Walsall Council

Audit Committee

Meeting to be held on: **27 JULY 2020 AT 6.00 P.M.**

Meeting to be held via: **Microsoft Teams**

Public access to meeting via: https://youtu.be/wLhxTJK17rU

MEMBERSHIP: Mr A Green (Chairman and Independent Member)

Councillor Rasab (Vice-Chairman)
Councillor Ali
Councillor Johal
Councillor Neville
Councillor Robertson
Councillor Young
1 X Councillor Vacancy

Vacancy (Independent Member x 2)

Quorum: Three Members

Democratic Services, The Council House, Lichfield Street, Walsall, WS1 1TW
Contact Name: **Mr Neil Picken** Email: Neil.picken@walsall.gov.uk

www.walsall.gov.uk

A G E N D A

PART I – PUBLIC SESSION

1. Welcome and Apologies.

2. To approve the minutes of meeting held on 18th November, 2019.

3. Declarations of Interest.

4. Deputations and Petitions.

5. Local Government (Access to Information) Act, 1985 (as amended):

6. Notification of any issues of importance for consideration at a future meeting.

7. Committee Decision Tracking Chart – Report **enclosed**

8. Audit Committee role, remit and work programme 2020/21 - Report **enclosed**

9. Accounting Policies - Report **enclosed**

10. External Audit Annual Update - Report **enclosed**

11. External Audit Statement of Accounts Update - Report **enclosed**

12. Internal Audit Annual Report 2019/20 and Head of Internal Audit Opinion - Report **enclosed**

13. Annual Governance Statement 2019/20 including Annual Review of Effectiveness of Internal Control - Report **enclosed**

14. Chair's 2019/20 Annual Report to Council - Report **enclosed**

15. Internal Audit Charter 2020/21 - Report **enclosed**

16. Internal Audit work plan 2020/21 - Report **enclosed**

17. Internal Audit Progress Report 2020/21 & KPI's - Report **enclosed**

18. Risk Management update – Strategic Risk Register (SRR) - Report **enclosed**

19. Update on One Source – Report **enclosed**

PART II – PRIVATE SESSION

20. Follow Up of Priority 1 Recommendations – Report **enclosed**

    (Exempt information under Paragraph 3 of Part I of Schedule 12A of the Local Government Act, 1972) (as amended)

The Relevant Authorities (Discloseable Pecuniary Interests) Regulations 2012

Specified pecuniary interests

The pecuniary interests which are specified for the purposes of Chapter 7 of Part 1 of the Localism Act 2011 are the interests specified in the second column of the following:

Subject	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by a member in carrying out duties as a member, or towards the election expenses of a member. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Regulations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority: (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to a member's knowledge): (a) the landlord is the relevant authority; (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where: (a) that body (to a member's knowledge) has a place of business or land in the area of the relevant authority; and (b) either: (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Schedule 12A to the Local Government Act, 1972 (as amended)

Access to information: Exempt information

Part 1

Descriptions of exempt information: England

1. Information relating to any individual.

2. Information which is likely to reveal the identity of an individual.

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.

5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

6. Information which reveals that the authority proposes:

   (a) to give any enactment a notice under or by virtue of which requirements are imposed on a person; or

   (b) to make an order or direction under any enactment.

7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

8. Information being disclosed during a meeting of a Scrutiny and Performance Panel when considering flood risk management functions which:

   (a) Constitutes a trades secret;

   (b) Its disclosure would, or would be likely to, prejudice the commercial interests of any person (including the risk management authority);

   (c) It was obtained by a risk management authority from any other person and its disclosure to the public by the risk management authority would constitute a breach of confidence actionable by that other person.

Terms of Reference of the Audit Committee

Membership

7 Members of the authority as determined by the Council with a maximum of 3 independent members (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, subject to a minimum of two.

Meetings

The Committee will meet five times per year 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.

Purpose

To act as the Council's Audit Committee, the purpose of which is to provide independent assurance to members on the adequacy of the risk management framework and internal control environment. To provide an independent review of governance, risk management and control frameworks, which include the council's arrangements for performance management and oversee the financial reporting and annual governance processes. To oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Delegations

To exercise the following powers and functions of the Council:

Governance, risk and control

(1) To review the Council's corporate governance arrangements against a good governance framework and consider annual governance reports and assurances.

(2) To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

(3) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

(4) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

(5) To monitor the effective development and operation of risk management in the Council.

(6) To monitor progress in addressing risk related issues reported to the committee.

(7) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

(8) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

(9) To monitor the counter fraud strategy, actions and resources.

Internal Audit

(10) To approve the internal audit charter.

(11) To commission work from internal audit.

(12) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

(13) To approve significant interim changes to the risk-based internal audit planning resource requirements.

(14) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

(15) To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These include:

a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
b. Regular reports on the results of the Quality Assurance and Improvement Programme.
c. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

(16) To consider the head of internal audit's annual report:

a. The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement.
b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work supporting the opinion.

(17) To consider summaries of specific internal audit reports as requested.

(18) To receive reports where the head of internal audit has concluded that management has accepted the level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

(19) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of the internal audit that takes place at least once every five years.

(20) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

(21) To support the development of effective communication with the Head of Internal Audit.

External audit

(22) To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.

(23) To consider specific reports as agreed with the external auditor.

(24) To comment on the scope and depth of external audit work to ensure it gives value for money.

(25) To commission work from external audit.

(26) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies all relevant bodies.

Financial reporting

(27) To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements from the audit that need to be brought to the attention of the Council.

(28) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

(29) To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

(30) To report to full Council on a regular basis the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.

AUDIT COMMITTEE

Tuesday 18th February, 2020, at 6.00 p.m.

Conference Room, Council House, Walsall

Present

Mr A Green (Independent Member and Chair)
Councillor Rasab (Vice-Chair)
Councillor Ali
Councillor Johal
Councillor Robertson

In attendance

Internal Audit Manager
Corporate Finance Manager
Head of Information Communications and Technology

Representative of Mazars
Representatives of Grant Thornton (GT)

01/20 **Welcome / Apologies**

The Chair welcomed all in attendance and asked everyone present to introduce themselves.

No apologies were submitted.

02/20 **Minutes**

A copy of the minutes of the meeting held on 18th November, 2019, were submitted:-

(see annexed)

Resolved

That the minutes of the meeting held on 18th November, 2019, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.

03/20 **Declarations of Interest**

None submitted.

04/20 **Deputations and Petitions**

There were no deputations submitted or petitions received.

05/20 **Local Government (Access to Information) Act, 1985 (as amended)**

That, where applicable, the public be excluded from the meeting during consideration of any items, as set out in the private part of the agenda, for the reasons set out therein and Section 100A of the Local Government Act, 1972.

06/20 **Notification of any issues of importance for consideration at a future meeting**

There were no issues raised under this item.

07/20 **Change in the order of Business**

Pursuant to Section 14 (C) of the Council's Rules of Procedure, within Section 4 of the Constitution, the Committee **resolved** that Agenda Item No. 13 (Summary of Priority 1 Recommendations) be brought forward in order to deal with that item before the remaining agenda items.

08/20 **Private Session**

Exclusion of Public

Resolved

That, during consideration of the next item on the agenda, the Committee considers that the item for consideration is exempt information for the reasons set out therein and Section 100A of the Local Government Act, 1972, and accordingly resolves to consider that item in private.

09/20 **One Source Programme Update**

A report was submitted:-

(see annexed)

The Head of Information Communications and Technology presented the report and highlighted the salient points contained therein.

Officers responded to a series of questions by Members who were seeking assurance that the programme as being managed effectively and that sufficient controls were in place.

Resolved that the report be noted.

(Exempt information under Paragraph 3 of Part I of Schedule 12A of the Local Government Act, 1972) (as amended)

10/20 **Follow Up of Priority 1 Recommendations**

A report was submitted:-

(see annexed)

The Internal Audit Manager presented the report and highlighted the salient points contained therein.

Resolved that the report be noted.

(Exempt information under Paragraph 3 of Part I of Schedule 12A of the Local Government Act, 1972) (as amended)

Returned to public session.

11/20 **Committee Decision Tracking Chart**

A report was submitted:-

(see annexed)

The Clerk presented the report and highlighted the salient points contained therein.

The report outlined the purpose of the tracking chart which was to enable Members to monitor the various decisions taken by the Committee and provide a method of ‘call-back’ where required.

Resolved that the report be noted.

12/20 **Internal Audit Progress Report 2019/20**

A report was submitted:-

(see annexed)

The Internal Audit Manager presented the report and highlighted the salient points contained therein.

The report provided the Committee with an update on Internal Audit's progress on the 2019/20 Audit Plan.

During discussions on this item, the Chair requested the Internal Audit Manager to look at all reviews which dated back to 2018 could be looked at and reported on at the next Committee meeting as an update.

Resolved that the report be noted.

13/20 **Risk Management Update**

A report was submitted:-

(see annexed)

The Chair commented that it was not helpful for the Committee Members to have received the report so late and requested that measures be taken to ensure this did not happen again.

The Internal Audit Manager presented the report and highlighted the salient points contained therein.

The report provided the Committee, whose delegated role it was to provide independent assurance on the adequacy of the risk management framework and the associated control environment, with: -

- an update on activity since September, 2019, which included the end of quarter two review of the directorate held risk registers;
- the actions taken to continue to embed the Risk Strategy approved January, 2019; and
- the plans to review the risk management framework and propose changes.

Arising from discussion on this item, the Chair expressed his concern that Risk Management was not a standing item on the CMT agenda, and that the item had been 'bumped-off' the previous CMT agenda. He requested the Head of Finance to feed this back to CMT for their consideration.

In addition, the Chair requested that the Committee receive a report at the next meeting on the Proud Programme's risk register, in order that the Committee could gain assurance that it wa being managed efficiently and effectively.

Resolved that the report be noted.

14/20 **External Audit – Informing the Audit Risk Assessment**

A report was submitted:-

(see annexed)

The representative of Grant Thornton presented the report and highlighted the salient points contained therein.

The report highlighted that audit arrangements required Grant Thornton (the Council's external auditors) to formally update their understanding of management's processes and arrangements annually. As part of their work, Grant Thornton were required to obtain an understanding of these including:-

- General enquiries of management
- Fraud risk assessment
- Impact of laws and regulations
- Going concern considerations
- Related parties
- Accounting estimates

Grant Thornton had also formally requested responses from the Council to a number of questions covering the areas set out above, which were attached as Appendix 1 to the report.

Resolved that the management responses, as set out in Appendix 1 to the report, be approved.

15/20 **External Audit – Audit Planning Report for the Year Ending 31st March, 2020**

A report was submitted:-

(see annexed)

The representative of Grant Thornton presented the report and highlighted the salient points contained therein.

The report provided the Committee with the details of the Council's External Auditor's, Grant Thornton, audit plan for the financial year ending 31st March, 2020. It detailed the planned audit strategy driven by an assessment of the key issues and significant risks which could affect the accounts, as set out within Appendix 1 to the report.

In addition, the plan covered the work to be undertaken to provide the Council with an opinion on the financial statements together with the value for money conclusion.

Arising from discussion on this item, The Chair raised his concerns about the additional demands being placed on the Auditor. He requested that the Committee be notified at the earliest opportunity, should the programme begin to slip, initially via a briefing note but also that a special meeting be arranged, if required, to consider the matter further.

Resolved that the report be noted.

Termination of Meeting

The meeting terminated at 6.58 p.m.

Chair: ……

Date: ……

Agenda Item No

Audit Committee – 27 July, 2020

Committee Decision Tracking Chart

1. **Summary of report**

1.1 This report provides Audit Committee with a chart tracking all of its decisions for which a follow-up is required, to enable Members to monitor any outstanding actions and seek updates at future meetings where applicable.

1.2 Items in the tracking chart cannot be discussed in any detail at this meeting, as a proper and full report is required by law in order for the Committee to formally consider an item. Members, however, may wish to seek a brief update / assurance on an item or request a report back to a future meeting where it is deemed that insufficient progress is being made.

2. **Recommendation**

2.1 The Committee is requested to:

1. Note the content of the tracking chart, and the completed actions which can now be removed.

2. Determine if it would like to select any of the items to be brought back to the next / or future Committee meeting.

3. **Resource and legal considerations**

3.1 None arising directly from this report. Detailed resource and legal considerations would be provided in any subsequent follow up report requested by the Committee.

4. **Citizen impact**

4.1 None arising directly from this report. Detailed citizen impact considerations would be provided in any subsequent follow up report requested by the Committee.

5. **Environment impact**

5.1 None arising directly from this report. Detailed environment Impact considerations would be provided in any subsequent follow up report requested by the Committee.

6. **Performance and Risk Management Issues**

6.1 None arising directly from this report. Detailed performance and risk management considerations would be provided in any subsequent follow up report requested by the Committee.

7. **Equality Implications**

7.1 None arising directly from this report. Detailed equality implications would be provided in any subsequent follow up report requested by the Committee.

8. **Consultation**

8.1 Nothing specific arising from this report. Detailed consultation would be provided in any subsequent follow up report requested by the Committee.

Background papers

Previous reports and minutes to the Committee.

Lloyd Haynes – Interim Head of Finance - Corporate
27 July 2020

Author:
Vicky Buckley – Interim Director – Finance, Corporate Performance Management and Corporate Landlord
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Audit Committee – Outstanding Items Tracking Chart

Date considered	Item Title	Action agreed by Committee	To be actioned by / date to be actioned by	History / Updates / Referrals back to Committee
22/07/19	Post-Audit SOC 2018/19 including Audit Findings report	Councillor Craddock referred to Phoenix 10 for which the Committee has not received an update for a considerable amount of time. Head of Finance to speak with ED E&E and get an update.	Head of Finance	Briefing note provided Audit Committee members on 23 September. **Action completed and to be removed from tracking chart.**
22/07/19	Internal Audit Progress Report – 2019/20	The Chair referred to assurances around the Proud Programme. Head of Internal Audit advised that this was within IA's Work Programme and updates would be forthcoming at future Committee meetings.	Head of Internal Audit	First piece of work on Governance of the Proud Programme started late December 2019 and work is ongoing with the Proud Programme at present to incorporate details of changes currently being made to the programme.
22/07/19 and 23/09/19	Internal Audit Progress Report – 2019/20	The Chair / Committee requested that the Executive Director of Adult Social Care be invited to the next meeting to talk about the Residential and Nursing Care & Market Management (in particular, are these matters related?). Executive Director attended September Audit Committee meeting and provided assurances to members. Follow up date to be agreed.	Head of Internal Audit	Follow up scheduled in March with update due to Audit Committee in April 2020, which was cancelled. Detailed update included within the 'Follow Up on Priority 1 recommendations' report provided to Audit Committee 27 July 2020. **Action completed and to be removed from tracking chart.**

Date considered	Item Title	Action agreed by Committee	To be actioned by / date to be actioned by	History / Updates / Referrals back to Committee
23/09/19	Review of the Effectiveness of the Audit Committee	Agreement was reached to consider the CIPFA checklist on a phased approach, and to adopt the simple checklist for evaluating effectiveness of Committee as set out in Appendix 2 to the report. Review at later date and a dedicated session to be arranged to help Members in fulfilling this requirement.	Head of Finance – 5pm, 18 February 2020	5pm Session before 18 February 2020 meeting was used to review checklist. **Action completed and to be removed from tracking chart.**
23/09/19	Summary of Priority 1 recommendations	Councillor Craddock, in referring to the Financial Assessment Form, queried why it was so long (20 plus pages) as many of the recipients may be in their 70's, 80's and 90's and would struggle to comprehend.	Head of Finance	Email circulated on 5 November. **Action completed and to be removed from tracking chart.**
23/09/19	Risk Management Update (Strategic Risk Register)	The Chair requested an update on the impact of Brexit and for the Executive Director of Resources and Transformation to attend the next meeting to give assurances around Risks **2** & **7** (risk are of a similar nature but are scored differently, why?) and also BREXIT (in terms of what are the actual risks to the Council arising from BREXIT?).	ED Resources and Transformation – 18 November meeting	ED Resources and Transformation attended 18 November meeting. **Action completed and to be removed from tracking chart.**
		Councillor Robertson queried the details behind the Amber rated Sickness Absence as set out on page 37 (6) on the agenda.	Mazars Risk Manager agreed to prepare a note on this matter for circulation to the Committee.	Note (email) circulated on 17 October. **Action completed and to be removed from tracking chart.**
		Councillor Craddock referred to the Fraud and Corruption Amber rating on page 38 (7) of the agenda.	Head of Finance to prepare a note for	Email circulated prior to November meeting. **Action completed and to be**

			circulation to the Committee.	**removed from tracking chart.**
Date considered	**Item Title**	**Action agreed by Committee**	**To be actioned by / date to be actioned by**	**History / Updates / Referrals back to Committee**
23/09/19	Risk Management Update (Strategic Risk Register)	The Chair raised a point about the external audit fee variation and asked the Head of Finance to raise the matter directly with the ED Resources and Transformation (S151 Officer) for them to consider and pursue.	Issue discussed between S151 Officer and GT.	Briefing note provided to Audit Committee members on 13 February 2020 setting out PSAA response with regard to background / grounds for increase and confirmation of local process to follow to agree this. 2018/19 variation and proposed 2019/20 variation have therefore been reviewed against that process and agreed. **Action completed and to be removed from tracking chart.**
		Councillor Craddock queried if the portfolio holders are consulted about the risk scoring relating to their role?	Head of Finance to investigate and respond directly.	Portfolio holders are not consulted specifically on risk ratings although briefings include matters where there is a risk to service delivery. Portfolio holders are made aware of financial risks being experienced. **Action completed and to be removed from tracking chart.**

N.B. As soon as an item has been satisfactorily resolved, it will be removed from this tracking chart.

