP's and new neighbourhood management model Voluntary/community engagement sector requires improvement
7.	ensure that career structures are in place for members and officers to encourage participation and development	Succession planning in all service plans IPM's include career development Buddying and Mentoring in place. Individual training and development plans

Step 6 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles

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

The local code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance
1. make clear to themselves, all staff and the community, to whom they are accountable and for what	Sustainable community strategy and corporate plan and published strategies outline priorities and annual pledges Constitution Corporate budget plan Website
2. consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required	Partnership governance arrangements recognised as requiring strengthening and group set up to do this. Partnership toolkit provided and training and guidance to be rolled out.
3. produce an annual report on scrutiny function activity	N/A

4.	ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively	SCS Equalities and impact assessment monitoring and reporting Complaints reporting Processes for dealing with competing demands within the community Members surgery Walsall pride – borough wide publication LNPs and NM model Budget consultation Fist stop shop and website Business consultation in regeneration Individual service surveys
5.	Hold meetings in public unless there are good reasons for confidentiality.	Meeting agendas. Most held in public.
6.	Ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	SCS Equalities and impact assessment monitoring and reporting Complaints reporting processes for dealing with competing demands within the community Members surgery Numerous forums exist Walsall pride – borough wide publication LNPs and NM model
7.	establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result	Communication strategy being updated. Customer service standards Budget consultation process and feedback Equality impact assessments Customer satisfaction records Complaints handling
8.	On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	Corporate plan Annual financial statements – accounts and budget reports, council tax leaflet
9.	ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	Constitution Public meetings Partnership boards Walsall Partnership and neighbourhood management model
10.	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	JNCC and Employee relations forum exist and are consulted on budget, HR procedures etc. Staff suggestion scheme reinstated

Objective 2 - Identify principal risks to achievement of objectives

Step 1: In support of objective 2: The authority has robust systems and processes in place for the identification and management of strategic and operational risk	
Examples of assurance:	**Walsall evidence:**

1. There is a written strategy and policy in place for managing risk which:
  • Has been formally approved at political and risk management board (or equivalent) level
  • Is reviewed on a regular basis
  • Has been communicated to all relevant staff
  • Includes partnership risks
	• Risk management strategy and policies approved by Cabinet and Council and reviewed and updated annually
	• CMT and Cabinet review and update corporate risks and strategy regularly.
	• Disseminated via team briefs, DLTs, via risk champions, on intranet, website.
	• CMT workshop 2009/10 and quarterly reviews
	• Member champion
	• Officer champions in each directorate
	• Audit Committee workshop

2. The authority has implemented clear structures and processes for risk management which are successfully implemented and:
  • Management board and elected members see risk management as a priority and support it by personal interest and input
  • Decision making considers risk
  • A senior manager has been appointed to "champion" risk management
  • Roles and responsibilities for risk management have been defined
  • Risk management systems are subject to independent assessment
  • Risk management is considered in the annual business planning process
  • Risk management extends to partnership risks
	• See cabinet, council and audit committee minutes
	• Regular review & reporting of risks to committees.
	• JD of staff incorporate risk.
	• Service plans are risk assessed.
	• Financial risk identified and monitored.
	• Corporate risk manager in post.
	• Officer and member champions in place.
	• Management teams receive reports on risk and manage risks via MAPs which are updated regularly.
	• Internal audit plan risk assessed.
	• Committee reports all include risk management sections.
	• The corporate budget plan assess risks as appropriate and new and emerging risks facing the authority taken account of in setting reserves levels.
	• Partnership register and toolkit produced.

3. The authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff	• Corporate risk management strategy and system • Systematic procedures for risk identification and evaluation have been agreed; service planning, project planning, financial monitoring, risks in partnerships, individual posts are risk assessed. • Risk assessment included in induction and corporate induction.

4. The authority has well defined procedures for recording and reporting risk	• Risk management strategy and policy reviewed regularly. • Corporate and directorate risk registers in place and reviewed regularly. • Key risks managed via risk management action plans. • Regular reporting of risk to Cabinet/Audit Committee. • Internal audit plan risk assessed.
5. The authority has well-established and clear arrangements for financing risk	• MTFS and annual budget process has clearly established policy on management of financial risk. • Level of reserves etc. Are set based on a financial risk assessment. • Prudent capital pot for uninsured property damage/risk management • All legal requirements for insurance are met. • Self-insurance provisions/reserves subject to annual review and contributions to the fund adjusted accordingly. • Insurance claims being managed in accordance with Woolf principles. • Incidence of successful and unsuccessful claims monitored and fed into setting of policy for risk financing accordingly.
6. The authority has developed a programme of risk management training for relevant staff	• Training programme for risk management champions in place and appropriate staff. • Induction programme includes risk management. • Appropriate responsibilities for risk management incorporated into job descriptions and appraisals. • Risk assessment for each post. • Project workshops have been provided with project managers attending these sessions. Project risk awareness training sessions have also been provided with project managers in attendance. In addition, training sessions have been held on the new project management software system training.
7. The corporate risk management board (or equivalent) adds value to the risk management process by: • Advising and supporting corporate management team on risk strategies • Identifying areas of overlapping risk • Driving new risk management initiatives • Communicating risk management and sharing good practice • Providing and reviewing risk management training • Regularly reviewing the risk register (s) • Coordinating the results for risk reporting	• Experienced corporate risk manager in post, part of a risk team. • Corporate risk manager reports regularly to CMT, Cabinet, Council and Audit Committee (responsible for overseeing risk) on risk management issue and advises on risks as appropriate. • Awareness/ training workshops held with senior managers, risk champions and members as appropriate. • Areas of notable practice shared with others • Risk register reviewed regularly

8. A corporate risk officer has been appointed with the necessary skills to analyse issues and offer options and advice and: • Support decision making and policy formulation • Provides support in the risk identification and analysis process • Provides support in prioritising risk mitigation action • Provides advice and support in determining risk treatments • Inspires confidence in managers.	• Experienced corporate risk manager in post, part of a risk team. • A risk management unit exists, which advises CMT and Cabinet on processes, supports senior management and members on risk management, communicating and driving improvements (i.e. partnership health check, project risk management), providing awareness and training sessions to risk champions, managers and members (i.e. Audit Committee), reviewing and reporting on the risk register and co-ordinating risk reporting to CMT, Cabinet, Council and Audit Committee.
9. Managers are accountable for managing their risks	• Managers required identifying and managing service, project and financial risks. • Financial risk updates reported monthly. • Risk registers identify lead officer. • Job descriptions of managers outline risk management responsibilities • At minimum annual review of risk at service/operational levels or as required by MAPs. • Annual assurance statement sought from ED/ADs include reporting on risk management issues and controls.
10. Risk management is embedded throughout the organisation	• Risk management culture at all levels. • Managers involved in risk management aspects of service and financial planning • The Walsall Project Approach (WPA) methodology, based on best practice has been developed and compliments existing performance management, risk management and capital monitoring arrangements. • A document storage facility has been established on the council's computer system enabling directorates and services to share their project documentation including filing their latest risk assessment documents.
11 .Risks in partnership working are fully considered	• Project risk assessments required for all major projects and reviewed. • Partnership health check undertaken and findings/ being implemented. • Partnership arrangements are reviewed in terms of risk before they are entered into. • Toolkit and register established • AAIL December 2009 (2008/09) stated the council has good partnership arrangements in place for securing good governance and risk management.
12. Where employed, risk management information systems meet users' needs	• Risk information is updated promptly • Insurance system in place and being upgraded