Agenda Item No. 8

Audit Committee – 27 July 2020

Audit Committee Role, Remit and Work Programme 2020/21

1. Summary of report

1.1 This report outlines the remit of the Audit Committee and the proposed work programme for 2020/21 for consideration and approval**.**

2. Recommendations

2.1 To note the remit of the Audit Committee.

2.2 To consider, amend as appropriate, and approve the proposed work programme for 2020/21.

2.3 To consider a proposed training programme.

3. Resource and Legal Consideration

3.1 The Audit Committee's remit is included within Part 3 of the council's constitution. The membership of Audit Committee comprises 7 councillors and 3 independent (non-voting) members.

3.2 The work programme seeks to ensure that the work of Audit Committee is focused on those areas requiring their scrutiny and oversight, specifically the internal control environment and assurance framework.

4. Citizen Impact

4.1 The Committee’s work is a major aspect of the council's corporate governance framework. Its wide-ranging remit includes providing independent assurance on the adequacy of the internal control environment. It provides an independent review of governance, risk management, financial reporting and other governance processes, as well as overseeing the work of internal and external audit. This provides assurance to local taxpayers and other stakeholders on the adequacy of the council's arrangements in these regards.

5. Environment Impact

5.1 Non arising directly from this report.

6. Performance and Risk Management issues

6.1 The Audit Committee plays an important role in providing an independent review of governance, risk management and control frameworks, which include the council's arrangements for performance management. The impact of the Coronavirus pandemic is included within the work programme under the Risk Management theme.

7. Equality Implications

7.1 Non arising from this report.

8. Consultation

8.1 The Council has regard to CIPFA guidance in establishing the remit and work programme of the Committee.

9. Background Papers

9.1 CIPFA 2018 guidance 'Audit Committees: Practical Guidance for Local Authorities & the Police'.

Author:
Vicky Buckley
Interim Director of Finance, Corporate Performance Management and Corporate Landlord
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1. THE REMIT OF THE COMMITTEE AND PROPOSED WORK PROGRAMME

1.1 The remit of the Audit Committee was last reviewed during 2018/19 against the newly issued 2018 CIPFA guidance 'Audit Committees Practical Guidance for Local Authorities & the Police' and the Constitution was updated accordingly. This is contained at Appendix 1.

1.2 The Committee is scheduled to meet 5 times per year which is considered sufficient to cover the core assurance areas for 2020/21, with a manageable agenda for each meeting.

1.3 The proposed work programme is attached at Appendix 2 for Audit Committees' consideration and covers the core areas of assurance responsibility.

2. TRAINING AND DEVELOPMENT

2.1 Training on the remit and role of the Audit Committee, the governance framework, including the internal control environment and risk management framework, is planned to take place during the year. Additionally, it is proposed that further training and development opportunities are made available to Committee members, where required, to suit the experiences of individual Members. A proposed training programme for the Committee is as follows:

- July 2020 - Overview of Role, Remit and Responsibilities; Accounting Policies and the financial statements (Statement of Accounts)
- September 2020 - Internal Audit, Internal Control Environment and Risk Management
- November 20120 – Counter Fraud
- February 2021 – to be agreed
- April 2021 - Assurance Framework, Accounting Policies

2.2 Additional learning and development opportunities may present during the year, including audit committee and governance related seminars. Additionally, CIPFA via their Better Governance Forum network, provide briefings and updates for Audit Committee Members, which will be circulated for information and/or follow up.

AUDIT COMMITTEE

Membership

7 Members of the authority as determined by the Council with a maximum of 3 independent members (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, subject to a minimum of two.

Meetings

The Committee will meet five times per year 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.

Purpose

To act as the Council's Audit Committee, the purpose of which is to provide independent assurance to members of the adequacy of the risk management framework and internal control environment. To provide an independent review of governance, risk management and control frameworks, which include the council's arrangements for performance management and oversee the financial reporting and annual governance processes. To oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Delegations

To exercise the following powers and functions of the Council:

Governance, risk and control

(1) To review the Council's corporate governance arrangements against a good governance framework and consider annual governance reports and assurances.

(2) To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit’s opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

(3) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

(4) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

(5) To monitor the effective development and operation of risk management in the Council.

(6) To monitor progress in addressing risk related issues reported to the committee.

(7) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

(8) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

(9) To monitor the counter fraud strategy, actions and resources.

Internal Audit

(10) To approve the internal audit charter.

(11) To commission work from internal audit.

(12) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

(13) To prove significant interim changes to the risk-based internal audit planning resource requirements.

(14) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

(15) To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These include:

a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
b. Regular reports on the results of the Quality Assurance and Improvement Programme.
c. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

(16) To consider the Head of Internal Audit's annual report:
a. The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note on the results the Quality Assurance and Improvement Programme that supports the statement.
b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work supporting the opinion.

(17) To consider summaries on specific internal audit reports as requested.

(18) To receive reports outlining the action taken where the head of internal auditor has concluded that management has accepted the level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

(19) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of the internal audit that takes place at least once every five years.

(20) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

(21) To support the development of effective communication with the Head of Internal Audit.

External audit

(22) To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.

(23) To consider specific reports as agreed with the external auditor.

(24) To comment on the scope and depth of external audit work to ensure it gives value for money.

(25) To commission work from external audit.

(26) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

(27) To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether they ask concerns arising from financial statements from the audit that need to be brought to the attention of the Council.

(28) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

(29) To report to those charged with governance of the committee’s findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

(30) To report to full Council on a regular basis the committee’s performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.

APPENDIX 2

Activity / Area of Assurance	Lead Officer	27 July 2020	21 September 2020	November 2020	February 2021	April 2021
Overview of Key Issues for each report required by to Democratic Services for Agenda meeting with Chair		**6th July**	**31st August**	**TBA**	**TBA**	**TBA**
Date of Chair's agenda briefing meeting (in Vicky's office @ 4.00pm)		**14th July**	**8th September**			
Final Report required by Dem Services		**15th July**	**9th September**			
Audit Committee Work:						
Audit Committee role, remit and work programme 2020/21	**DOF/HOF**	✓				
Chair's 2020/21 Annual Report to Council	**DOF/HOF**	✓				
Review of the Effectiveness of the Audit Committee and Update	**DHOFC/HIA**		✓		✓	
Internal Audit and Risk:						
Head of Internal Audit Annual Report 2019/20 and Opinion	**HIA**	**✓ (2019/20)**				**✓ (2020/21 Draft)**
Internal Audit Progress Report 2020/21 & KPI's	**HOF/HIA**	**✓ (& Q1 KPI)**	✓	**✓ (& Q2 KPI)**	**✓ (& Q3 KPI)**	**✓ (&Q4 KPI)**
Risk Management update – Strategic Risk Register (SRR)	**DHOFC/HIA**	✓ **Covid-19 Risks**	✓		✓	
Risk Management Strategy - Review	**DHOFC/HIA**				✓	
Counter Fraud and Corruption Arrangements (Policy / Procedure Updates) and training/awareness raising programme	**DHOFC/HIA**			✓		✓
Internal Audit Charter	**HIA**	**✓ (2020/21)**				**✓ (2021/22)**
Internal Audit work plan	**HIA**	**✓ (2020/21)**			**✓ (Draft 2021/22)**	

Activity / Area of Assurance	Lead Officer	27 July 2020	21 September 2020	November 2020	February 2021	April 2021
Overview of Key Issues for each report required by Democratic Services for Agenda meeting with Chair		**6th July**	**31st August**	**TBA**	**TBA**	**TBA**
Date of Chair's agenda briefing meeting (in Vicky's office @ 4.00pm)		**14th July**	**8th September**			
Final Report required by Dem Services		**15th July**	**9th September**			
Financial Management & Statement of Accounts:						
2019/20 Post Audit Statement of Accounts	**S151 Officer**		✓			
Accounting Polices	**DHOFC**	**✓ (2019/20)**				**✓ (2020/21)**
Governance / Other:						
Annual Governance Statement including Annual Review of Effectiveness of Internal Control	**DOF/HOF**	**✓ (Draft 2019/20)**				**✓ (Draft 2020/21)**
Annual Review of the Scheme of Delegations to Officers	**MO**					✓
Corporate Performance Management Framework Refresh	**CAM**			✓		
Assurance Map and Governance framework Update	**HIA / DHOFC**				✓	
Specific External Audit Work:						
Reporting of external inspections and reviews - *as they arise*	**DOF / ED'S**					
External Audit's request for information on how the Audit Committee gains assurance over management processes and arrangements	**DOF/HOF**				**✓(2020/21 accounts)**	
External Audit Plan Update 2019/20 Accounts – update for Covid-19	**GT**	✓				
Annual Report to those Charged with Governance (ISA260) 2019/20 (including the	**GT**	**✓ (Progress Update)**	✓			

opinion on the financial statements and VFM conclusion)						
Annual Audit & Inspection Letter 2019/20	**GT**		✓			
Activity / Area of Assurance	**Lead Officer**	**27 July 2020**	**21 September 2020**	**November 2020**	**February 2021**	**April 2021**
Overview of Key Issues for each report required by Democratic Services for Agenda meeting with Chair		**6th July**	**31st August**	**TBA**	**TBA**	**TBA**
Date of Chair's agenda briefing meeting (in Vicky's office @ 4.00pm)		**14th July**	**8th September**			
Final Report required by Dem Services		**15th July**	**9th September**			
Specific External Audit Work:						
Annual Certification Work 2019/20	**GT**				✓	
External Audit Plan 2020/21 Accounts	**GT**				✓	

Key to Lead Officers:

S151 Officer – Officer charged with being responsible for the administrator of the council financial affairs (Chief Finance Officer)
MO – Assistant Director of Legal & Democratic Services (Monitoring Officer)
DOF – Director of Finance, Corporate Landlord and Corporate Performance Management (Deputy S151 Officer)
HOF – Head of Finance
DHOFC – Deputy Head of Finance (Corporate)

GT – Grant Thornton (External Audit)
HIA – Head of Internal Audit (Mazars)
CAM – Corporate Assurance Manager
HICT – Head of Information, Communication and Technologies
ED's – Executive Directors

***** *Legislation has been changed to allow approval of the Post Audit Statement of Accounts by 30 November (moved from 31 July), however the Accounts have been competed as planned by 31 May and the External Audit commenced week beginning 8 June. September is the planned date for reporting the post audit Statement of Accounts, however this is dependent on external audit progress during the Covid-19 lockdown.*

Foreword Plan

1. Training is proposed as follows:

   July 2019 - Accounting Policies and the financial statements (Statement of Accounts) and Overview of Role, Remit and Responsibilities of the Audit Committee
   September 2019 - Internal Audit, Internal Control Environment and Risk Management
   November 2019 – Counter Fraud
   February 2020 - TBA
   April 2020 - Assurance Framework, Accounting Policies
   Audit Committee training will also take place as and when policies and procedures are updated.
   Bespoke training will be offered to all Members if requested.

2. Independent Member appointment to be scheduled.

Agenda Item No. 9

Audit Committee – 27 July 2020

Accounting Policies 2019/20

1. Summary of report

1.1 This report sets out the significant accounting policies that will be used in the preparation of the 2019/20 Statement of Accounts.

1.2 The main change to the accounting policies for the 2019/20 financial year is as a result of reviewing the de-minimis for accruals of expenditure and income.

1.3 Reviewing the accounting policies prior to completion of the statement of accounts is seen as good practice and also provides guidance for Audit Committee members when reviewing the accounts to ensure the policies are appropriate for the Council.

2. Recommendations

2.1 Audit Committee are asked to note the accounting policies (Appendix 1) for use in the completion of the financial statements for 2019/20.

3. Background

3.1 The statement of accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual statement of accounts in accordance with the Accounts and Audit (England) Regulations 2015. Those regulations require the statement of accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (hereafter referred to as the 'Code') and are supported by International Financial Reporting Standards (IFRS).

3.2 The Code does not require any changes to Accounting Policies for 2019/20 however in line with the Council's accounting policy for Accruals of Expenditure and Income the de-minimis level has been reviewed.

3.3 The policy approved for 2018/19 was as follows:

There is a de-minimis level in place for all accruals of income and expenditure. This level is reviewed annually and is currently set at £2,500. Accruals are not required to be made for individual transactions under this value, with the exception of the following:

- Any grant where applying the de-minimis level would affect the claim;
- Accruals which are calculated using system automated reports;

- For a group of similar transactions where there would be a material impact upon the management or financial accounts of not processing the accrual, for example trading services.
- Accruals for schools income and expenditure.

3.4 It is proposed that the de-minimis is revised to £10,000 following a review of accruals posted during the 2018/19 year end process, with the aim of reducing the amount of time taken to complete accruals for immaterial items of expenditure and income. The time saved is expected to be used to further review the statement of accounts prior to submission to the Council's external auditors.

3.5 Appendix 1 shows the final amended version of the accounting policies proposed for 2019/20.

4 Resource and Legal Consideration

4.1 The Council must produce annual accounts in line with the Accounts and Audit Regulations 2015, in a timely fashion on an annual basis. The Code of Practice is updated on an annual basis.

5. Citizen Impact

5.1 None arising directly from this report.

6. Performance and Risk Management issues

6.1 Failure to correctly and fully apply accounting policies could result in external audit requesting amendments to the accounts or even qualification of the accounts.

7. Equality implications

7.1 The accounting policies are part of the publication of the statement of accounts for the relevant year. The statement of accounts is published on the council's website.

8. Consultation

8.1 The S151 Officer has been consulted and has approved these policies. No community consultation activity is required for the accounting policies. However, as part of consultation regarding the presentation of financial information, residents have the opportunity to comment when reviewing the statement of accounts.

8.2 The accounting policies have also been shared with the council's external auditors Grant Thornton.

9. Background Papers

Code of Practice on local authority accounting in the United Kingdom 2019/20

Accounts and Audit Regulations 2015

IAS8 (International Accounting Standard) Accounting Policies, Changes in Accounting Estimates and Errors

CIPFA Streamlining the Accounts: Guidance for Local Authorities

Vicky Buckley, Interim Director of Finance, Corporate Performance Management and Corporate Landlord (Deputy S151 Officer)

14 July 2020

Author: Richard Walley, Finance Manager – Technical Accounting and Treasury Management - ☎ 01922 650708,
✉ richard.walley@walsall.gov.uk

APPENDIX 1

Significant accounting policies

General principles

The statement of accounts summarises the council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of expenditure and income

The revenue accounts of the council are maintained on an accruals basis in accordance with proper accounting practices. In particular:

- Revenue from contracts for services or provision of goods are recognised when the council provides them to the customer.
- Supplies and services are recorded as expenditure when the goods are consumed or services received.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

There is a de-minimis level in place for all accruals of income and expenditure. This level is reviewed annually and is currently set at £10,000. Accruals are not required to be made for individual transactions under this value, with the exception of the following:

- Any grant where applying the de-minimis level would affect the claim;
- Accruals which are calculated using system automated reports;
- For a group of similar transactions where there would be a material impact upon the management or financial accounts of not processing the accrual, for example trading services.
- Accruals for schools income and expenditure.

Cash and cash equivalents

The council identifies cash as being both cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are any deposits made with financial institutions that have an initial maturity period of less than three months and readily convertible to known cash amounts with insignificant risk of change in value.

Prior period adjustments, changes in accounting policies and estimation errors

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable/relevant information about the effect of transactions, other events and conditions on the council's financial position/performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Council Tax and Non-domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Employee benefits

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy. These are charged on an accruals basis to the relevant service at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or individual in the year, not the amount calculated according to the relevant accounting standards.

Post employment benefits

Employees of the council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by Wolverhampton City Council
- The NHS Pension Scheme, administered by NHS Pensions

All these schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

Arrangements for the teachers' pension scheme and NHS pension scheme mean that liabilities for these benefits cannot be identified to the council. These schemes are therefore accounted for as if they were a defined contributions scheme. For both schemes no liability for future payments of benefits are recognised in the balance sheet. The employer's contributions payable in the year for

teachers are charged to the Childrens surplus or deficit on provision of services. The employer's contributions payable in the year for NHS pensions are charged to the public health surplus or deficit on provision of services.

Local government pension scheme

The local government scheme is accounted for as a defined benefit scheme.

The liabilities of the West Midlands Metropolitan Authorities Pension Fund attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, based on the weighted average of spot yields on high quality corporate bonds.

The assets of the West Midlands Metropolitan Authorities Pension Fund attributable to the council are included in the balance sheet at their fair value:

- Quoted securities - current bid price
- Unquoted securities - professional estimate
- Unitised securities - current bid price
- Property - market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the services for which the employees worked
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years
  - Net interest on the net defined benefit liability, i.e. net interest expense for the council – the change during the period in the net defined benefit liability that arises from the passage of time. Calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability
  - Remeasurement gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions

- Contributions paid to the West Midlands Metropolitan Authorities Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

Discretionary benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Fair value measurement

The council measures some of its non-financial assets such as surplus assets and investment properties and available for sale financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Financial instruments

Financial assets

Financial assets are classified into two types:

- Amortised cost
- Fair Value through Profit or Loss (FVPL)

The council's business model is to hold investments to collect contractual cash flows. If payments are solely principle and interest they are classified as amortised cost. Otherwise they are classed as FVPL.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the surplus and deficit on provision of services for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected credit loss model

The council recognises expected credit losses on all its assets held at amortised cost either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for debtors held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place due to the borrower defaulting. Where credit risk is assessed to be high then losses are assessed on a lifetime basis. If risk the risk is assessed to be low then losses are assessed on a 12 month basis.

Financial assets measured at FVPL

Financial assets measured at FVPL are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair values are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

Financial liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the CIES in the year of repurchase/settlement. Where premiums and discounts have been charged to the surplus or deficit on provision of services as a result of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 (SI 2007/573), these regulations allow the impact on the general fund balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium

was payable or discount receivable when it was paid. For discounts receivable, statute limits this to a maximum of 10 years

Government/non-government grants and contributions

Whether paid on account, by instalments or in arrears, grants and third party contributions and donations are recognised as income due to the council when there is reasonable assurance that;

- the grants/contributions will be received
- the council will comply with any conditions attached to the payments

Where the conditions have not been satisfied the grant/contribution will be carried on the balance sheet as creditors. When the conditions have been satisfied the grant/contribution will be recognised in the CIES by either crediting:

- the relevant service line (attributable revenue grants/contributions)
- taxation and non-specific grant income (non-ringfenced revenue grants and all capital grants)

Where capital grants are credited to the CIES, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Joint operations

These are arrangements by which the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement e.g. Better Care Fund (BCF). All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The council recognises on its balance sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Interests in companies and other entities

An assessment of the council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors.

The council does have a number of interests in companies and other entities, the majority of which are not material and thus the production of group accounts are not required for these interests.

Investment properties

Investment properties are properties held by the council to solely earn rentals and/or capital appreciation. They are recognised only when it is probable that future economic benefits or service potential will flow to the council, and that the cost or fair value of the expenditure can be measured reliably.

Investment properties are initially measured at cost, except where acquired through a non-exchange transaction which are measured at fair value.

After recognition investment properties are measured at fair value. Any gain or loss from a change in fair value is recognised in the CIES. The same treatment is applied to gain and losses on disposal.

Investment properties measured at fair value are not subject to depreciation.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership of a non-current asset to the lessee. All other leases are classified as operating leases. The council does not hold any material finance leases.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The council as lessee

Operating leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease as its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge – debited to the CIES.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The council as lessor

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Finance leases

The council does not hold any material finance leases as a lessor.

Private Finance Initiative (PFI)/Public-Private Partnership (PPP) schemes

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the CIES
- Finance cost – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the provision of goods and services, or for administrative purposes, and are expected to be used for more than one year.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. This is provided that it is probable that future economic benefits or service potential will flow to the council, and that the cost of the expenditure can be measured reliably. Any expenditure that does not meet this criteria i.e. it maintains the asset's potential to deliver future economic benefits and service potential (day to day servicing/repairs and maintenance), is charged to revenue as it is incurred.

The council does not set a de-minimus level for capitalising costs as it considers that spend that is of a capital nature should be accounted for as such.

Where the council incurs capital spend on or revalues any property, plant and equipment this will be reviewed to determine whether there are any material components. An identifiable component within a main asset (e.g. a lift within a building) will be recognised separately and accounted for like any other piece of property, plant and equipment. The council will only review material components

where the main asset has a gross book value of £1 million. Individual components will only be recognised where the value is greater than £150k or they represent a significant proportion of the main asset.

Measurement and depreciation

Property, plant and equipment are initially measured at cost, except donated assets which are measured at fair value. Where it is a donated asset the measurement of the asset at fair value does not constitute a revaluation and is not recognised as such.

After recognition property, plant and equipment assets are depreciated and valued as shown below.

	Valuation basis	Asset life	Depreciation method
Operational land and buildings - general	Existing use value	10-80 years	Straight line (including car park land)
Operational land and buildings - specialised	Depreciated replacement cost	10-100 years	Straight line
Plant, vehicles and equipment	Current value*	3-10 years	Straight line
Infrastructure	Depreciated historic cost	15-30 years	Straight line
Community assets	Historic cost	No determinable asset life	Not depreciated
Surplus assets	Fair value - market value	10-80 years	Straight line
Assets under construction	Historic cost	n/a	Not depreciated

*For vehicles, plant and equipment due to their short operational lives the council uses depreciated historic cost as a proxy for current value.

Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Disposals

When property, plant and equipment assets are disposed of or decommissioned the net gain or loss is taken to the CIES.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts (75%) relating to mortgages given to former tenants who purchased their properties under the right to buy scheme is payable to the government. The balance of the receipts is credited to the capital receipts reserve.

Impairment of non-current assets

At the end of the financial period all non-current assets (excluding non-current assets classified as held for sale) are assessed by type of asset for an indication of any possible impairment. If there is an indication of a possible impairment, an estimate of the new asset value is made. If there is no indication of a possible impairment no further action is taken.

If the conditions that gave rise to an earlier impairment no longer exist the impairment is reversed out of the CIES and reinstated to the asset value. This reversal will not exceed what would be the

carrying amount for the asset at the reversal date had the impairment not taken place. Any excess to this amount is treated as a revaluation gain and recognised in the revaluation reserve.

Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this existing net book value or fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is recognised. Any gains in fair value are recognised only up to the amount of any previous losses previously recognised. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licenses) are recognised as intangible assets if it is probable that future benefits created by the asset will flow to the council.

Intangible assets are initially measured at cost. After recognition intangible assets are carried at cost less accumulated amortisation and impairments.

Amortisation of intangible assets is carried out where a finite useful life is identified. Amortisation is based on what is determined to be a pattern that reflects the use of economic benefits. If this pattern is not determinable then the asset is amortised on a straight line basis.

Heritage assets

The accounting policy for heritage assets as laid out below makes no distinction between tangible and intangible heritage assets. The assets the council holds cover both tangible (e.g. war memorials) and intangible (e.g. the audio-visual material held within the Epstein Archive) heritage assets.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However some of the measurement rules are different in relation to heritage assets as detailed below.

The council includes the Council House, Town Hall and Walsall Library/Museum buildings within its asset base. Although these are historical buildings, they are operational assets i.e. the council uses them to deliver its services. These are included within property, plant and equipment and valued using the depreciated replacement cost (DRC) methodology, and depreciated over their remaining useful life.

The council's heritage asset collections are accounted for as follows:

Art collections

The art collections are reported on the balance sheet at insurance valuation, based on market values. These assets are deemed to have indeterminate lives and a high residual value. Therefore the council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation in line with the gallery's acquisition policy. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

Museum collections

The museum collections are reported at insurance valuation, based on market values for those items over £1,000. The council maintains an inventory of this collection however there is no readily available valuation held by the council for items of less than £1,000. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of this archive. As such the council has not recognised items less than £1,000 on the balance sheet.

For those assets held on the balance sheet they are deemed to have indeterminate lives and a high residual value. Therefore the council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation if the value is over £1,000.

Local history archive

The council's local history archive has no readily available valuation held by the council. There is no definitive market value for these types of assets as they are normally obtained by donation. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of this archive. As such the council has not recognised this archive on the balance sheet.

Civic regalia

The council holds civic regalia for use by the Mayor and Mayoress for official ceremonial purposes. These are reported at insurance valuation. Due to the nature of these assets the council does not deem it appropriate to charge depreciation.

Other heritage assets

The council has five statues, a number of war memorials, memorial clocks and public art works around the Borough. There is no readily available valuation held by the council for these types of assets and no definitive market value as they are not normally traded. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of these assets. As such the council has not recognised these assets on the balance sheet.

Heritage assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see accounting policy for property, plant and equipment. The council may occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment.

Provisions, contingent assets and liabilities

Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. They are recognised when:

- the council has a present obligation (legal or constructive) as a result of a past event
- it is probable that a transfer of economic benefits or service potential will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation

If these conditions are not met then no provision is made.

Recognition of the provision is made in the year that the council becomes aware of the obligation and is based on the best estimate of the likely settlement..

Estimated settlements are reviewed at the end of each financial year. Where it becomes apparent that a transfer of economic benefit is not required (or a lower settlement than anticipated is made) the provision is reversed back..

When some or all of the payment required to settle a provision is expected to be met by another party (i.e. from an insurance claim), this is only recognised as income in the surplus or deficit on provision of services if it is virtually certain that reimbursement will be received if the obligation is settled.

Reserves

The council sets aside specific amounts as reserves for future expected commitments or to cover contingencies. Reserves are created by appropriating amounts from the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred it is charged to the CIES. The reserve is then appropriated back to the general fund balance so there is no charge against council tax for the expenditure.

Revenue expenditure funded from capital under statute

Capital expenditure incurred during the year but not resulting in the creation of a non-current asset for the council is classified as revenue expenditure funded from capital under statute (REFFCUS). Expenditure that can be classified as this is defined within the Local Government Act 2003 and associated capital financing regulations. This includes: grants paid to other persons (such as housing renovation grants and disabled facility grants) and bodies for capital expenditure purposes. The council writes out the entire expenditure to the CIES in the year it is incurred. To ensure that no impact is passed on to council taxpayers, this expenditure is then reversed out through the movement in reserves statement by a transfer to the capital adjustment account on the balance sheet.

Value Added Tax (VAT)

Where the council is able to recover VAT it is excluded from both income and expenditure. This is in accordance with proper accounting practices.

Accounting for schools

The Code confirms that the balance of control for local authority maintained schools (i.e. Community, Voluntary aided and Voluntary maintained schools) lies with the Council. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council, rather than requiring

consolidation in the Group Accounts. Academies are outside of the Council's control and their transactions are not reflected in the Council's accounts.

Recognition of School Assets

The significant assumptions applied in estimating the fair values are: School assets are carried on the balance sheet in accordance with the legal status of ownership, or intended legal status and any other arrangements in place regarding the use of these schools. The recognition of land and buildings for each type of school is based on the code requirements and accounting standards to determine the underlying relationship to the council of each type of school. Based on these tests the council has identified the following classification of schools within the accounts:

- Community - on balance sheet
- Foundation - on balance sheet
- Voluntary Controlled - on balance sheet
- Voluntary Aided - off balance sheet
- Academies - Academies are outside of the Council's control and their transactions are not reflected in the Council's accounts.

Capital expenditure on voluntary aided schools is treated as revenue expenditure funded from capital under statute.

PFI Schemes

The council has one school subject to PFI contract, which is not shown on the council's balance sheet. This is because it is a voluntary aided school and the control of the right to use the buildings has passed to the school trustees. The PFI liabilities in respect of the PFI School remain on the council's balance sheet as the council is the party to the contract with the PFI operator.

Glossary

A

Accounts and Audit Regulations 2015: The current set of regulations which detail the accounts needed, how they should be published, the right of electors, and the conduct of the annual statutory audit.

Accounting period: The period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

Accounting policies: Within the range of possible methods of accounting, a statement of the actual methods chosen locally and used to prepare these accounts.

Accruals basis: The method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Amortisation: Loss in value of an intangible asset due to age or obsolescence.

Appropriations: Transferring of an amount between specific reserves in the income and expenditure account.

Asset: Something of value which is measurable in monetary terms owned by the council and is convertible to cash.

B

Bad (and doubtful) debts: Debts which may be uneconomic to collect or unenforceable.

Balance Sheet: A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Balances: The reserves of the council, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of its funds.

BCF: Better Care Fund - a programme spanning both the NHS and local government which seeks to join-up health and care services, so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible.

Billing authority: Walsall Council is the billing authority responsible for the collection of council tax and non-domestic rates. The council tax includes amounts for precepting authorities – the West Midlands Fire and Rescue and Police Authorities.

Budget: A statement of the council's expected level of service expressed as an amount of spending over a set period, usually one year.

C

Capital Adjustment Account: Financing of capital expenditure and statutory adjustments passes through this account.