Objective 3 - Identify key controls to manage principal risks:

Step 1: In support of objective 3: The authority has robust system of internal control which includes systems and procedures to mitigate principal risks	
Examples of assurance:	**Walsall evidence:**
1. There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff: • Authority has adopted CIPFA code on Treasury Management • Compliance with the Prudential Code	• Financial regulations and instructions exist are reviewed & updated regularly: Finance and Contract Procedure rules, supported by a budget management and control manual • Formal approval of above by Cabinet within revised constitution • All managers receive FCR training • All senior managers have copy of constitution and access via website and intranet and public folders. • Annual treasury management and investment strategy and policy statements approved by cabinet and council. • Treasury management panel (TMP) quarterly to review performance and monitor PIs. • Treasury Management Code adopted and implemented. • Outturn report on treasury management presented annually. • Prudential Code adopted and PIs reported to TMP. • Budget management and control manual and grants manual in place and being reviewed
2. There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff	• Contract and Finance Procedure rules adopted and approved by Cabinet. • Briefings held, included in corporate induction and news and views and on website/intranet.
3. There is a whistle blowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	• Whistle blowing policy exists and has been reviewed and updated and formally approved and re-publicised. • Disseminated via new starter packs and accessible on intranet/website. • Part of Code of Conduct for all officers
4. There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	• Counter fraud and corruption policy exists and has been reviewed and updated in 7/8 and formally approved. • Disseminated via email, intranet/website. • Register of gifts and hospitality compiled and reviewed.
5. There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff	• Codes of conduct in place (officer and member) • All staff receive in new starter pack. • Available on intranet/website and in HR folders.
6. A register of interests is maintained, regularly updated and reviewed	• Register of interests (members and staff) in place and reported via SoA. • Reviewed by senior officers.

7. Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff	• Scheme of delegation included in constitution and revised and approved by Cabinet in May 2009. • Senior managers have a copy and available via intranet/website. • Reporting of decisions made under delegations to members in place; balances, monitoring, etc.
8. A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff	• Procurement policy exists which was approved by cabinet.
9. Business/service continuity plans have been drawn up for all critical service areas and the plans: • Are subject to regular testing • Are subject to regular review	• Current business/service continuity plans exist covering critical service areas and are accessible. Phased programme of plans in place.
10. The corporate/departmental risk register(s) includes expected key controls to manage principal risks	• Corporate and directorate risk register sets out principal risks and sets out appropriate key controls to manage them via risk MAPs • Key controls are monitored, reviewed and updated regularly. • Use of risk management workshops to underpin the process. • Risk owners are assigned to manage principal risks.
11. Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed	• Appropriate key risk indicators are documented and reported to CMT (risks are scored). • CMT monitor and review regularly – see minutes.
12. The authority's internal control framework is subject to regular independent assessment	• Via Internal audit plan and reports. • Annual opinion of Head of Internal Audit. • Various external audit reports. • CAA / UOR assessment • Interim audit report key accounting systems and controls in areas identified were generally sound with no material weaknesses, with only a few minor improvements needed.
13. A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff	• Health & safety policy exists and has been reviewed • SMS standards guidance provided. • SHAW intranet site contains all information, policies and procedures • All JDs have requirement to follow H&S legislation • Directorate H&S Boards in place and meet regularly. • Health and safety PIs are reported (e.g. accidents).
14. A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders is regularly reviewed	• Complaints policy/procedure exists and has been reviewed • Accessible on website – Tell Us Complaints • Procedure is compliant with relevant statutory requirements • Policy on website and intranet site • Complaints system in place and monitored and reports produced on complaints.

Objective 4 - Obtain assurance on the effectiveness of key controls:

Step 1: In support of objective 4: Appropriate assurance statements are received from designated internal and external assurance providers: • **The authority has identified appropriate sources of assurance** • **Appropriate external assurances are identified and obtained**	
Examples of assurance:	**Walsall evidence:**
1. The authority has determined appropriate internal and external sources of assurance	• Sources are set out within the governance statement, in accordance with CIPFA guidance and include: internal processes and procedures; financial and governance arrangements, constitution, procedure rules, hr policies and practices, managers assurance, internal audit and head of internal audit opinion; external audit reports and annual letters; and other inspections, CAA/UoR, AAIL, Interim Audit, ISA260, Grants reports.
2. Appropriate key controls on which assurance is to be given have been identified and agreed	• Managers receive guidance on what is expected of them via; constitution, CFP rules, scheme of delegations, financial monitoring training, financial procedures, the Code of Conduct and HR procedures. • Annual assurance statements to ED/AD set out expectations, key controls and action required in providing assurance • Managers are required to sign up to managing their budgets. • Managers are required to sign up to delivering service plans and targets and managing risks • Managers required to deliver services within corporate policies and procedures, and legislative requirements • Key internal controls covered by internal and external audit plan and work annually and in governance framework i.e. key financial systems.
3. Departmental assurances are provided	• ED and Ads were required to sign an assurance statement for 2008/09 sign off on adequacy of internal controls and action to implement audit actions is taking place • Evaluation included 'reality checking' of sample of departmental assurances via liaison with internal audit and finance and legal colleagues.

4. External assurance reports are collated centrally • Reports are reviewed by relevant senior management team and reported to appropriate committee • Action plans are prepared and approved as appropriate • Follow up reports on recommendations are requested and reviewed by relevant senior management team and progress is regularly reported to relevant committee	• Sources of external assurance relevant to authority include; CAA assessment, UoR assessment, Annual audit and inspection letter, Annual governance report, Interim audit, External audit reports: Sure start, grant claims, etc • CMT receive and approve inspection, audit letter and CPA action plans. • Progress reports on audit letter are taken to Audit Committee. All external and inspection results and reports will be reported to Audit Committee in 2010/11 • Action plans are approved by appropriate officers and reported to CMT/Audit Committee
5. Internal Audit Arrangements	• Reports of Head of Internal Audit to Audit Committee or equivalent throughout the year • Annual report of Head of Internal Audit, including opinion on internal control framework which is adequate • External audit review in 2007/08 advised that internal audit continues to provide an effective service to help ensure that (in the main) procedures are followed as laid down. Next review due in 2010/11 • Annual review of effectiveness of internal audit supported by external audit opinion via annual audit and inspection letter: system is adequate overall, with some rocs from the ERDF report to be implemented.
6. Corporate Governance Arrangements	• Internal control framework covers governance arrangements in place. • External audit review of financial governance arrangements. • Local Code of governance
7. Performance monitoring arrangements	• Comprehensive PM system in place. • Annual and in-year reports on delivery of key performance indicators • Annual audit and inspection letter, external and internal audit work report on arrangements. • Regular reporting to Cabinet and CMT • Action plans received by Audit Committee. • Progress in implementing internal audit recommendations reported to DMTs and to Audit Committee and senior managers requested to attend if requested.