Capital expenditure: Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of existing fixed assets.

Capital receipts: The proceeds from the sale of a fixed asset, or the repayment of an advance made by the council.

Capitalised: Transferred from revenue to capital.

Carrying Amount: The balance held on the balance sheet as at the year end date.

Cash and cash equivalents: This comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

Cash flow: Movement in money received and paid by the council in the accounting period.

Cash flow statement: Statement showing the cash inflows and outflows during the year.

Chartered Institute of Public Finance and Accountancy (CIPFA): The professional body that oversees accounting practice within public bodies.

Chief financial officer (Section 151 Officer – Local Government Act 1972): Statutory officer responsible for managing the financial risks and financial planning of the council.

CIPFA Code of Practice on Local Authority Accounting: The Statement of Recommended Practice applicable to preparing the accounts.

Collection Fund: A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

Community assets: Assets that the council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Community School: A type of state-funded maintained school in which the local authority employs the school's staff, is responsible for the school's admissions and owns the school's estate

Comprehensive income and expenditure statement (CIES): This shows the council's net expenditure on providing services during the year, based on proper accounting practices, prior to adjustments required for taxation purposes.

Consolidated: Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the council which are reported on as a whole in the section on consolidated financial accounts.

Contingent assets: Potential assets at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The assets should be included in the balance sheet where it is probable that a gain will be realised which can be estimated reasonably accurately at the time the accounts are prepared, otherwise, where the contingencies are likely to be material, the fact that they exist should be disclosed as a note to the accounts.

Contingent liabilities: Potential liabilities at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The liabilities should be included in the balance sheet

where it is probable that a loss will be incurred which can be estimated reasonably accurately at the time the accounts are prepared, otherwise, where the contingencies are likely to be material, the fact that they exist should be disclosed as a note to the accounts.

Council tax: A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

Creditors: Amounts owed by the council for work done, goods received or services rendered to the council during the accounting period, but for which payment has not been made by the balance sheet date.

Curtailments: Costs incurred as part of pension costs for redundancy/efficiency retirements.

Current assets: Assets which are easily converted to cash e.g. stock and debtors.

Current liabilities: Liabilities which are easily converted to cash e.g. creditors.

D

Debtors: Amounts due to the council which relate to the accounting period and have not been received by the balance sheet date.

Dedicated Schools Grant (DSG): Funding from central Government whose sole purpose if to fund the provision of an education service.

Depreciation: The loss in value of a tangible fixed asset due to age, wear and tear, deterioration or obsolescence.

Depreciated Replacement Cost (DRC): A valuation technique that is based on the current cost of reproduction or replacement of an asset less deductions for depreciation based on an assets current remaining life.

De-recognition: The reduction in asset values due to transferring ownership of assets.

DfE: Department for Education – responsible for Government policy and advice in connection with education and the social welfare of children and families.

E

Earmarked reserves: These reserves represent the monies set aside that can only be used for a specific usage or purpose.

Expenditure: Costs incurred by the council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

Equity: Stocks and shares that represent an ownership interest in a company.

F

Fair Value: An estimate of the potential market price of an asset or liability.

Finance lease: A lease that transfers the risk and rewards of ownership of a fixed asset to the lessee. Such a transfer of risk and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amount to substantially all the fair value of the leased asset.

Financial instrument: Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Fixed assets: Tangible assets which have value to the council for more than one year, e.g. land, buildings, equipment.

Foundation School: A state-funded maintained school where the governing body has greater freedom in the running of the school than in community schools. Foundation schools were set up under the School Standards and Framework Act 1998.

G

General Fund: The main revenue account of the council, which brings together all income and expenditure other than recorded in the Collection Fund.

Government support/grants: Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the council.

H

Historical cost: The actual cost of assets, goods or services, at the time of their acquisition.

I

International Accounting Standard (IAS): Standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee.

Impairment: Downward revaluation due to the consumption of economic benefits.

Income: Amounts due to the council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective of whether or not any movement of cash has taken place.

International financial reporting standard (IFRS): Accounting standards that have replaced SSAP and FRS from the 2010/11 financial year. All accounts from this period will be reported under these standards.

Investment properties: Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Investments: Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

L

Leasing: A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

Liabilities: Amounts due to individuals or organisations which will have to be paid at some time in the future.

M

Maintained School: State-funded schools in England which are under local authority control and funded by the local authority using Dedicated School Grant provided by the Department for Education.

Materiality: The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum revenue provision (MRP): The minimum amount which must be charged to a council's revenue accounts and set aside as a provision to repay external debt. It is calculated by applying a prescribed percentage of outstanding debt.

Movement in reserves statement: Statement that shows the movement in all the council's reserves over the year and the movements required for taxation purposes.

N

Non-domestic rates (NDR): A tax levied on business properties, sometimes known as Business Rates.

Net book value: The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided by depreciation.

Non-operational assets: Fixed assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements pending sale or redevelopment.

O

Operating lease: A lease where the risks and rewards of ownership of a fixed asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economical life of the asset.

Operational assets: Fixed assets occupied, used or consumed by the council in direct delivery of those services for which it has either statutory or discretionary responsibility.

P

PFI: Private Finance Initiative.

PPP: Public Private Partnership.

Precept: A levy determined by one authority which is collected on its behalf by another e.g. Walsall Council collects Police and Fire Authority precepts.

Precepting authority: An authority which raises finance through another authority.

Prior year adjustments: Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions: Amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

R

Replacement cost: Cost of replacement of an asset at the balance sheet date.

Reserves: Amounts set aside in the accounts to meet expenditure which the council may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Revaluation: The increase or decrease in an asset's value following valuation by a suitably qualified person.

Revenue contributions: Method of financing capital expenditure directly from revenue.

Revenue expenditure funded from capital under statute (REFFCUS): This is expenditure that would normally be classed as revenue under normal accounting rules, but legislation has defined as being capital expenditure.

Ring-fenced: This refers to the statutory requirement that certain accounts such as the Collection Fund must be maintained separately from the General Fund.

U

Usable and unusable reserves: Usable reserves are those which the council can use to maintain its services whilst those that are unusable are not readily available resources and are held as balances.

V

Voluntary Aided School: A state-funded maintained school in England and Wales in which a foundation or trust contributes to building costs and has a substantial influence in the running of the school.

Voluntary Controlled School: A state-funded maintained school in England and Wales in which a foundation or trust has some formal influence in the running of the school.

Agenda Item No. 10

Audit Committee – 27 July 2020

External Audit – External Audit Plan update

1. Summary of report

1.1 This report provides the Audit Committee with an update to the planned scope and timing of the statutory audit of Council's Statement of Accounts, as reported to Committee in February 2020. Subsequent to the February 2020 Audit Plan events surrounding Covid-19 have led Grant Thornton to update the planning risk assessment and reconsider the audit and value for money approach.

2. Recommendations

2.1 Audit Committee are recommended to review and note the report.

3. Background

3.1 Given the current position with Covid-19 Grant Thornton are required to consider this new significant risk within their work plan for the audit of the financial statements. This report therefore provides Audit Committee with an update to the audit approach as a result of this new risk and to inform the Committee that materiality levels have been reviewed.

4. Resource and Legal Consideration

4.1 Grant Thornton are the Council's independent external auditors. Outcomes from their work will assist the Council in maintaining strong governance arrangements.

5. Citizen Impact

5.1 None arising directly from this report.

6. Performance and Risk Management issues

6.1 None arising directly from this report. The 2019/20 external audit opinion and any recommendations arising from this will be reported to the Audit Committee for consideration.

7. Equality Implications

7.1 None directly related to this report.

8. Consultation

8.1 Consultation has taken place between internal finance staff and external auditors as the audit work has progressed, however no further formal consultation is required in relation to this report.

9. Background Papers

Internal Audit reports / monitoring information.

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External Audit Plan update

Year ending 31 March 2020

Walsall Metropolitan Borough Council

July 2020

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Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of Walsall Metropolitan Borough Council ('the Authority') as reported in our Audit Plan dated February 2020, for those charged with governance.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 18 February 20, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020 however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021/22.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audits. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19 .

Changes to our VfM approach (the Authority)

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19,

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risks identified – Covid – 19 pandemic – Walsall Metropolitan Borough Council

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid – 19	The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement	We will: • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Agenda Item No. 11

Audit Committee – 27 July 2020

External Audit – Statement of Accounts Audit Progress Report

1. Summary of report

1.1 This report provides the Audit Committee with a report on progress in: delivering Grant Thornton's responsibilities as the Council's External Auditors; value for money arrangements; and a Covid-19 update for Audit Committees.

2. Recommendations

2.1 Audit Committee are recommended to review and note the report.

3. Background

3.1 Given the current position with Covid-19 the statutory deadline for the issue of the external audit opinion on the 2019/20 statement of accounts has been extended to 30 November 2020. This report therefore provides an update on progress in delivering this work to date and also a Covid-19 update for Audit Committees.

4. Resource and Legal Consideration

4.1 Grant Thornton are the Council's independent external auditors. Outcomes from their work will assist the Council in maintaining strong governance arrangements.

5. Citizen Impact

5.1 None arising directly from this report.

6. Performance and Risk Management issues

6.1 None arising directly from this report. The 2019/20 external audit opinion and any recommendations arising from this will be reported to the Audit Committee for consideration.

7. Equality Implications

7.1 None directly related to this report.

8. Consultation

8.1 Consultation has taken place between internal finance staff and external auditors as the audit work has progressed, however no further formal consultation is required in relation to this report.

9. Background Papers

Internal Audit reports / monitoring information.

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Audit Progress Report and Sector Update

Walsall Metropolitan Borough Council
Year ending 31 March 2020

27 July 2020

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a briefing on the issues faced by Local Government in relation to Covid 19.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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Progress at July 2020

Financial Statements Audit

We began our planning for the 2019/20 audit in December, and we undertook our interim audit in January 2020. We commenced our work on the draft financial statements for 2019/20 in June and this is ongoing. Further details on progress are included within this report

We issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements in February 2020. In addition to the audit risks included in our Audit Plan, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic.

Our work on this has resulted in an update to our audit plan identifying a new financial statements level significant risk. This has been included in an addendum to our audit plan.

The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

We are continuing to monitor the COVID-19 situation and are discussing with the finance team the impacts this may have on the 2019/20 audit. Given the fast moving events and new policy announcements by government in response to Covid-19 clearly these risks are subject to change. Appendix A gives an overview for the Audit Committee of various scenarios, their potential financial implications, and resources available to deliver them. These issues will be critical over the short to medium term.

Further details of the potential impact on the audit are detailed at appendix A

There are no issues that we need to bring to the Committee's attention from the work we have completed to date.

The statutory deadline for the issue of the 2019/20 opinion is 30 November 2020. We are discussing our plan and timetable with officers. Our audit deadline is dependent on the West Midlands Pension Fund being completed in order for us to gain assurance over IAS19.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

•Informed decision making

•Sustainable resource deployment

•Working with partners and other third parties

Details of our initial risk assessment to determine our approach and significant risks can be seen at page 6 of this report. We identified one significant Value for Money Risk – Planning finances effectively to support delivery of strategic priorities and maintain statutory functions – and are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion in the Auditor Report.

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2019/20 has started. We have liaised with officers to agree the overall project plan for completing this work.

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Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2019	Complete
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	February 2020	Complete
Progress Report We will report to you the findings from our audit to date and our initial value for money risk assessment within our Progress Report.	July 2020	Contained in this report
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	TBC	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	TBC	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	TBC	Not yet due

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Value for Money arrangements

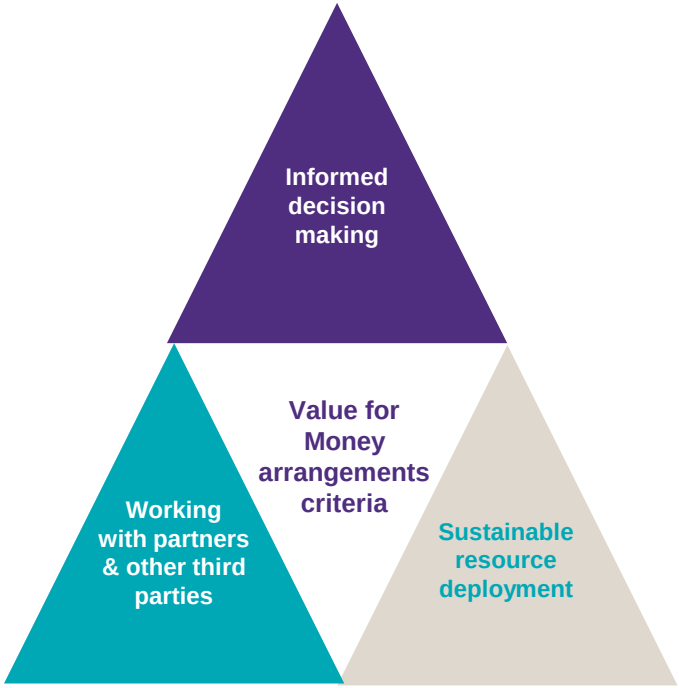
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

Sustainable Resource Deployment

Planning finances effectively to support delivery of strategic priorities and maintain statutory functions

The Council has a history of delivering its budgeted expenditure, despite reductions in funding. However this means that it has significant financial challenges over the medium term. For 2019/20 the pre-audit net revenue outturn is £121.08m against a budget of £121.37m, an underspend of £291k. However, both Adult Social Care and Children's Services are particularly stretched with a combined overspend of £1.33m against budget.

The 2019/20 budget included £20.08m of savings, income improvements and efficiencies. £11.35m were achieved. The £8.73m of unachieved savings are included in the 2020/21 budget. Delivery of £5.00m PROUD transformational savings included within the 2019/20 budget was delayed and amended within the 2020/21 budget proposals.

Over the Medium term the Council continues to face similar financial pressures and uncertainties to those experienced by other Local Government bodies. The impact of Covid19 has created further financial uncertainty.

We will review and evaluate the revised Medium Term Financial Plan to see how the budget gap is to be addressed. We will also review the PROUD savings programme and considered whether realistic assumptions have been built into budget plans. A significant value for money risk has been identified in relation to budget delivery and reserves management. Monitoring of delivery of the PROUD programme will be an important part of ensuring the goals set are achieved.

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Results of Audit Work as at July 2020

The findings of our audit work to date, and the impact of our findings, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Review of information technology controls	Our information systems specialist have performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. IT (information technology) controls will be observed to ensure they have been implemented in accordance with our documented understanding.	This work is in progress a draft report has been provided to management which highlights any issues found. We are awaiting management responses to these issues.

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Results of Audit Work as at July 2020 continued

	Work performed	Conclusions and recommendations
Walkthrough testing	We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.
Audit Testing	We have selected samples and received evidence to support the entries for the following areas. Operating Expenditure Capex and Levies Percept's and Levies Grant Receipts Fees and Charges Payroll Revenue Related Parties	Our wok is substantially complete in these areas. Our audit work to date has not identified any issues in respect of these areas.
Property, Plant, and Equipment	We have undertaken work on the accuracy and completeness of: Opening balances Additions Disposals Depreciation Heritage Assets	Our work is currently ongoing in this area with valuation including airport and investments still to be completed.
Valuation of pension fund net liability	Or work is still ongoing in relation to the work of the actuary and information provided by the pension fund.	Work in progress

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Links

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https://www.grantthornton.co.uk/

http://www.grantthornton.co.uk/industries/publicsector

National Audit Office

https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/

https://www.nao.org.uk/report/local-authority-governance-2/

https://www.nao.org.uk/report/planning-for-new-homes/#

https://www.nao.org.uk/report/pressures-on-childrens-social-care/

Ministry of Housing, Communities and Local Government

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

https://www.ifs.org.uk/uploads/publications/comms/R148.pdf

Public Sector Audit Appointments

https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/

CIPFA

https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool

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Covid-19 and Local Government

A Grant Thornton briefing for audit committees

Context

Public services, including local government, have been at the forefront of the emergency response to the Coronavirus (COVID-19) pandemic. Very few local government services have not been impacted by COVID-19, as councils have had to create new service lines as part of the emergency response, such as their work in identifying and supporting shielded and vulnerable citizens. They have also had to redeploy people to new roles and repurpose assets to new functions. For example, by closing leisure centres and repurposing them as temporary mortuaries or food banks.

Prior to COVID-19 local government had to adapt to significant reductions in funding during a period of austerity. For example, spending on local services fell by 21% in real terms between 2009-10 and 2017-18. However, underlying this high level reduction are much larger reductions in expenditure on specific service lines. In broad terms, councils managed austerity by significantly reducing spending on discretionary services, in order to protect statutory services to the most vulnerable people, particularly social care services. In addition, councils had to place greater reliance on fees and charges income. They have also had to be innovative in generating new income sources, particularly taking more commercial approach. This commercialisation trend is now changing, however, as authorities seek to balance social outcomes with financial sustainability.

COVID-19 has had a further significant impact on local government finances. This is the result of three main factors:

- increase in expenditure in managing the emergency response, such as purchase of PPE, provision of food and medical supplies to shielded citizens, and increased costs in relation to adult social care;
- lost income due to close services, such as leisure centres, and reductions in income from other sources, such as car parking, business rates and council tax; and
- non-delivery of savings plans

Whilst central government has made significant additional funding contributions to local government, in recognition of the financial consequences of COVID-19, the total funding gap for councils in England is currently estimated to be £6billion by the Local Government Association. The sector is still in the process of determining the longer term financial impact. Tranches of government funding provided so far have generally focussed on alleviating financial pressures created by COVID-19 related to additional council expenditures, so have limited benefit in offsetting lost income, such as that relating to leisure services, car parking income and other fees and charges.

This stark financial context has significant implications for the sector. Particularly as councils start to move from the emergency response stage to the recovery planning stage of COVID-19. The key risks councils will therefore need to consider include:

- how they stand up closed services such as leisure centres, the impact of COVID-19 on future demand, and the operational challenges of service delivery with on-going social distancing rules;
- how service delivery may need to change as a result of learning from COVID-19 and how long-lasting cultural and behavioural changes will impact on their operating models;
- the impact on local markets such as social care and transport, and the financial consequences of market and supply chain failure;
- how the economic impact of COVID-19 will impact on service need and on the demand for income generating services; and
- whether certain services will need to reduce or cease to manage the funding gap.
- exploration of opportunities for more radical change that may have arisen from COVID-19, such as building on the large-scale transfer of care that has taken place and the opportunities regarding reablement, and broader integration with health.

Given the fast moving events and new policy announcements by government in response to Covid-19 Clearly these risks are subject to change and this is not an exhaustive list. However, understanding these various scenarios, their potential financial implications, and resources available to deliver them will nevertheless be critical over the short to medium term.

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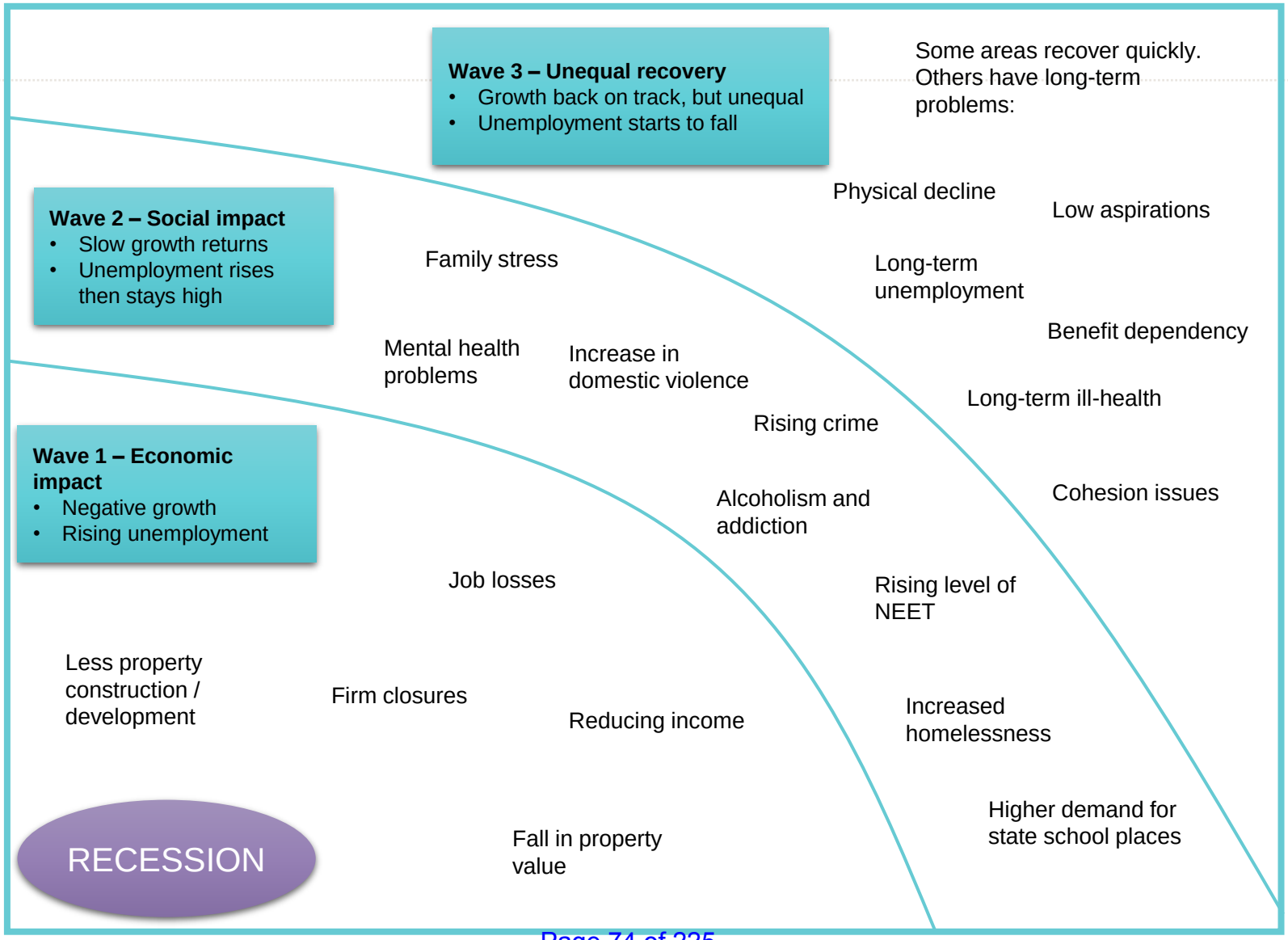
Can we learn from previous recessions?



Source: Audit Commission

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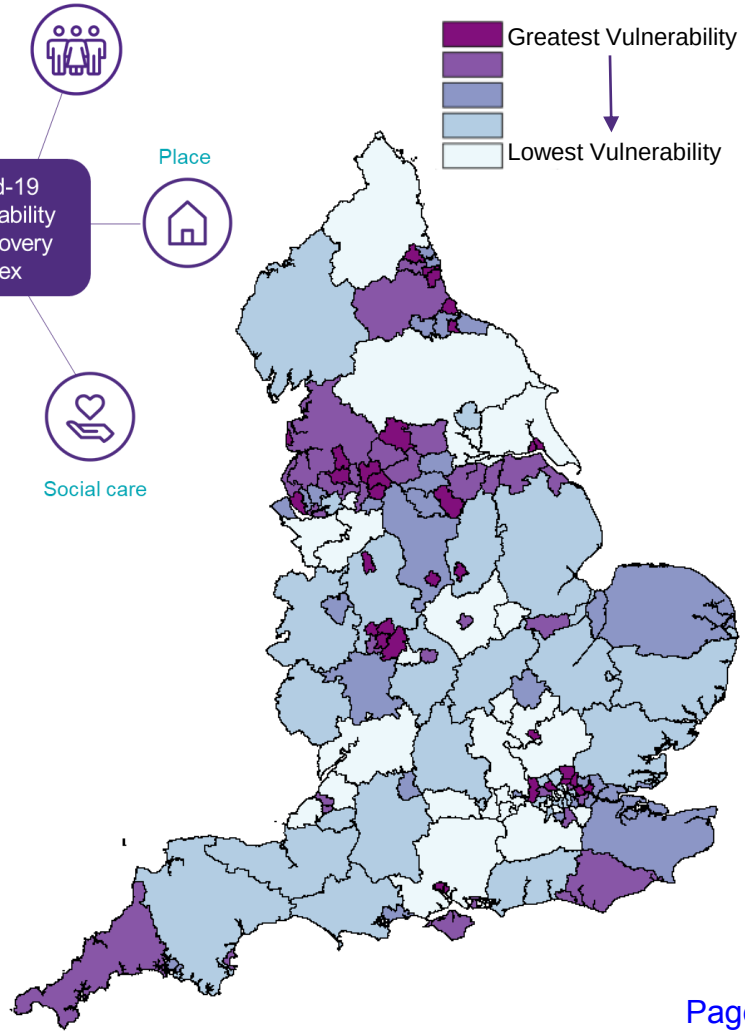
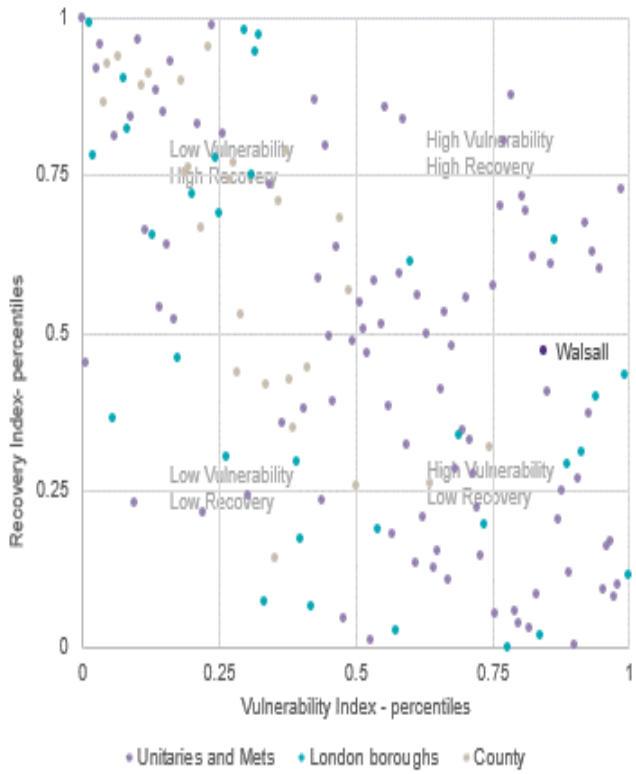
Covid-19 Vulnerability Index

Overall Index (including Financial Recovery basket)



Vulnerability vs. Recovery



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Scenarios and hypotheses

Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community	• Multiple lockdowns and ongoing disruption • Community dependency and expectation of sustained response • Turbulence and activism within the VCS • Socio-economic inequality is compounded • Failure of leisure and cultural services	• Smooth exit from lockdown to a “new normal” • Community mobilisation is channelled into ongoing resilience • Strengthened VCS relationships and focus • Systemic response to inequality is accelerated • Leisure and cultural services adapted to social distancing
Business & economy	• 16% reduction in GVA for 2020 based on OBR reference scenario • Slow / uneven economic recovery and “long tail” on unemployment • Central gov / BEIS focus investment on areas furthest behind • Loss of tourist & student spend causes unmitigated damage • 'V' shaped recovery results in 2-3 year recovery period	• 5-10% reduction in GVA • Rapid economic recovery with employment levels close behind • Central government “back winners” with investment • Adaptation allows resumption of tourist and student economy • Business base is weighted towards growth sectors
Health & wellbeing	• Increased demand and escalating need due to fallout from lockdown • Newly-vulnerable cohorts place strain on the system • Unit costs increase further as markets deteriorate and providers fail • SEND transport unable to adapt to social distancing • Imposed disruption of care system	• Positive lifestyle changes and attitudes to care reduce demand • Needs of newly vulnerable cohorts met through new service models • New investment in prevention and market-shaping manage costs • New ways of working leading to stronger staff retention • Locally-led reform of health and care system
Political & regulatory	• Local government side-lined by a centralised national recovery effort • Unfunded burdens (e.g. enforcement and contact-tracing) • Councils in the firing line for mismanaging recovery	• Local government empowered as leaders of place-based recovery • Devolution and empowerment of localities • Councils at the forefront of civic and democratic renewal
Environment	• Opportunity missed to capture and sustain environmental benefits • The end of the high street / town centres • Emissions and air quality worsened by avoidance of public transport • Capital programmes stuck	• Ability to invest in transport modal shift and green infrastructure • Changed working patterns rejuvenate town centres • Sustained impact on emissions due to new behaviours • New, shovel-ready infrastructure programmes
Organisational	• Inadequate funding forces fiscal constraint • Working practices return to status quo – increased operating costs • Imposed structural change within the place • Austerity 2 • Commercial portfolio becomes a liability	• Adequate funding enables a programme of targeted investment • Learning and adaptation to new operating environment • Energised system-wide collaboration and reform • Fiscal reform and civic renewal • Commercial portfolio reshaped for economic and social gain

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What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

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Recovery planning and implementation

Set out below are examples of recovery planning activity that are being considered by councils. This activity needs to align to the Government's recovery strategy and to existing Government priorities such as levelling-up and future proofing against covid related government policy shifts.

Recovery planning	Recovery implementation
Recovery planning strategy and framework development	Recovery plan implementation
Risk assessments, research into which parts of the local economy have been most severely hit and which groups of people will need additional support.	Reviews of long term corporate plans/strategies, place vision, service plans, in context of phased lockdown release
Planning for standing up closed services	Place-based leadership – working with other public services, private and third sector to redefine place
Integrating social distancing into the public realm, eg offering supplies of hand sanitiser and masks. Increased need for digital advertising and awareness raising	Redefining front-line services, council as match-maker, convener and incentivisor as well as service deliverer or commissioner. Removal of internal silos (eg supporting vulnerable families).
Review of supply chain vulnerability	More long-term and strategic partnerships and funding models for third sector
Supporting local businesses evolve to a new normal post-COVID-19 world, including more trading on-line	Re-evaluation of vulnerability, including eligibility criteria. Likely to put in place structures that outlast the crisis, such as provisions to help the homeless and those in gig economy jobs
Providing leadership for longer-term investment and delivery, to support economic recover rather than just focusing on short-term actions	Review and update Local Plan
Reframe capital programme to support economic, social and environmental recovery / sustainability	Reconfiguration of municipal estate and property portfolio and commercial investments
Renewed strategic financial planning and focus on financial management	Emergency planning reviews and learning
Data recognised as core pillar of city resilience, barriers to data collaboration and information governance removed/standardised	Long-term financial sustainability planning
Government monitoring regime on additional funding for councils and covid funding administered by councils	Increase in outcomes based procurement and focus on social value

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Audit Committee – 27 July 2020

Annual Internal Audit Report 2019/20 and Head of Internal Audit Opinion

1. Summary of report

1.1 To present Internal Audit's Annual Report and Opinion on the Council's internal control environment 2019/20 to the Audit Committee.