Objective 5 - Evaluate assurances and identify gaps in control/ assurances:

<table>
<tr>
<td colspan="2">Step 1: In support of objective 5:The authority has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify areas of weakness in controls</td>
</tr>
<tr>
<td>Examples of assurance:</td>
<td>Walsall evidence:</td>
</tr>
<tr>
<td>1. Responsibilities for the evaluation of assurances are clearly defined throughout the organisation</td>
<td>

Assurances reviewed and report on effectiveness review.
Audit Committee have clear remit in respect of receiving and considering findings of review of review of internal control and internal audit effectiveness
Audit Committee responsible for considering and approving governance statement

</td>
</tr>
<tr>
<td>
2. Mechanism established for collecting governance assurances

Overall responsibility allocated to governance senior officer group
Required assurances are agreed and recorded
Central record of all assurances (either evidence file, or showing clear link to where evidence is held)
Clear guidance as to evaluation procedure including assurance over risks, independence and objectivity of assurances
Defined evaluation mechanism
Timetable for completion by statutory deadline
Gap assessment - performed and challenged

</td>
<td>

Terms of reference of review established.
CIPFA and CIPFA/SOLACE Guidance on preparation of the governance statement and evaluation used, including undertaking effectiveness review of system of internal control.
Chief internal auditor completes self-assessment in respect of system of internal audit and provided supporting evidence
Evidence reviewed by officers against the CIPFA code of Practice.
Governance statement (including effectiveness findings) considered by CFO and endorsed.
Governance statement shared and agreed with monitoring officer and audit
Governance Statement considered and endorsed by Leader and Chief Executive
ED/AD assurance requirements
Programme governance arrangements established 2009/10
Business change governance arrangements established 2009/10
Internal/external assurances mapped against managers assurances and other assurances to obtain gap analysis and identify weaknesses in internal controls as highlighted in governance statement.
Quarterly reviews of implementation of internal audit agreed actions
GT ERDF report reviewed and action plan produced and referred to in AGS
Further meeting to consider evidence gathering and assessment for the period between the year-end and the date of the governance statement *(timetable driven by that for the production of the annual statement of accounts)* to be arranged.

</td>
</tr>
</table>

Objective 6 - Action plan to address weaknesses and ensure continuous improvement of the system of internal control:

Step 1: In support of objective 6: There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored	
Examples of assurance:	**Walsall evidence:**
1. An action plan is drawn up and approved	• Council action plan to GT ERDF report • Action plans in place for control weaknesses, including timescales and lead officer • Managers required signing up to implement action plans. • Progress monitored via senior management teams and Audit Committee • Majority of weaknesses from previous year's governance statement now signed off as adequate.

2. All actions are 'SMART':
  • Specific
  • Measurable
  • Achievable
  • Realistic
  • Time-bound
	• Each action on prioritised action plan is compliant with 'SMART' test: actions agreed with internal/external auditor.

3. Actions communicated and responsibilities assigned	• Responsibilities for each action are defined in action plan, along with responsible officer and timescale • All relevant officers receive final copy of action plan.
4. Implementation timescales agreed	• Target dates included in action plan
5. Ongoing review of progress and of continuing appropriateness of action	• Internal audit review of implementation of agreed actions ensures review of progress and continuing appropriateness of actions in follow ups. • Governance statement lays out progress reports and updates in respect of 2008/09 governance statement weaknesses; majority of which are now adequate. • Senior management team review of implementation of recommendations in place. • CMT review serious control weaknesses as appropriate (i.e. ERDF action plan) • Audit assurance statements require managers to sign up to this.

Objective 7: Annual Governance Statement:

Step 1: In support of objective 7 – An Annual Governance Statement has been drafted in accordance with the statutory requirements and timetable set out in the Accounts and Audit Regulations 2003*, as revised by the Accounts and Audit (Amendment) (England) Regulations 2006,* and is in accordance with CIPFA guidance.	
Examples of assurance:	**Evidenced by:**
1. Responsibility for the compilation of the Annual Governance Statement has been assigned	• Documented key responsibilities • CMT report
2. There is an Annual Governance Statement production timetable that meets the statutory deadline	• Annual Governance Statement timetable is linked to that for the preparation of statutory accounts
3. The Annual Governance Statement is reviewed, challenged and approved by the authority	• Terms of reference assigned to Audit Committee • Annual Governance Statement is compliant with CIPFA guidance • Minutes of CMT and Audit Committee
4. Governance assurance statement is prepared, incorporating all the required elements of the statement on internal control	• Format of governance assurance statement clearly incorporates required elements of the statement on internal control • Statutory timetable is followed

Objective 8: Report to Cabinet / executive committee:

Step 1: In support of objective 8 – An annual report to the authority (or delegated committee) on the Annual Governance Statement is presented, in accordance with the CIPFA pro forma	
Examples of assurance:	**Evidenced by:**
1. Responsibility for reporting is clearly defined	• Initial report explaining the requirement to produce an annual governance assurance statement incorporating the SIC to Audit Committee in April 2008. • Included in Audit Committee annual work programme. • Update on report requirement and role of committee presented annually.
2. The signatories to the annual governance assurance statement and SIC are defined and are appropriate in accordance with statutory requirements (i.e. Most senior officer and most senior member of the organisation)	• Meetings with Leader and CEO • Signatures on AGS
3. The report is likely to be published in a timely fashion with the statutory accounts	• Publication with SoA.

**Effectiveness Review of Internal Control and Governance Framework 2008/09:
Summary**

The following areas were reviewed and this section summarises the main points and findings for the year.

Review of Progress of Actions from 2008/09 AGS

Internal Audit Activity

An issue arising from service activity is the performance of services in implementing agreed audit recommendations. This is further detailed in Appendix 3b and shows significant improvement.

Financial Performance

The council will report an underspend on approved budget of c £1.3m (£0.7m overspend in services, offset by central budget underspends). The council has been effected by the impact of the recession and reported an expected significant overspend earlier in the financial year. It put in place corrective action to mitigate the position to ensure that reserves will be in line with levels set out in the medium term financial strategy. Ongoing pressures and overspends have been managed in year and via the 2010/11 budget process

Robust processes and reporting arrangements are in place and this is recognised by our 2009 UoR score of 3 for financial planning and financial reporting and indicative score of 3 for 2010.

The council has a well established financial framework and strategy and has scored a 3 for managing finances in all recent year's scored judgements. The external auditors have confirmed, due to a national suspension of inspections, that the council maintains at least adequate arrangements in respect of managing the finances.

External audit have indicated they have sufficient evidence to support an unqualified VFM opinion for 2009/10.

Risk Management

The council has robust risk management arrangements in place and robust reporting arrangements to Cabinet, Audit Committee and CMT. We report annually to full Council on risk management activity and improvements over the previous 12 months. We scored 3 in the 2009 UoR judgement for risk management and internal control and no significant weaknesses were identified. For 2010, an at least adequate opinion has been confirmed.

CMT have undertaken a full day workshop during 2009/10 June to assess their effectiveness in managing risk and review corporate risks. Audit Committee have also undertaken their own workshop.