2. Recommendations

2.1 That Audit Committee note the contents of this report.

3. Background

3.1 This annual report covers the work we have undertaken for the year ended 31st March 2020, and incorporates our audit opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

4. Resource and Legal Consideration

4.1 The Accounts and Audit Regulations 2015 came into effect on 1st April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance. The PSIAS requires that Internal Audit provide an annual report to the Audit Committee timed to support the Annual Governance Statement. This report meets that requirement.

5. Citizen Impact

5.1 This report reinforces the protection to the Council and its officers in respect of the robustness of the internal control environment and is an integral part of the assurance provided to citizens and other stakeholders on the security of the Council's activities and operations.

6. Performance and Risk Management issues

6.1 Part of Internal Audit's role is to provide assurance in the Council's performance and risk management arrangements. Internal Audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.

6.2 Regular updates were provided to Audit Committee on progress against the approved Internal Audit Plan for 2019/20. The Internal Audit contract is subject to key performance indicators (KPI's) including achievement of the audit plan and formal quarterly meetings are held between the Interim Director of Finance, Corporate Performance Management and Corporate Landlord, the Interim Head of Finance – Corporate and senior representatives at Mazars to monitor performance of the contract.

6.3 The final KPI performance for 2019/20 is detailed below.

Standard	Target	Actual as at 31/03/20
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	43/45 96% Exceptions: **Budgetary Control & Federation Schools Governance**
Produce annual report which includes an overall assurance opinion for the Council for the year.	To be produced and issued to the Chief Finance Officer within 15 working days from 31 March each year.	Completed
Annual review and report on the effectiveness of the risk management strategy and its application with comments and recommendations for changes.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	Ongoing Risk Management work with the Council
Annual risk management report which provides assurance that the system of risk management and identification is suitable and sufficient for the purposes of the Annual Governance Statement.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	Ongoing Risk Management work with the Council
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	32/45 71% Exceptions: **Apprenticeships, National Funding Formula, Schools Capital Programme, Saddlers Centre Management, Homelessness, Supplier Resilience, Accounts Payable, Accounts Receivable, Adult Social Care Caseloads, Main Accounting, Budgetary Control, Cyber Security, Social Media Policies & Procedures.**
Achieve performance of quarterly audit work plan	100% expected audits in the quarterly plan to be completed to draft report stage within15 working days of last day of quarter	39/45 87% Exceptions: **New Art Gallery, National Funding Formula, HB& CTAX Benefits, Kings Hill Primary, Budgetary Control, Federation Schools' Governance**

Standard	Target	Actual as at 31/03/20
Produce quarterly progress report in accordance with the specification.	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Met for all quarters
Produce a quarterly risk management update report	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Strategic Risk Register updates regularly presented to CMT and Audit Committee. Risk sessions across the Council ongoing
Quarterly review of Strategic Risk Register (SRR) and report for Corporate Management Team and Audit Committee	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Strategic Risk Register updates presented to CMT and Audit Committee. Most recent update to Audit Committee scheduled for 27th July

6.4 The reasons for areas of variance, and any actions required / being taken to address these, are set out below:

- **Achieve the Annual Audit Plan** – Two audits were not completed by 31/03/20, both due to the impact of Covid-19 and the ability to follow up with schools, however both audits were subsequently completed in April.

- **Effective completion of audit work** – Although all reports have been issued, 71% of draft reports were issued within 6 weeks as set out in the standard. There were a number of reasons for this, with circa 40% being due to availability of council staff to provide input required to complete the audit, circa 30% due to internal process changes or staff turnover within Mazars and the remainder mainly due to the impact of Covid-19 and the complexity of some of the IT audits taking longer to complete than 6 weeks.

  With regard to the change of processes and turnover within Mazars, no further changes are expected in 2020/21, therefore there is expected to be no impact arising from this going forward.

  In terms of availability of Council staff, terms of reference are agreed with service areas prior to audits commencing which confirm the scope and length of the audit and input required from officers. As such where audits commence and Council staff are not providing the required level of input this will now be formally escalated to the relevant Head of Service or Director going forward to avoid these delays.

- **Achieve performance of quarterly audit work plan** – the variance to the KPI in this area is mainly due to the fact that where work is commenced within the final few weeks of any quarter, the KPI as measured (where the completion to draft report stage is required within 15 working days of last day of quarter) would only effectively allow 3-4 weeks for completion, rather than the standard 6 weeks that is measured / required in the annual KPI. All audits not completed within 15 days of the quarter end have subsequently been completed during the following quarter. This KPI measure will be reviewed as part of the commencement of the new contract.

6.5 The following table sets out the Performance Standards against which the success of the contract is measured. Performance has been maintained in most areas.

Standard	Target	Actual as at 31/03/20
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance.	45/45 100%
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	45/45 100%
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre arranged time, as specified in the audit brief.	45/45 100%
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	33/45 73% Exceptions: **Apprenticeships, NFF, Saddlers Centre Management, Accounts Receivable, Main Accounting, St Thomas of Canterbury, King's Hill Primary, Radley's Primary, Whitehall Infants, Holy Trinity Primary, Social Media Policies & Procedures, Cyber Security.**
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	41/43 95% Exceptions: **Barcroft Primary School & Troubled Families**
Complete National Fraud Initiative (NFI) data matching exercise.	Ensure that all data matches are reviewed and investigated on an annual basis in accordance with the timetables provided.	2018/19 data matches reviewed and investigated
Counter fraud work	To maintain and update counter fraud policies, the counter fraud toolkit, training and other counter fraud work as agreed in advance with the Chief Finance Officer.	Ongoing as required
Follow up on all high priority actions	Reports produced in accordance with timetables set out in the Specification.	Ongoing and progress reported to each Audit Committee

Standard	Target	Actual as at 31/03/20
Specialist IT / risk audits	Quarterly report detailing percentage of time of qualified or specialist staff utilised in delivery of the audit and risk work undertaken during the quarter	Completed as part of monitoring information
Respond to unsatisfactory client satisfaction questionnaires/CMT feedback	To be provided to the Chief Finance Officer within 10 working days	N/A
Attendance at planned meetings with both the Chief Finance Officer and external audit as detailed throughout this specification.	Meetings attended by Contract Manager	Ongoing
Attend the Audit Committee meetings in accordance with the Audit Committee Work Programme and Timetable	Meetings attended by Partner or Director or Contract Manager	Ongoing
Provision of audit helpline	Summary of advice provided, to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	Completed as part of monitoring information
Provision confidential reporting hotline answer phone facility.	Summary of calls received and action taken to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	None received
Quality control system	Copy to be provided to Chief Finance Officer on an annual basis	Provided
Compliance with the PSIAS via external accreditation	To provide evidence of the external accreditation	External Assessment completed in 2019 and results shared with Council.
Provide training for Council Officers, Project Managers and Members in the principles and practices of Risk Management	Provision of training as agreed by the Chief Finance Officer	Member training before Audit Committees
Audit and Risk Training Programme	To provide a copy to the Chief Finance Officer on an annual basis	Updated as part of strategy review in December 2018. Next review December 2020

6.5 The reasons for areas of variance, and any actions required / being taken to address these, are set out below:

- **Produce draft report, which reflects the agreed brief** – The delays set out are in the main in relation to changes in Mazars processes during the year, with an extra layer of review added. However these changes have now been revised and there is not expected to be any further ongoing impact. Overall the average number of days to provide a draft from the date of the exit meeting was 9.91, therefore the average performance across all audits has remained within 10 days.

- **Produce final report** - The delays set out are in the main in relation to changes in Mazars processes during the year, with an extra layer of review added. However these changes have now been revised and there is not expected to be any further ongoing impact. Overall the average number of days to provide a final report was 3.07, therefore the average performance across all audits has remained within 5 days.

6.6 The Following table reports on performance trends over the four years of the Internal Audit contract and shows strong performance and significant improvement in many areas. Where there has been a downward trend the reasons for this are set out within the feedback on KPI and Performance Standards above.

Standard	Target	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Trend
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	41/49 84%	39/49 80%	57/57 100%	43/45 96%	↓
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	31/49 63%	32/49 65%	50/57 88%	32/45 71%	↓
Achieve performance of quarterly audit work plan	100% expected audits in the quarterly plan to be completed to draft report stage within 15 working days of last day of quarter.	41/49 84%	33/49 67%	55/57 96%	43/45 96%	↔
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance.	49/49 100%	48/49 98%	56/57 98%	45/45 100%	↑
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	49/49 100%	44/46 96%	57/57 100%	45/45 100%	↔

Standard	Target	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Trend
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre arranged time, as specified in the audit brief.	49/49 100%	44/44 100%	57/57 100%	45/45 100%	⇔
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	27/49 55% **Average time to issue for 49 audits is 18.5 days**	36/44 82% **Average time to issue for 44 audits is 10.5 days**	47/57 82% **Average time to issue for 57 audits is 7.8 days**	33/45 73% **Average time to issue for 45 audits is 9.9 days**	↓
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	32/38 84% **Average time to issue for 32 audits is 5.6 days**	34/39 87% **Average time to issue for 39 audits is 3 days**	55/56 98% **Average time to issue for 55 audits is 2.4 days**	41/43 95% **Average time to issue for 45 audits is 3.1 days**	↓

6.7 Regular updates will be provided to Audit Committee on progress against the approved Internal Audit Plan for 2020/21.

7. Equality Implications

7.1 Internal Audit has full regard to equalities both within the internal audit service and in the services / activities under review.

8. Consultation

8.1 The annual work plan 2019/20 was consulted upon before its final endorsement by the Audit Committee, senior managers and with executive directors, including the

S151 Officer. All audit reports are subject to an appropriate level of consultation before being finalised.

9. Background Papers

9.1 Internal Audit reports.

Vicky Buckley - Interim Director of Finance, Corporate Performance Management and Corporate Landlord

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MAZARS

Walsall Council

Internal Audit Annual Report
For the year ended 31 March 2020
Presented to the Audit Committee 27 July 2020

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A1 Summary of Internal Audit Work undertaken in 2019/20

A2 Statement of Responsibility

In the event of any questions arising from this report please contact Sarah Knowles , Senior Manager, sarah.knowles@mazars.co.uk or Peter Cudlip, Partner, peter.cudlip@mazars.co.uk.

Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Walsall Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Walsall Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

01 Introduction

Background

This Annual Report covers the work we have undertaken for the year ended 31 March 2020, and incorporates our audit opinion.

Scope and purpose of internal audit

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our professional responsibilities as internal auditors for the year ended 31 March 2020 are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board.

This report covers the internal audit activity for the 1st April 2019 to 31st March 2020 period, and summarises matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit Committee during the course of the year.

Acknowledgments

We are grateful to the Executive Directors, Head of Finance, and other staff throughout the Council for the assistance provided to us during the year.

02 Internal Audit Work undertaken in 2019/20

Our Internal Audit Plan for 2019/20 was considered and approved by the Audit Committee at its meeting on 15 April 2019. The Plan was for a total of 745 days including 30 days Follow Up, 70 days Management and planning and 50 days contingency.

During the course of the year a number of changes were made to the planned programme of work to reflect changes in circumstances within the Council.

The audit findings in respect of each review, together with our recommendations for action and the management response were set out in our detailed reports. A summary of the reports we have issued is included at *Appendix A1*. The appendix also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

A summary of the Priority 1 recommendations made during the course of the year is included at *Appendix A2*.

03 Annual Opinion

Scope of the Internal Audit Opinion

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

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

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken during the year ended 31 March 2020;
- Whether or not any Priority 1 or Priority 2 recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

Internal Audit Opinion

On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A lessons learnt exercise has recently been completed and suggested recommendations for improvement accepted by CMT for 2020/21.

Internal Control

Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 29 a 'Substantial' level of assurance and eight a 'Limited' level of assurance. No audits were given ''No' level of assurance.

During the year, we have made 11 'Priority 1' recommendations and these are summarised in *Appendix A2* of this report. 111 recommendations categorised as 'Priority 2' were also made.

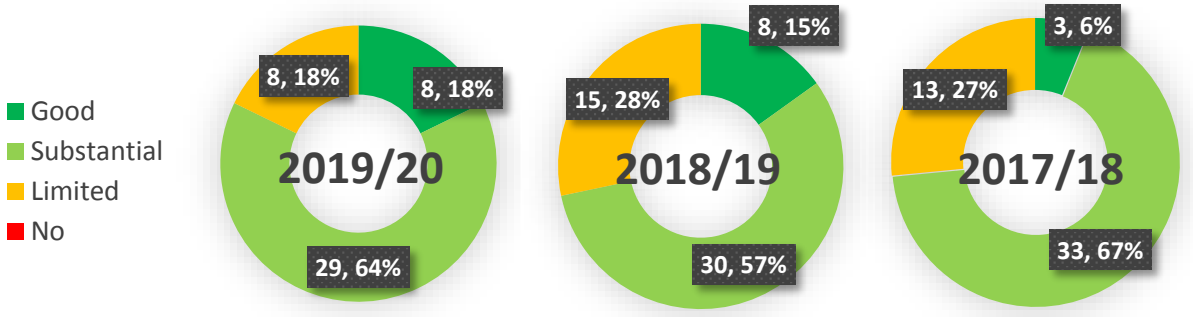
In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management.

04 Benchmarking

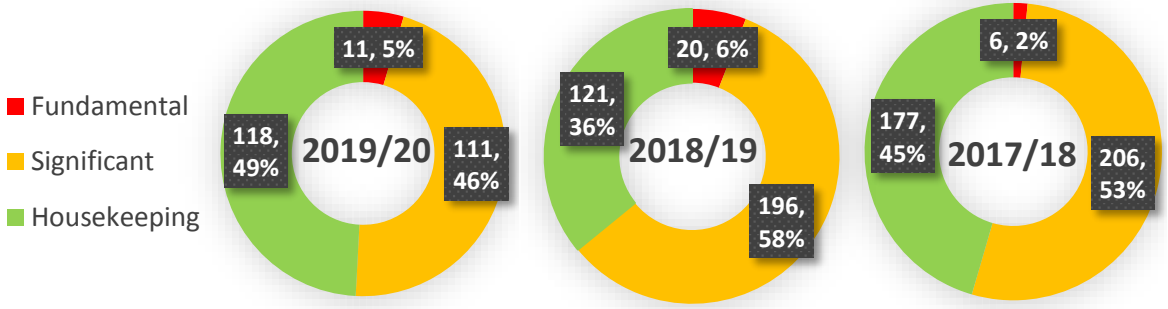
This section compares the Assurance Levels (where given) and categorisation of recommendations made at the Council.

Comparison of Assurance Levels (where given)



Of the 45 audits where an assurance level has been provided in 2019/20, 'Good' assurance has been provided in eight cases, 'Substantial' assurance has been provided in 29 cases, eight audits provided 'Limited' assurance.

Comparison of Recommendations by categorisation



In 2019/20, a total of 240 recommendations have been made. 11 of these were categorised as Priority 1. 111 recommendations were categorised as Priority 2 and 118 categorised as 'Priority 3.

05 Performance of Internal Audit

Performance of Internal Audit

Compliance with professional standards

We employed a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by managers, directors and partners;
- The use of satisfaction surveys for each completed assignment.
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Regular meetings of our Sector Strategy Groups, which issues technical guidance to inform staff and provide instruction with regard to technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit Committee.

Quarterly monitoring against KPIs set out in our contract is reported to the Head of Finance and the Executive Director – Resources and Transformation.

Satisfaction surveys have been issued to the Council for each audit together with the final report. 9 surveys have been returned to date, for which the Council provided 'very good' ratings in all cases.

Monthly meetings with the Head of Finance, and quarterly meetings with the Executive Director of Resources and Transformation have taken place in order to monitor progress against plan.

A1 Summary of internal audit work undertaken in 2019/20

The following reviews were undertaken during the 2019/20 audit year:

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Treasury Management, Cash & Bank	Good / Good	10	10	-	-	-	-	-
Budgetary Control (draft)	Good / Good	10	10	-	1	-	1	1
Main Accounting	Good / Good	10	10	-	-	-	-	-
Accounts Payable	Good / Good	10	10	-	-	-	-	-
National Funding Formula	Good / Good	10	10	-	-	-	-	-
Adults Social Care Caseloads	Good / Good	15	15	-	-	-	-	-
Governance Role of Overview & Scrutiny Committee	Good / Good	10	10	-	-	-	-	-
Accounts Receivable	Good / Substantial	10	10	-	1	-	1	1
Council Tax / NNDR	Substantial / Substantial	16	16	-	3	2	5	5
Housing Benefit & Local Council Tax Support	Substantial / Substantial	12	12	-	1	1	2	2
Apprenticeships	Substantial / Substantial	10	10	-	3	1	4	4

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Community Safety	Substantial / Substantial	7	7	-	1	-	1	1
Troubled Families (September 2019)	Substantial / Substantial	7	7	-	1	2	3	3
CRC Energy Efficiency Scheme	Substantial / Substantial	10	10	-	-	1	1	1
Childrens' Social Care Caseloads	Substantial / Substantial	12	12	-	5	1	6	6
Schools Capital Programme	Substantial / Substantial	10	10	-	1	-	1	1
Homelessness	Substantial / Substantial	15	15	-	2	1	3	3
Supplier Resilience (draft)	Substantial / Substantial	15	15	-	2	-	2	2
Federation Schools' Governance	Substantial / Substantial	10	10	-	2	1	3	3
Cyber Security	Substantial / Substantial	10	10	-	2	2	4	4
Saddlers Centre Management	Substantial / Limited	12	12	2	3	-	5	5
New Art Gallery	Limited / Substantial	10	10	2	3	1	6	6
Payroll & Pensions Administration	Limited / Limited	10	10	2	4	-	6	6

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Social Media Policies & Procedures	Limited / Limited	10	10	2	4	-	6	6
Local Growth Fund	n/a	7	7	-	-	-	-	-
Public Health Cash Handling	n/a	5	5	-	2	-	2	2
Making Tax Digital	n/a	15	15	-	-	4	4	4
Office 365 Implementation	n/a	10	10	-	2	2	4	4
Procurement Follow Up	n/a	10	10					
Totals		**308**	**308**	**8**	**43**	**19**	**70**	**70**
%				**11.5%**	**61.5%**	**27%**	**100%**	

The following school reviews were undertaken during the 2019/20 audit year:

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
St Giles Primary School	Good / Good	5	5	-	-	1	1	1
Alumwell Infant School	Substantial / Substantial	5	5	-	3	6	9	9
Blakenall Heath Junior School	Substantial / Substantial	5	5	-	5	6	11	11
Moorcroft Wood Primary School	Substantial / Substantial	5	5	-	4	3	7	7
Christ Church CE Primary School	Substantial / Substantial	5	5	-	5	5	10	10
Sunshine Infant School	Substantial / Substantial	5	5	-	2	5	7	7
Little Bloxwich CE Primary School	Substantial / Substantial	5	5	-	4	4	8	8
Walsall Wood Primary School	Substantial / Substantial	5	5	-	3	5	8	8
St Mary's the Mount Catholic Primary School	Substantial / Substantial	5	5	-	4	6	10	10
Leamore Primary School	Substantial / Substantial	5	5	-	3	2	5	5
Elmore Green School	Substantial / Substantial	5	5	-	3	6	9	9
Meadow View Primary School	Substantial / Substantial	5	5	-	5	4	9	9

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Barcroft Primary School	Substantial / Substantial	5	5	-	2	4	6	6
Kings Hill Primary School	Substantial / Substantial	5	5	-	2	3	5	5
Radleys Primary School	Substantial / Substantial	5	5	-	2	5	7	7
Manor Primary School	Substantial / Substantial	5	5	-	1	4	5	5
Whitehall Junior School	Substantial / Substantial	5	5	-	2	3	5	5
St Patrick's Primary School	Substantial / Limited	5	5	-	5	7	12	12
New Invention Infant School	Limited / Substantial	5	5	-	5	9	14	14
Holy Trinity Primary School	Limited / Limited	5	5	1	5	6	12	12
St Thomas of Canterbury Catholic Primary School	Limited / Limited	5	5	2	3	5	10	10
Totals		**105**	**105**	**3**	**68**	**99**	**170**	
%				**2%**	**40%**	**58%**	**100%**	

We use the following levels of assurance and recommendation classifications within our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
Good Assurance	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied, or any weaknesses identified do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
Substantial Assurance	Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations which are fundamental to the system and upon which the organisation should take immediate action. Major issues for the attention of senior management and the Audit Committee
Priority 2 (Significant)	Recommendations which, although not fundamental to the system, provide scope for improvements to be made. Recommendations for local management action in their areas of responsibility.
Priority 3 (Housekeeping)	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Detailed problems of a minor nature resolved on site through discussions with local management.

A2 Statement of Responsibility

We take responsibility to Walsall Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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Agenda Item No. 13

Audit Committee – 27 July 2020

Annual Review of Effectiveness of the System of Internal Control and Annual Governance Statement 2019/20

1. Summary of Report

1.1 This report contains the findings of the review of the effectiveness of the Council's system of internal control, for consideration by Audit Committee. This review supports production of the annual Governance statement (AGS) for 2019/20 and requires Audit Committee approval.

1.2 The Annual Governance Statement (AGS) was drafted, assurances were evaluated and supporting evidence gathered. The outcome of this process was a conclusion that the effectiveness of the system of internal control is adequate overall and there were no significant governance issues to report. The AGS incorporates some amendments to governance to allow the Council to respond to the Coronavirus pandemic in a timely manner, whilst still operating within our overall good governance arrangements.

2. Recommendations:

Audit Committee are requested to:

2.1 Receive and considers the findings arising from the annual effectiveness review of the system of internal control, as contained within this report.

2.2 Receive, review and approve the attached Annual Governance Statement which will be published alongside the post-audit Statement of Accounts.

2.3 Note that if there are significant governance matters that arise between this report date and approval of the accounts, then an amended AGS will be brought back for Audit Committee's consideration.

3. Background

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

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

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

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

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

4) The Council must prepare an annual governance statement;

5) The annual governance statement (AGS) must be approved by the Council (Audit Committee) by 31st July. In the light of Coronavirus, the draft AGS (and Statement of Accounts) must be signed off by 30th August and published by 30th November. This is also the target date for the accounts to be audited.

3.2 It is anticipated that the post-audit accounts and AGS will be presented to Audit Committee in September, subject to the external audit process. It is not unusual for a draft AGS to be amended, for example, following review by the relevant Committee (27th July in this case). If there is any change to the AGS between the sign off of the draft AGS and publication date, then an amended AGS will be brought back for Audit Committee's consideration.

3.3 Additionally, the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. This is reported in the Internal Audit Opinion 2019/20 report, which is included elsewhere on tonight's agenda and has been used to inform the review of the effectiveness of the system of internal control and the production of the AGS.

4. Resource and Legal Considerations

4.1 Councils must produce annual accounts and the AGS in line with the Accounts and Audit Regulations 2015 in a timely fashion and on an annual basis. The Statement is legally required to be signed by the Chief Executive and Lead Member. The AGS was formally signed off by both prior to finalisation of this report.

4.2 The framework has been amended to included additional financial controls and governance and decision making in relation to Covid-19.

5. Citizen Impact

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

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

- The Council's policies are implemented in practice;
- Services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published performance information are accurate and reliable;

- Human, financial, environmental and other resources are managed efficiently and effectively.

5.3 This report reinforces the protection to the Council and its officers in respect of the robustness of the internal control environment and is an integral part of the assurance provided to citizens and other stakeholders on the security of the Council's activities and operations.

6. Performance Management and Risk Management Issues

Performance Management

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

Risk Management

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

6.3 The Council has been operating in an environment of increased risk since the start of the Coronavirus pandemic. A Covid-19 risk register and a financial risk register have been created and reported to senior management and members accordingly. The Strategic Risk Register has been updated for Covid-19 risks and is reported to Audit Committee separately on tonight's agenda. Enhancements to the existing decision making arrangements of officer's delegations and existing emergency powers within the Constitution have been introduced in the form of Silver and Gold Control.

7. Equality Implications

7.1 As stated above, Governance covers the arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner. Reducing inequalities is a key priority for the Council.

8. Consultation

8.1 The report is prepared in consultation with the Chief Finance Officer (CFO), the Internal Audit Manager, the Monitoring Officer, Corporate Management Team and relevant managers.

9. Background Papers

Audit and Accounts Regulations 2015
Internal Audit report and Opinion on the adequacies of the Council's control environment

Various CIPFA Guidance, Local Code of Governance, Various Council documents and reports
Various external and internal audit and inspection reports

Vicky Buckley – Interim Director of Finance, Corporate Landlord and Corporate Performance Management
14 July 2020

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Effectiveness Review of the System of Internal Control

Walsall Council (via Audit Committee) has a statutory responsibility for conducting a review of the effectiveness of its system of internal control in respect of 2019/20.

Audit Committee is able to monitor the effectiveness of the governance framework and the internal control environment and the Council's internal audit arrangements, and receive their assurance on these matters in a number of ways. Further detail is set out in the following paragraphs and the totality of these is reviewed and considered by Audit Committee in considering the annual review of the effectiveness of the governance framework, and in approving the Annual Governance Statement as required by the Accounts and Audit Regulations, 2015.

The review of the effectiveness is informed by and assurance obtained from:

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on Value for Money and the financial resilience of the Council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- A review of the AGS via key questions by Internal Audit during 2019/20 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates, and Council actions to address these.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate performance Management Framework and Counter Fraud arrangements.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The workings of Silver and Gold Control and decision making during Covid-19.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

The following pages set out the governance framework and key areas of assurance, and findings from work and activity undertaken during 2019/20 in these areas. These have been considered in the annual effectiveness review of the system of internal control.

From March 2020, the Council has played a major role in managing the national response to Covid-19, including the administration of business rate reliefs and grants, supporting households through the Council tax reduction scheme, supporting the care market, supporting the vulnerable and shielded, and other initiatives.

As with all Council's, there has been an impact on governance from March 2020 as a result of the pandemic, including:

- Some impact on business as usual such as adult social care. Some services and facilities were closed – libraries, leisure centres, car parks etc. Assurances have been provided by Adult and Children's' social care that statutory responsibilities continue to be met.
- New support required to provide emergency assistance to vulnerable sections of our communities.
- Financial consequences of delivering the emergency response, the impact on closures of loss of income on the Council's financial positon and the impact on delivery of approved budget savings, as officers have refocused on delivering the Council' response to the pandemic.
- Changes in the Council's risk profile.
- Cessation of Council meetings from March 2020 (Cabinet and Scrutiny being reintroduced virtually from May) and changes in decision making arrangements.

The AGS review reports on amendments to the governance and decision making processes introduced in March to allow the Council to respond to the Coronavirus pandemic in a timely manner, whilst still operating within our overall good governance arrangements. These include the setting up of Gold and Silver Control meetings to manage the Council's response to Covid-19 following the suspicion of all Council meetings after March, establishment of a Covid-19 risk register and enhanced controls in relation to authorisation, monitoring and reporting of financial spend in relation to Covid-19.

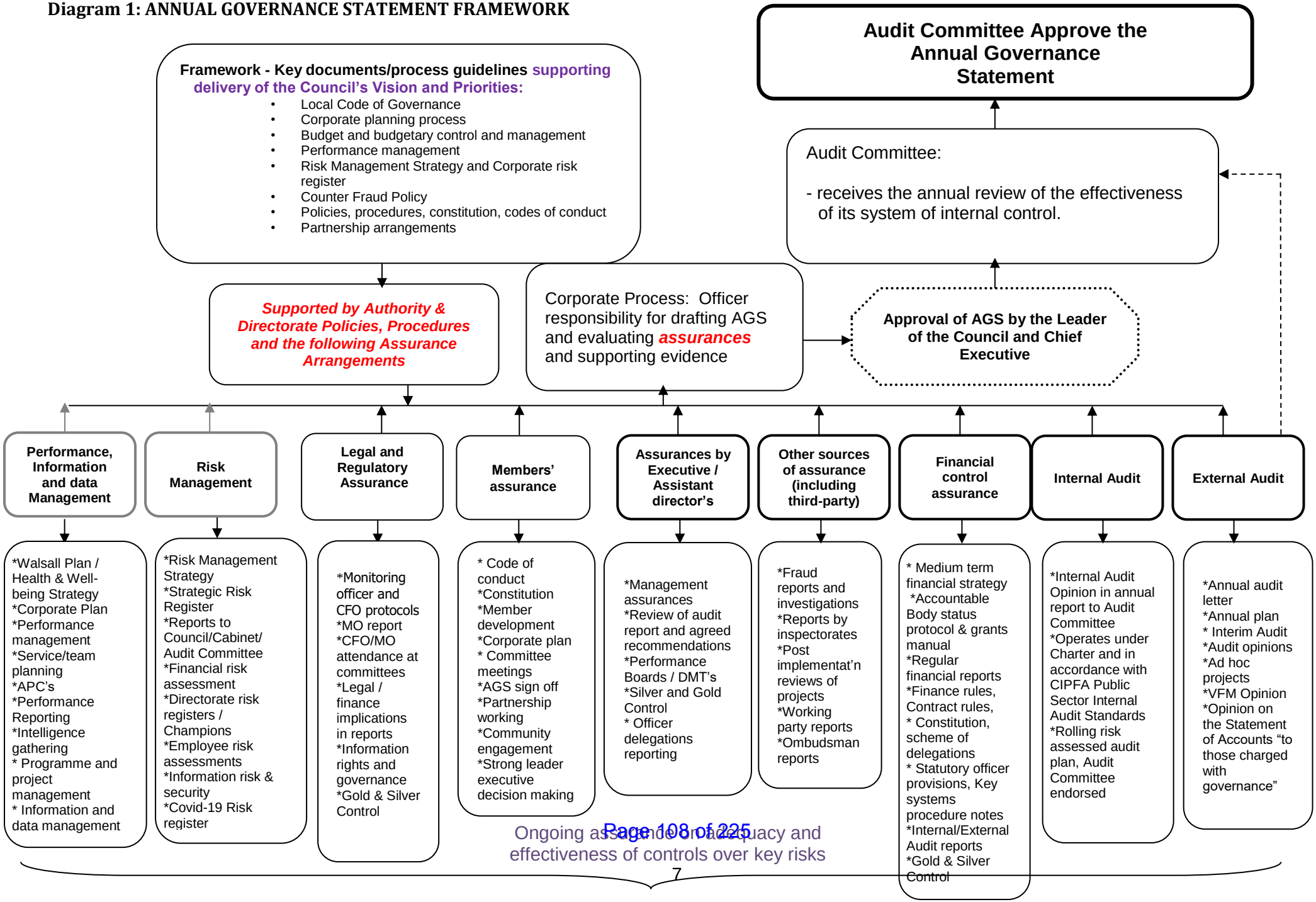
On 19 May 2020 Cabinet received a suite of reports in relation to the Council's management of Covid-19 including;

- Amendments to the governance and decision making processes;
- The Council's safeguarding response;
- Supporting shielded and vulnerable residents;
- Supporting our businesses – business rate reliefs and grants
- Managing delivery of the Proud programme and the Covid-19 impact on delivery of our approved budget savings
- Covid-19 impact on our corporate financial performance

Please refer to the following link to access these reports. 19 May Cabinet Reports.