Refer to UoR self-assessment 2006, 2007, 2008 and 2009 for evidence as this is comprehensive in demonstrating how robust and effective our arrangements are.

The Corporate Assessment in early 2008 identified our risk management arrangements as robust and embedded. In 2009/10 the Grant Thornton ERDF investigation reported that whilst the risk management framework is robust, compliance was not and actions have been agreed to address this.

Further work has been undertaken to embed the partnership register and toolkit and this will be further strengthened to reflect recommendations from the Grant Thornton audit report

The Annual Audit and Inspection Letter December 2009 (2008/09) stated the council has good partnership arrangements in place for securing good governance and risk management.

The Annual Audit and Inspection Letter 2008/09, Published December 2009

The report highlighted the following:

- An unqualified audit of the accounts for 2008/09 on 29 September 2009
- Continuing good standard of working papers for the accounts audit
- High quality of the accounts
- No significant issues arising out of the National Fraud Initiative or Whole of Government Account audit
- Significant weaknesses in financial administration and governance of the ERDF programme
- An unqualified VFM conclusion, acknowledging that they were satisfied the council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of Resources
- UoR judgement of 2 overall, including a 3 for managing the finances
- A number of recommendations for improvement concerning UoR for which an action plan was agreed..

Codes of Conduct/Behaviours/Training/Roles and Responsibilities

See Local Code of Governance approved by Audit Committee 3rd April 2008 and Standards Committee 16th June 2008.

See effectiveness review against CIPFA/SOLACE Local Code of Governance Framework and CIPFA Guidance attached to Audit Committee report for further detailed evidence (Appendix 4).

See Monitoring Officer summary for review of effectiveness feedback (attached at Appendix 5b) and application of core principles review of effectiveness.

Corporate Assessment 2008 reported that "there is clarity among both officers and councillors about respective roles and responsibilities, enabling effective leadership".

A member development strategy and training plan is in place and managed. The strategy was revised in 2007. Take up of training is high.

A member and an officer code of conduct are in place.

Standards Committee receives report on complaints concerning members.

There is a member development steering group made up of elected members from all groups and HRD officers.

Induction programmes and personal development plans are in place for all new members.

The officer code of conduct has been updated.

Disciplinary action and grievance complaints levels are reported to cabinet frequently.

Interim Chief Internal Auditors Annual Report on Control Environment

Report to Audit Committee on 14 June. All conclusions have been taken on board in the effectiveness review.

Comprehensive Area Assessment (CAA) 2009

The CAA 2009 assesses how well local services are working together to improve the quality of life for local people and comprises an area and organisational assessment. Walsall is assessed as performing adequately.

Grant Thornton Interim Audit Report (Draft May 2010)

The interim audit covered a review of entity-level controls, including relevant control activities, over risks that could lead to material misstatement in the financial statements, and determined whether they have been implemented.

The Interim Audit, completed in March and April 2010, considered:

▪ the adequacy of controls over financial reporting systems and also an evaluation of the design of the controls, where there is a higher risk of material misstatement in the financial statement;
▪ the adequacy of arrangements for year-end closedown and the preparation of the annual accounts.
▪ Use of Resources judgement
▪ Follow up of previous years recommendations

The draft report highlights:

• UoR assessment that Walsall is performing adequately
• Appropriate action is being taken by the council to address risks identified by external audit in respect of the audit of the accounts 2009/10
• Adequate progress being made implementing recommendations made in the ISA26 report issued to Audit Committee last year.
• In terms of the review of controls and their adequacy, Grant Thornton report that "the council's processes over it's key accounting systems and controls in the areas identified were generally sound with no material weaknesses. Some areas for minor

improvement were noted and a number of recommendations made which will be addressed.

Grants Report (June 2010)

During 2008/09, areas of weakness were reported as follows:

- 37.5% of the recurrent grants (excluding ERDF) were submitted for audit later than the deadline required by the paying department. This shows no improvement from the prior year.
- 5 of 14 grants were qualified (including 4 ERDF). This represents a significant improvement on the prior year where 21of 28 claims were qualified, including 5 of the 8 recurrent grants.
- Grant preparer availability has been good and working papers have generally been sufficient for our purposes. However 57% of claims (50% of recurrent claims) required amendment prior to submission.
- There were significant issues identified in the ERDF claims.

An action plan was agreed and presented to Audit Committee on 14 June 2010. The actions will be monitored. A number relate to ERDF which is subject to a separate action plan presented to Audit Committee for review and approval on 14th June also. This will be actively monitored.

Grants for 2009/10 will be assessed during the external audit of the statement of accounts and reported back to Audit Committee in September prior to publication of the AGS. Any significant failings in internal control will be highlighted at this stage and the AGS amended to reflect this.

Monitoring Officer (MO) Review

The Chief Executive Officer (CEO) and MO keep under review standards and behaviours of members via Standards Committee and statutory officers meetings, and CMT.

Re-application of laws and regulations, all decision making reports to member forums have to be submitted to legal services prior to submission to committees/CMT. All reports are required to have a legal implications section. Report authors are required to complete a consultation proforma specifying what advice has been received.

A statutory officer meeting is held quarterly between the MO, Chief Finance Officer (CFO) and Head of Paid Service (CEO) and generally has good access to both statutory officers. MO attends the frequent portfolio holder meetings and also when necessary has good access to the Leader of the council and group leaders The MO has the authority to report matters to relevant group leaders for action to be taken. The MO is satisfied that this process works

MO attends Corporate Management Team weekly, attends Council, cabinet and agenda planning/briefing meetings. MO attends Standards Committee, Assessment sub committee, Review Sub Committee and reports on issues of standards/conduct, including complaints and ombudsmen reports.

Training is available to members via the member development strategy and via standards committee. All members of the council (and co optees) are invited to training on the ethical framework and where relevant tailored governance training. Each member has an individual training and development plan. Specific training was also provided to regulatory committees: licensing, DC and appeals panel members.

The constitution is reviewed annually so is current. The scheme of delegations has been reviewed and was approved by Council in May 2009.

MO is accessible and approachable to members in an advisory capacity.

A member officer protocol is in place, which is monitored against.MO protocol was approved by Standards Committee and is available on the intranet and the constitution.

The MO is satisfied that in reviewing governance arrangements and reporting thereof, that they are effective and there are no significant issues he wishes to bring to the attention of the Audit Committee.

Annual Governance Statement 2009/10

1.   Scope of responsibility

This statement is given in respect of the 2009/10 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 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.* A copy of the code is on our website or can be obtained from the Monitoring Officer or Chief Finance Officer.   This statement explains how Walsall Council has complied with the code and also meets the requirement of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2.   The purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, 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 2010 and up to the date of approval of the annual report and statement of accounts.

3.   The Governance Framework

The Council acknowledges its responsibilities in ensuring the following key elements of the governance arrangements including the system of internal control, are in place and this statement provides further information on how it achieves this, including:

- Identifying and communicating the authority's vision and intended outcomes for citizens and service users, reviewing the vision and its implications for the authority's governance arrangements
- Establishing and monitoring the achievement of the Authority's objectives, including measuring the quality of services for users
- Establishing clear channels of communication with the community and stakeholders, ensuring accountability and open consultation
- The facilitation of policy and decision making
- Complying with established policies, procedures, laws and regulation, including how risk assessment is embedded in the activity of the Authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions of the council;
- Developing, communicating and embedding codes of conduct and defining standards of behaviour
- Undertaking the core functions of an Audit Committee
- Whistleblowing and receiving and investigating complaints from the public
- Identifying and supporting development needs of members and senior officers
- Financial management of the Authority and its reporting
- Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- Performance of the Authority and the reporting of performance management
- Programme and project management
- Incorporating good governance arrangements in respect of partnerships and other group working.

The internal control environment and governance framework is an integral part of the Council's Walsall Performance Framework (WPF). The WPF (diagram 1 overleaf) sets out how the various planning processes interlink and jointly demonstrate how services and resources are managed. It is the framework within which the council operates and is underpinned by functional frameworks that provide guidance and protocols, comprising financial, performance, risk, communication and political management processes. The WPF exists to embed performance management and continuous improvement into our normal business activities and shows how services and activities are regularly measured and monitored to enable effective decision making, helping to ensure the Council delivers efficient, customer focussed services that provide value for money.

It connects the following:
- Sustainable Community Strategy
- Corporate Plan, vision, pledges and values
- Service planning (of all levels) of the council and its partners
- Financial planning (of all levels)
- Local Neighbourhood Plans
- Individual Performance Management (IPM)

All of which take place in an environment of stakeholder influence, audit and inspection, internal control and monitoring in order to develop continuously improving services.

Diagram 1: The WPF
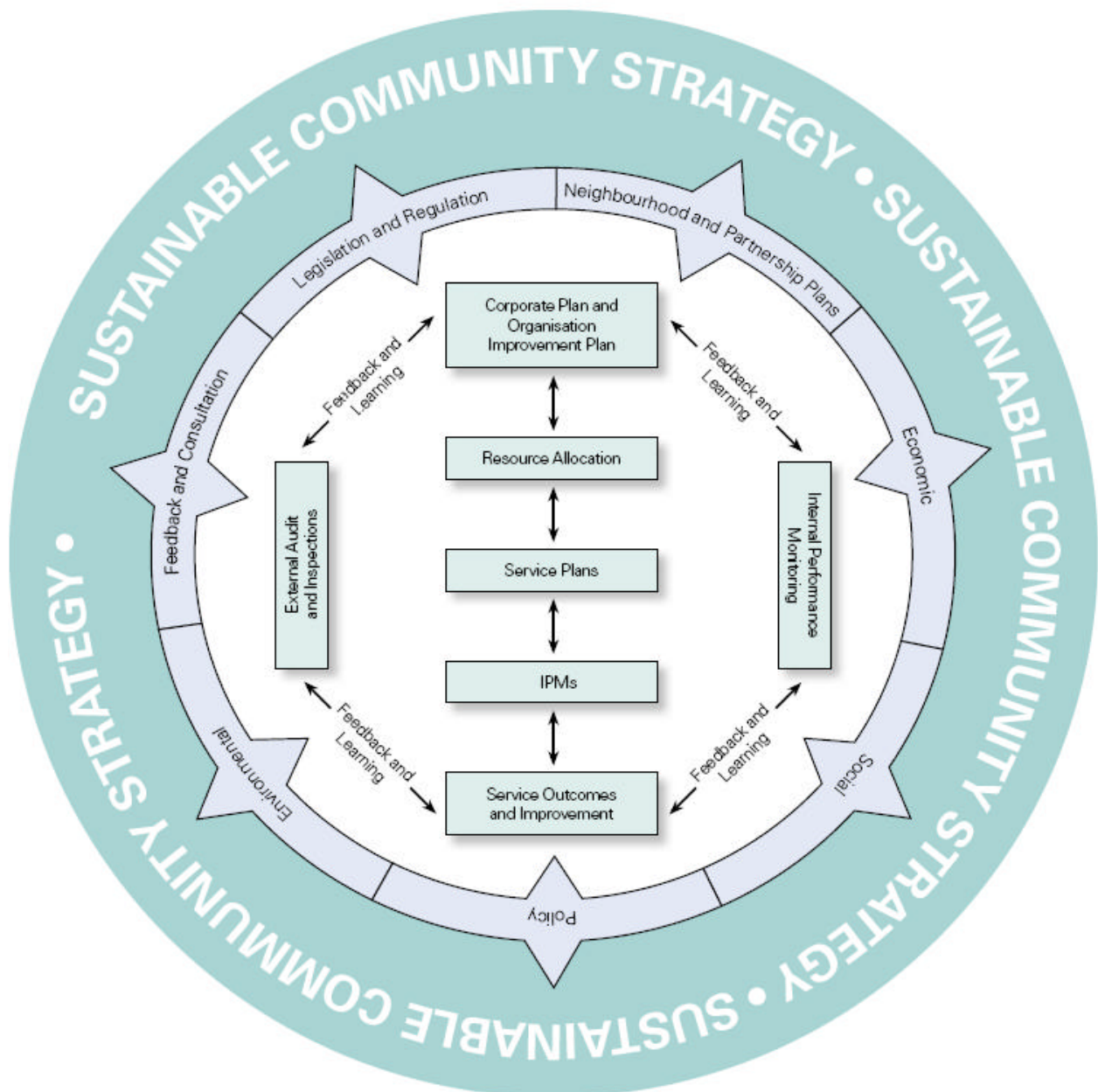
The governance framework consists of regular management information, financial and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate individual performance management (IPM) framework, a comprehensive risk management strategy and process, project management methodology and a system of officer and member delegation and accountability and codes of conduct. Diagram 2 shows the overall governance framework which is discussed in more detail in this section.

Diagram 2: ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Framework - Key documents/process guidelines
- Performance management
- Corporate strategy and planning process
- Budget and budgetary control
- Code of corporate governance
- Project management/ Risk Management / Counter Fraud Policy
- Ethical Governance
- Policies, procedures, codes of conduct
- Partnership arrangements

Annual Governance Statement

Approval by Audit Committee

Authority & Directorate Policies, Service Plans and Risk Registers

Corporate Process: Responsibility for drafting AGS and evaluating assurances and supporting evidence

Review of the effectiveness of the system of Internal Audit

Performance Management & Data Quality	Risk Management	Legal and Regulatory Assurance	Members' assurance	Assurances by directors/ service heads	Other sources of assurance (including third-party)	Financial control assurance	Internal Audit	External Audit
WPF, Embedded Systems, Operates throughout organisation, Action orientated, National/local KPI's, Periodic progress reports, PM's, Service plans & Reviews, Beacon Index, Performance Boards, Programme and project management	Risk Management Strategy, Embedded in policies & planning, Effectiveness evaluated, Diagnostic survey, Cascaded through all employees, Regular reports to council/cabinet/audit committee, Financial risk assessment, Project risk assessment, Directorate risk maps	*Quarterly statutory officer meetings *Monitoring officer protocol * S151 report *CFO/MO attendance at CMT/Cabinet/ Council and regulatory committees *Legal/finance implics in reports	* Code of conduct *Constitution *Member development *SCS, corporate plan, pledges * Committee meetings *AGS sign off *Partnership working *Community engagement	*Annual management assurances *Cascaded through all employees *Review of audit report and agreed rec's *Performance Boards & SMT's	*Fraud reports and investigations *Reports by inspectors *Post implementation reviews of projects *Working party reports *Ombudsman reports	Medium term financial strategy *Accountable body status protocol Regular financial monitoring FCRs, Constitution, Statutory officer provisions, Key systems procedure notes UoR judgement and IA/EA reports	Head of internal audits opinion in annual reports to audit committee Operates under charter and in accordance with CIPFA Code of Practice Rolling 5 year annual plans, members approved Risk assessed plan	*Annual audit & inspection letter *Annual plan *Audit opinion *CPA/CA *Ad hoc projects *Interim Audit * Inspection reports *UOR Auditor Judgment

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 sustainable community strategy, setting out ambition, objectives and priorities of the council and key partners, developed following extensive consultation with the community and stakeholders. – linked to corporate and service plans.
- A comprehensive risk management strategy and framework, operating at both strategic and operational levels;
- A comprehensive programme and project management approach;
- A risk assessed Internal Audit programme which is planned in advance to cover all major systems of internal control and which is based on a risk assessment of key systems and controls;
- A comprehensive financial strategy, including budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing;
- An approved Constitution, including financial and contract rules and a scheme of delegations and decision making processes of the council;
- Clear targets to measure financial and other performance through a comprehensive performance management framework, linked to service plans and the corporate plan;
- The preparation of regular performance and financial reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against targets and highlight remedial action, where required;
- Clearly defined capital expenditure strategy and guidelines;
- Project management principles adopted as the methodology for all projects, requiring all projects to be managed using the same underlying principles and regular reporting of progress to CMT and directorate performance boards;
- Continued use of an accountable body status protocol in relation to partnership working to ensure that activities are administered consistently and robustly across the council;
- Performance boards (in most directorates) which receive, consider and assess service plans, performance indicators, financial planning and project management processes to influence and drive continuous improvement;
- Human resources and other policies and procedures, including Codes of Conduct (member and officer), whistle blowing policy and an anti-fraud and anti-corruption policy and strategy;
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- Member and officer development strategy and individual development planning processes;
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance;
- Comprehensive communication and consultation arrangements both internally and externally;

- Lead member for risk management.

There are a number of key elements of the governance framework and internal control environment which ensures the council is able to monitor and manage the achievement of its objectives. These are included in the council's published overarching strategies and plans including; the sustainable community strategy; the corporate plan; the Beacon Index; medium term financial strategy, corporate budget plan, capital strategy, risk management strategy; programme and project management approach, and directorate strategy documents.

These documents set out the council's priorities, vision and key pledges. They are supported by directorate, service and team plans, which contain detailed targets and performance indicators to support the achievement of council objectives. A comprehensive performance management framework exists which operates throughout the council and performance is reported to senior management teams through the established performance boards model, CMT, Cabinet, and to relevant scrutiny and performance panels on a regular planned basis.

The council is committed to continuous improvement but recognises that it cannot achieve this without community and partner engagement. It is committed to working with partners through the Walsall Borough Strategic Partnership (our Local Strategic Partnership), and with the community and partners, through the established Local Neighbourhood Partnerships.

The council's constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity is transparent and accountable to the local community. This includes a scheme of delegation and contract and financial rules, which set out the control environment in which the council operates.

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

The council has an established comprehensive 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 strategic and operational risks, and this extends to an assessment of risks in service planning, financial planning and major projects and partnerships.

Strategic risks are identified, evaluated, incorporated into a corporate risk register and reported on a quarterly basis to senior management and CMT. This includes risk management action plans produced for each key strategic risk. Cabinet also receives reports on risk management. The risk management strategy is reviewed annually by Cabinet and is subject to examination by the Audit Committee as part of its established regulatory activities. Audit Committee have their own risk register and receive regular updates on this. In addition, in 2009/10, Audit Committee undertook a review of their own effectiveness.

Each directorate has identified directorate risks and work continues to ensure that the management action plans arising from these take proper account of the balance of risk and resources to ensure that appropriate and proportionate action is put in place. Service

plans include a risk management section. 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. Each directorate has a risk champion and all individual posts are risk assessed within the council and are subject to annual review. Risk workshops are held to ensure risk champions and those involved in the assessment and management of risk are appropriately trained. An elected member has lead responsibility for risk management.

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 system of Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2003, as amended in 2006.

The Constitution states that:

- The Chief Internal Auditor has the right to report directly to the Chief Executive, executive directors and elected members when this is appropriate, as well as routinely reporting to the CFO and operational managers;
- Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom under the day-to-day control of the Chief Internal Auditor who acts independently;
- The Internal Audit service plans and prioritises its work through a combination of assessment and review of the council's service provision, corporate governance arrangements, risk management processes and key internal control systems, supplemented by a programme of fraud and irregularity/consultancy work and scheduled visits to council establishments;
- The annual work plan is endorsed by CMT and the Audit Committee. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted promptly to executive directors, senior managers, school heads and chairs of governors as appropriate. Quarterly progress reports are submitted to the council's Audit Committee for review purposes;
- The Chief Internal Auditor is required to report annually on his/her opinion in respect of the overall adequacy and effectiveness of the council's internal control environment.

A comprehensive system of performance monitoring and reporting is in place at service management, corporate (executive) management and member level. This includes regular reports to scrutiny and performance panels and Cabinet. Regular reports are also presented to senior management and CMT. A corrective action planning process is in place for all indicators not achieving target and progress is continually monitored.

Executive and assistant directors are required to provide quarterly assurance statements 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. They are also required to provide an annual assurance statement to acknowledge that internal controls were in place and operating effectively for the financial year; and that where weaknesses were in place, corrective action was being actively and effectively taken and managed.

The Audit Committee receives reports on the implementation of agreed internal and external audit recommendations / actions, and on risk management and seeks to ensure agreed recommendations are actioned and managed within directorates. The Committee has a regulatory function in respect of the system of internal control and its effectiveness and the work of the Committee includes the review of the statement of internal control and its approval.

4.   Review of Effectiveness

Walsall Council (via Audit Committee) has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.

Cabinet, CMT and senior officers monitor the effectiveness of the governance framework through receiving regular monitoring reports on performance management, financial management, programme and project management and risk management, including progress against key objectives and targets and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receive regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness. In addition, CMT, the Leader and elected members, via the Audit Committee formally consider and approve the AGS annually.

The review of the effectiveness of the system of internal control is informed by the work of the Interim Chief Internal Auditors and their annual report on the overall adequacies of the internal control environment. In respect of the 2009/10 financial year, the following opinion has been given by the Interim Chief Internal Auditors;

"In our opinion, formed solely on the basis of the work undertaken by internal audit and its partner organization in 2009/10, and the positive action taken, intended to be taken or confirmed as having been taken by managers to implement agreed audit report actions, Walsall Council's overall system of internal control facilitates the effective provision of the council's functions and provides a satisfactory level of assurance regarding the effective, efficient and economic exercise of the council's functions.

Control weaknesses were identified during the 2009/10 financial year and were reported as such to the relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on evidence provided by managers to auditors confirming that they had implemented or agreed to implement actions detailed within agreed audit report action plans in the areas for which they are responsible. These are considered within the report.

The system of internal control can only provide reasonable and not absolute assurance regarding the achievement of the council's policies, aims and objectives. The opinion is based on work in the approved operational audit plan, including irregularity, consultancy and advisory work carried out in 2009/10".

All audit work is subject to agreed terms of reference, objectives and resources allocated by the council for that purpose.

Executive directors each provide an assurance statement that, for AGS purposes, they are satisfied that appropriate action has been taken by managers to implement the agreed recommendations / actions arising from audits in 2009/10. In addition, they provide assurance that controls were in place and operating effectively.

One area was identified in the annual assurance statement from the Executive Director – Neighbourhood Services and Assistant Director, Partnerships, of control weakness. This relates to the management of the Preventing Violent Extremism grant and was highlighted during a review of grants within the directorate. An Internal Audit report into this activity raised a number of concerns regarding governance and internal controls. An action plan is now in place and is actively being managed.

During 2009/10 audit reviews were undertaken of the key financial systems and also other financial and non financial systems and processes that contribute to the council's overall corporate governance arrangements. In addition, fraud and irregularity work was undertaken by the Internal Audit service during the year. None of the cases were material in the context of the statement of internal control. Internal Audit has acknowledged that the council's key financial systems are operating satisfactorily, all receiving a full or significant assurance audit opinion, apart from payroll, which received a limited assurance opinion. Further detail is contained below.

The Accounts and Audit (Amendment) Regulations 2006, introduced in 2006/7 a new requirement for the council to conduct a review of the effectiveness of its system of Internal Audit.

A self-assessment document was produced by the Chief Internal Auditor in respect of the effectiveness of Internal Audit, assessed against the CIPFA Code of Internal Audit Practice and recent CIPFA guidance. The self-assessment was reviewed independently. The system of Internal Audit was assessed as satisfactory overall. There was one recommendation in relation to Internal Audit included in the Grant Thornton ERDF report.

The effectiveness of the council's governance framework can further be evidenced by the:

- External auditors' annual (draft) Interim Audit which includes a review of key financial systems controls, which reported "the council's processes over it's key accounting systems and controls in the areas identified were generally sound with no material weaknesses". A number of minor improvements were highlighted and recommendations made which will be implemented and progress reported to Audit Committee during 2010/11;
- Quality assurance controls put in place by the Chief Internal Auditor and managers, in managing and delivering the Internal Audit service in accordance with the CIPFA code of practice and including such areas as discussion/agreement of the risk based audit plan and each individual audit review;
- The role of the Audit Committee in endorsing Internal Audit's work plan and in their regular review and scrutiny of audit performance and;
- The regular review of Internal Audit work by the CFO including meetings with the Chief Internal Auditor;

- Quarterly statutory officers meetings between the Chief Executive, Chief Finance Officer and Monitoring Officer
- The monthly corporate services performance boards which review performance of directorate activity (including Internal Audit);
- A high performance and achievement level against targets, including a 95% delivery of the annual audit plan in 2009/10;

Audit Committee has a regulatory role in terms of receiving reports on the effectiveness of the system of internal control through receipt and consideration of Internal Audit quarterly reports and a sample of completed audit reports are selected for further detailed review and scrutiny. In addition, Internal Audit has a strategic risk assessed plan which has been endorsed by CMT and Audit Committee.

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 statutory posts of the chief finance officer (S151 officer), head of paid service and monitoring officer. In 2009/10, quarterly statutory officer's meetings were embedded to review and oversee and ensure statutory provisions are being adhered to.

The council recognised the need to formalise its arrangements with a variety of 'partner' bodies where it is classed as the 'accountable body'. Accountability agreements have been developed and are in operation, for a number of these, such as New Deal, tPCT, Walsall Town Centre Partnership and a Walsall Partnership Memorandum of Agreement. This ensures all parties to each arrangement are clear about their respective responsibilities so that services can be planned and delivered in a cost effective way which continues to ensure good governance arrangements.

During 2009/10, further work has been undertaken to improve these arrangements, including update of the partnership toolkit and register. The documents will be further strengthened to incorporate recommendations arising from the Grant Thornton investigation into ERDF.

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

- The current CAA 2009 score of 2 indicating the council is performing adequately overall. The 2009 UoR judgement of 2 and 3 for managing finances. The indicative score for 2010 is that the council is at least meeting minimum standards (performing adequately) with an expected unqualified VFM opinion.
- The latest published Use of Resources (UoR) Judgement is UoR 2009 – Walsall scored a 3 in Key Line of Enquiry (KLOE) relevant to internal control and risk management, governance and an overall 3 for Managing Finances. This identified 2 specific areas of weakness where reports stated limited assurance could be given that internal controls were operating effectively – the payroll system and grant claims. A score of 3 equates to "performing well".
- UoR 2010 – Grant Thornton had advised that an indicative score of 2 for KLOE 4.2: Internal control and risk management was likely, arising from the weaknesses identified in the ERDF report. One finding related to the work of internal audit. This was set out in the action plan presented to Audit Committee on 14 June and referred to in the AGS. It is not now expected that a UoR score will be received, due to all inspection activity being suspended nationally, however Grant Thornton have

indicated that they are satisfied that our Use of Resources score is supported at level 2 or over. A score of 2 is equivalent to "performing adequately".

- The council's arrangements in respect of financial, performance and risk management have been identified as robust.
- A maximum score of 4 for the category of risk management within the overall UOR rating for 2006, 2007 and 2008. A score of 3 under the new harder test assessment framework for 2009 was acknowledged by Grant Thornton as demonstrating continual improvement. For 2010, the ERDF investigation report highlighted that compliance with risk management was insufficient and the council action plan seeks to address this issue.
- Data quality arrangements (indicative for 2010) score of 2 (adequate).
- The work of the council's external auditors with the 2008/09 Annual Audit and Inspection letter, published December 2009, including the provision of an unqualified opinion on both the 2008/09 accounts and the council's use of resources (value for money).

The council has introduced a Local Code of Governance which was approved by Audit Committee and Standards Committee in 2008/09. Review of the Code against the CIPFA/SOLACE framework (Appendix 4) highlighted some areas of omission (partnership protocol and need for awareness training). The partnership protocol has now been produced along with a toolkit and register. Further work is in train to embed this.

<u>2008/09 Identified Control Weaknesses</u>

The review of effectiveness also covered the work undertaken in 2009/10 to address the control weaknesses identified in the 2008/09 AGS including:

- Improving controls in place for the management of computer software installed on council owned IT equipment;
- Further evidence being required to document that key procurement controls are being applied, particularly those relating to monitoring of contract performance and contract risk assessment;
- Improvements in strategic commissioning arrangements;
- Improvements in the organisation of scrutiny arrangements;
- Improvements to the recording and reporting of officer decisions;
- Improvements in arrangements in respect of regional housing pot grant; and
- Final contractor accounts. 16 accounts were reviewed and 10 were given a limited or no assurance rating opinion and considered to have been poorly managed. Suggestions for improvement were agreed by managers.

Reports are in various stages of follow up and a large number of actions have been implemented. A procurement and commission workshop was held in early 2010 to support the actions arising from the audit of these areas. A further update will be provided prior to September Committee to provide assurance to the Committee that actions have been implemented.

A key internal control recommendation in the 2008/09 AGS related to performance against the target for implementation of Internal Audit agreed actions, which is set at 90%, but was 78% during the year. Improvements were made to the reporting and assurance framework during 2009/10, and performance is now 87%. That is, 87% of desired outcomes arising from earlier internal audit findings were confirmed as achieved at internal audit's next visit. While 87% of control issues identified in previous audits were found to have been fully

addressed at the next audit, 13% continued to be identified as issues requiring further management attention to resolve.

Of the 13% or 23 of agreed actions not implemented, 17% (4) were 3* and therefore high priority. 61% (14) were 2* and 22% (5) were 1*. 91% (21) of the unimplemented agreed actions had actually been confirmed as implemented by the relevant manager. These can be broken down as 14% (3) 3*, 62% (13) 2* and 24% (5) 1*. The reason for non implementation of these agreed actions was found to be as follows:

- 91% - managers had not undertaken actions as agreed; and
- 9% - managers had undertaken some or all of the agreed actions but these actions had not been entirely successful in addressing the weaknesses identified.

The conclusion is that the performance in this area is much improved, following the additional controls put in place by CMT and Audit Committee during 2009/10 and additional reporting. The 3* high priority items not implemented equates to 4 out of the 181 agreed actions (2% of the total agreed actions) or 8% (4/53 three star actions). These will be followed up to ensure full implementation and any further non-compliance reported to Audit Committee and CMT.

2009/10 Identified Control Weaknesses

During 2009/10, 133 specific audit reviews were undertaken excluding unplanned irregularity and consultancy work. This included producing one comprehensive report only for certain fundamental system reviews rather than a separate report for each directorate – debtors, creditors and budgetary control. Although most of the reviews, 111 (83%), received a full, significant or compliant audit opinion, 22 reviews (17%) received an opinion rating of limited, no assurance or non compliant. This list was reviewed by Audit Committee on 14th June and comprises;
- 21 audits with a limited opinion covering the new art gallery; home care; independent sector (day care, residential and residential nursing); community meals (contract monitoring); community alarm service; direct payments (personal and individual budgets); transport services; dolphin house; inventories/stocks (links to work); Edgar Stammers Children's Centre; Birchills Children's Centre; Frank F Harrison Science, Technology, English and Maths Centre; Castle Business and Enterprise College; Bloxwich CE JMI; Fibbersley JMI; Aldridge Airport; St James and Ogley Hay Children's Centre; Beacon Children's Centre; Examination of Control of the Schedule of Rates Contract for Repair Maintenance and Minor Works to Council Buildings 2008/2011; payroll; and Information Security Management.
- One audit of Frank F Harrison Community College, which was non-compliant.

The assessment of the governance framework and work set out in the above sections did identify that although in most audit assignments the processes examined were generally working satisfactorily, some non-significant system weaknesses were identified in some services. A number of high priority suggested improvements were made during the year to address control weaknesses and all were or are being agreed for implementation by managers. Specifically mentioned were:

- Information security management, received a limited assurance opinion. Areas for improvement noted in the report, including ensuring that a corporate-wide approach to information security management is promoted; that staff awareness of information security control requirements is required; that an update to the overarching information security protocol statement that governs the security of information assets is also required; and that information security control procedures are reviewed and updated.

- A contract systems audit was also undertaken this year. The review, entitled the examination of control of the schedule of the contract for repair maintenance and minor works to council buildings 2008/2011, received a limited assurance opinion. Reasons for criticism of systems used to control some major contracts include:

  (a) Failure to obtain appropriate authority

  (b) Lack of documentation / surety / contract under seal

  (c) Instances where documentation approving additional works / time extensions was not available

  (d) Delays in submitting final accounts to audit

- Contractor accounts. 16 accounts were reviewed and 10 were given a limited or no assurance rating opinion and considered to have been poorly managed. Suggestions for improvement have been agreed by managers. Auditors have received assurances from managers that they have implemented procedures to minimise the risk of these control weaknesses recurring. By their nature, these final accounts are historical and those officers responsible for failure to comply with financial and contract rules, or previous procedures, have now, in the main, left the authority's employment. Senior managers now in place are concerned to ensure that previously encountered procedural difficulties are not repeated and have stated to auditors their intention to continue to take robust action in making sure that their officers' follow the approved rules at all times.

- Payroll – receiving a limited assurance opinion from the internal audit service. The summary audit opinion for payroll states:

  (a) Some progress has been made in actioning previously agreed audit report actions and HRD have continued to develop and improve HRD direct, the corporate employee and manager portal. Systems for the verification of the establishment structure, including the availability of structure information via HRD Direct; segregation of duties via individual teams such as the transactional recruitment team and the transactional team; and the use of 'Intelligent', an electronic database for the management and recording of personal files remain good practice.

(b) Significant areas for improvement have, however, been identified in ensuring controls and processes are fully effective, for example, in the processing of new starters, variations to pay and leavers. Controls regarding the management and rectification of overpayments; and employee expenses were noted as requiring significant strengthening this year. As a result of this, the audit opinion for payroll has moved from borderline significant to limited assurance.

In addition to this, the AGS review has a further control issue which requires improvement in relation to control weaknesses relating to the management of the Preventing Violent Extremism grant. An internal audit report has been completed and the actions arising from this are being implemented by the Neighbourhood Services directorate.

Action plans are in place (the payroll report is in draft and therefore the action plan is being drawn up) for these and progress on implementation of actions will be reported to Audit Committee through 2010/11.

We have been advised on the implications of the result of the review of the effectiveness of the governance arrangement by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

The Council acknowledges that the identification, analysis and management of risks for the delivery of its objectives are key to maintaining an effective system of internal control. It is also recognised that there remains a further need to fully embed the internal control procedures across the organisation.

The officers who drafted this AGS, evaluated assurances and supporting evidence, concluded the effectiveness of the governance framework, including the system of internal control is satisfactory overall and there are no significant governance issues, however the 2009/10 AGS identifies areas of significant internal control weakness relating to the management of the European Structural Fund Objective 2 Action Plan, in respect of European Regional Development Fund (ERDF) grant. Grant Thornton, the council's external auditors, were requested by Council to carry out an investigation into the management of the programme and the circumstances that led to decommitment /clawback of a significant amount of ERDF funds. The report was presented to a special Audit Committee on 24 March 2010.

The council's action plan to address the findings and recommendations of the Grant Thornton report was presented to Audit Committee on 14 June for their consideration, comment and approval. Progress on implementing actions will be reported to Audit Committee in 2010/11.

We propose over the coming year to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

………………………..
COUNCILLOR Mike BIRD
Leader of the Council
10 June 2010

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.

………………………..
PAUL SHEEHAN
Chief Executive
10 June 2010

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.

………………………..
JAMES T. WALSH, ACMA
Chief Finance Officer
10 June 2010

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.