The governance and decision making May report set out the decision making procedure the Council has adopted as a consequence of the Covid-19 crisis. The Council has utilised the emergency provisions in relation to delegated powers in the Constitution in relation to Council decisions, in consultation with the relevant elected members, and has utilised the "strong leader" model in relation to executive decisions that have needed to be taken. Where required the decisions have been published on CMIS and circulated to all elected members.

Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK



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

The production of this AGS and effectiveness review has been able to substantially rely on existing assurance provisions. Specifically the Head of Internal Audit Annual Opinion and Report, which is a major source of assurance, has been finalised within the usual timeframes (and is included earlier on tonight's agenda). There are no limitations to the review to report to the leadership team or Audit Committee. As well as existing assurance areas (external audit, the work of the Audit Committee) detailed below, additional assurance in relation to Covid-19 has been drawn from reports presented to Cabinet in May as set out above.

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

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

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

In respect of the 2019/20 financial year, the following Internal Audit Opinion has been given;

> *"On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.*
>
> *In reaching this opinion the following factors were taken into particular consideration:*
>
> *Corporate Governance and Risk Management*
> *Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A review of the Risk Management Strategy for 2020/21 will be completed once the staff restructure resulting from the Walsall Proud Programme has been completed.*
>
> *Internal Control*
> *Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 24 a 'Substantial' level of assurance*

and eight a 'Limited' level of assurance. No audits were given ''No' level of assurance.
During the year, we have made 11 'Priority 1' recommendations and these are summarised in Appendix A2 of this report. 111 recommendations categorised as 'Priority 2' were also made.

In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management".

Internal Audit Identified Control Weaknesses

1). Follow up of 2018/19 control weaknesses:

The AGS effectiveness review is informed by work undertaken in 2019/20 to follow up on actions agreed to improve governance issues/control weaknesses identified in the previous year's (2018/19) AGS.

During 2018/19, Internal Audit reviews were undertaken on the core financial systems. All of the eight fundamental financial systems audits were found to be operating satisfactorily, receiving a 'substantial' or 'good' assurance opinion (two receiving the highest – a good – opinion).

In addition to fundamental financial systems, 45 audits were undertaken in 2018/19 of other financial and non-financial systems and processes that contribute to the Council's overall corporate governance arrangements.

Internal audit's work identified that although in nearly three quarters audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited or no assurance opinion. The table below details the reviews where a limited assurance level was given (20):

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
Economy & Environment	CRC Energy Efficiency Scheme	Substantial	**Limited**
	Licensing	**Limited**	**Limited**
Adult Social Care	Residential & Nursing Care	**Limited**	**Limited**
Children's Services	Schools Governance	**Limited**	Substantial
	Commissioning of Placements	**Limited**	Substantial
Schools	Alumwell Junior	**Limited**	**Limited**
	Busill Jones Primary	**Limited**	**Limited**
	New Leaf Inclusion Centre	**Limited**	**Limited**
	The Jane Lane Special	**Limited**	**Limited**
Resources & Transformation	Money, Home, Job - Emergency Payments	Substantial	**Limited**

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
	Money, Home, Job - Purchase Cards	**Limited**	Substantial
	ICT Business Continuity	**Limited**	**Limited**
Corporate	Performance management Framework	Substantial	**Limited**
	Procurement	**Limited**	**Limited**
	IR35	Substantial	**Limited**

These reports were considered in detail as part of the Audit Committee's routine consideration of 'limited assurance' audit opinions. The table below provides an update on action taken to address the 2018/19 recommendations.

Directorate	Audits	Adequacy of System Design	Effectiveness of Operating Controls	Follow Up Date	Progress on Implementation of Recommendations
Economy & Environment	CRC Energy Efficiency Scheme	Substantial	**Limited**	During 2019/20 annual audit	All implemented (No P1s)
	Licensing	**Limited**	**Limited**	June 2020	6 implemented, 5 partially implemented (including 2 P1's), Further follow up date October 2020
Adult Social Care	Residential & Nursing Care	**Limited**	**Limited**	March 2020	11 implemented, 1 partially implemented (P1), 1 not yet implemented (P1) Further follow up to be arranged
Schools	Alumwell Junior	**Limited**	**Limited**	March 2019	All implemented (1 P1)
	Busill Jones Primary	**Limited**	**Limited**	November 2018	All implemented (1 P1)
	New Leaf Inclusion Centre	**Limited**	**Limited**	March 2020	All implemented (1 P1)
	The Jane Lane Special	**Limited**	**Limited**	March 2020	All implemented (3 P1's)
Resources & Transformation	Money, Home, Job - Emergency Payments	Substantial	**Limited**	June 2020	All implemented (No P1)
	Money, Home, Job - Purchase Cards	**Limited**	Substantial	October 2019	All implemented (1 P1)

Directorate	Audits	Adequacy of System Design	Effectiveness of Operating Controls	Follow Up Date	Progress on Implementation of Recommendations
	ICT Business Continuity	**Limited**	**Limited**	Not yet due	Due for implementation in September 2020 (1 P1)
Corporate	Performance management Framework	Substantial	**Limited**	August 2019	All implemented (4 P2's)
	Procurement	**Limited**	**Limited**	March 2020	2 implemented, 1 partially implemented, 1 P1 not implemented Further follow up to be scheduled
	IR35	Substantial	**Limited**	August 2019	All implemented (No P1s)

The majority of actions have been implemented and confirmed on follow up.

2). Planned work 2019/120:

The AGS effectiveness review is informed by internal audit work undertaken in 2019/120, the findings of these reviews and actions plans put in place by managers to address identified control weaknesses. During 2019/20, 45 internal audits were undertaken where internal audit provided a formal assurance level. Of these:

- 8 audits (18%) received a 'Good' assurance level;
- 29 audits (64%) received a 'Substantial' assurance level;
- 8 reviews (18%) received a 'Limited' assurance level and
- No audits (0%) received a no assurance opinion.

Overall, 37 reviews (82%) were given a 'Substantial' assurance or above. All core financial systems were given a 'Substantial' or 'Good' assurance.

A total of 240 recommendations have been made.

- 11 (5%) were 'Priority 1' recommendations - that are fundamental to the system and upon which the organisation should take immediate action.
- 111(47%) recommendations were categorised as 'Priority 2' recommendations - although not fundamental to the system, provide scope for improvements to be made.
- 118 (49%) were 'Priority 3' – recommendations considered of a minor nature, but which nevertheless need to be addressed.

All recommendations made during the year were accepted by management.

Seven of the eight fundamental financial systems audits were found to be operating satisfactorily, three receiving a 'substantial', four receiving a 'good' opinion; and one (payroll and pensions administration) receiving a 'limited' assurance opinion.

In addition to fundamental financial systems, 37 audits were undertaken in 2019/20 of other financial and non-financial systems and processes that contribute to the Council's overall corporate governance arrangements.

Internal audit's work identified that although in over 80% audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited assurance opinion. The table below details the reviews where a limited assurance level was given (8):

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls	Priority 1 Recs
Economy & Environment	Saddlers Centre Management	Substantial	**Limited**	2
	New Art Gallery	**Limited**	Substantial	2
Schools	St Patrick's Primary School	Substantial	**Limited**	-
	New Invention Infant School	**Limited**	Substantial	-
	Holy Trinity Primary School	**Limited**	**Limited**	1
	St Thomas of Canterbury Catholic Primary School	**Limited**	**Limited**	2
Corporate	Payroll and pensions administration	**Limited**	**Limited**	2
	Social Media Policies & Procedures	**Limited**	**Limited**	2

The 11 'Priority 1' recommendations are detailed in the Head of Internal Audit Opinion report in Private on tonight's agenda.

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

- The Head of Internal Audit overall assurance opinion.
- All but one of the core financials systems audits received a substantial or good assurance audit rating.
- All recommendations made by Internal Audit have been agreed and management action is being taken to address them.
- The majority of recommendations arising from the previous years limited assurance findings have been implemented. The remaining will be followed up in 2020.
- Internal Audit follow up all 'limited assurance' reports to ensure progress is made in implementing agreed recommendations and will report back to Audit Committee accordingly.
- The eleven 2019/20 fundamental recommendations are in six separate audit areas and equate to a relatively small proportion (c5%) of the overall findings and recommendations made. Action is being taken to address these and these will be followed up and reported to the Committee during 2020/21.

3) Unplanned Work:

No unplanned jobs were undertaken by the service during 2019/20.

Risk Management Work

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

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

The Council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the Council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. Internal Audit continue to support the Council in assessing and monitoring key strategic risks to the organisation.

A revised Risk Management Strategy was approved by Audit Committee in January 2018, and a revised Strategic Risk Register (SRR) implemented during 2019/20. A review of our current arrangements and lessons learnt report was presented to CMT in June 2020 and is due to be presented to Audit Committee in July 2020, recommending some changes to the approach. The next comprehensive review is due in 2021. Committee received reports on risk management at their April and September 2019 meetings. The SRR was reviewed and updated for Covid-19 risks during May, reported to CMT in June 2020 and is due to be presented to Audit Committee in July 2020.

Further work on assurance mapping will also be undertaken during 2020/21 which will inform improvements to the Governance Framework.

Key risks to the Council for 2019/20 continued to be (as for most Councils): Managing increasing demand pressures, specifically within Adult and Children's social care; Uncertainty concerning future funding arrangements; Economic uncertainty; Service failures (from a provider perspective and in relation to business continuity); Failure to deliver approved savings and the budget plan; Recruiting and retaining a workforce with the right skill set. Risks continue to be actively managed.

Covid-19 during lockdown and post lockdown has greatly exacerbated these risks and changed their nature. A separate report on tonight's agenda contains an updated Strategic Risk Register outlining the impact on the Council's risk profile. Key risks are:

- Threats to the Economic Growth of Walsall resulting from the impact of Covid on the Walsall and wider economy and additionally any inability to promptly support small and sector specific businesses through Government grant funding
- The Proud Programme ceases to progress at the required pace during the period of disruption.

- Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community.
- The Council is unable to maintain service standards to support the most vulnerable in society.
- The Council is having to make decisions that have a significant financial impact without a guarantee that the costs will be fully compensated for by the Government.
- The transition from emergency response to business resetting and recovery does not encompass lessons learnt and good practice experienced during the pandemic period.
- Increased exposure to fraud and legal challenge due to emergency governance steps taken.

Mitigating actions are identified to reduce, if not eliminate, these risks. Further, the suite of reports presented to Cabinet in May provide further detail on risk to service delivery under and post lockdown and assurances in relation to how they are being managed.

Assurances have been provided that risks are being adequately considered, reported and managed. Clearly, the full impact in the medium to longer term is not yet known and risks and mitigating actions will continue to be reviewed and updated.

Internal Audit Review of AGS Compliance

In 2016/17, Internal Audit supported the Council in developing a framework to provide enhanced governance procedures. The Key Questions used in the framework were agreed by management, and we assisted managers in identifying the evidence needed to support the statements made. In 2020/21, management have updated the evidence trail, and this information has been reviewed by Internal Audit.

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

Governance surveys were issued in relation to the following areas:

- Risk Management
- Information Management & Data Quality
- Partnership Working
- Internal Audit
- Financial Controls
- Legal & Regulatory
- Performance Management
- Business Continuity
- Procurement & Contracts
- ICT
- Programme & Project Management
- HR
- Member Relationship

Findings

Follow-up work was performed on 22 Key Questions within the Annual Governance Statement and Internal Audit's assessment of the current compliance status of a selection of Key Questions across all service lines is indicated in the table below.

A sample of questions was chosen from the 11 Service Lines on the Annual Governance Statement to confirm compliance and seek evidence where appropriate. A selection was not chosen from Risk Management due to the ongoing review of the corporate process. A selection was also not chosen from Internal Audit.

Sample of Key Questions

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
Business Continuity Planning	BCP1	Are there adequate and well communicated business continuity arrangements in place to ensure that services can be resumed following an emergency?	Recent school audits undertaken identified that they all have up to date Emergency & Business Continuity Plans. The plans are on a standard corporate template. The current disaster recovery provision does not meet all necessary requirements. To address this and other data centre risks, ICT have established a Cloud Migration Programme and are working with Microsoft and other suppliers (e.g. Oracle for OneSource) to implement a range of improvements including cloud based DR capability.	In-Part Compliant
Business Continuity Planning	BCP2	Are the business continuity arrangements regularly tested and found to be effective?	A rolling programme for BC exercises has commenced however, now on hold due to the Coronavirus response.	In-Part Compliant
Legal & Regulatory	LR1	Does the Council have an up to date record and accessible record of its statutory obligations?	The main record of the Council's statutory obligations are contained within Part 3 of the Councils Constitution. The constitution is available as a public document on CMIS.	Compliant
Legal & Regulatory	LR2	Are reasonable arrangements in place to promptly identify changes in legislation that affect the Council?	Review of the websites used to keep up to date with the changes provides the assurance they provide access to the most up to date UK legislation available with additional guidance and a range of services.	Compliant
Performance Management	PM1	Are there relevant, focused and appropriate performance indicators in place for all areas of activities?	Review of the Corporate Plan and a review of performance measures reported to Cabinet in May 2019 is deemed sufficient.	Compliant
Performance Management	PM14	Do all staff in each service have specific annual performance targets that they are assessed against as part of the annual appraisal process?	Annual performance conversations undertaken with officers which include performance targets that they are assessed against.	Compliant
Financial Controls	FC1	Is actual performance against budget monitored at different levels within each directorate?	Evidence of this provided as part of the budgetary control audit and individual audits that take place during the year.	Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
Financial Controls	FC17	Is there an adequate separation of duties, especially in the process for payments of accounts?	Evidence of this provided as part of the Accounts Payable and individual audits that take place during the year.	Compliant
Procurement & Contracts	PC2	Are all requests for quotations and tenders issued through the Council's (electronic) procurement system?	All tenders channelled through Procurement are conducted via the Council's electronic procurement system.	Compliant
Procurement & Contracts	PC4	Are all contracts recorded on the Council's (electronic) contracts register and is this regularly reviewed and updated?	Contract registers are available and publicised on the Walsall Council internet page. Procurement unable to validate if all contracts are recorded on the register as some contracts are established outside of Procurement and there is currently no way of checking. Implementation of One Source is now scheduled for July 2020 following which work to implement the Central Contracts Register in One Source will be completed by 31 March 2021	In-Part Compliant
Project & Programme Management	PPM4	Are all key projects mapped to the Council's key priorities?	All activities should now align to the Proud Programme, although not explicit it is unlikely that any activity would be approved without meeting the Council's key priorities.	Compliant
Project & Programme Management	PPM6	Are documented procedures in place for monitoring and controlling projects during their lifetime?	Both the Proud & ICT PMO adhere to prescribed management procedures which allows for the monitoring and controlling of projects as per their relevant Boards requirements.	Compliant
Member Relationships	MR1	Do all Member committees have clearly defined and approved terms of reference?	Document review deemed this sufficient.	Compliant
Member Relationships	MR2	Are the roles of Members in these committees clearly defined?	Document review deemed this sufficient.	Compliant
ICT	IT3	Have all staff been made aware of the Council's IT acceptable usage and security policies and procedures?	Email and Internet Usage and other policies in place and available on Council's intranet. The requirement to read and abide by Council Policies is enforced through mandatory data protection training and the Council's code of conduct for employees. Each time a user logs on they are asked to explicitly confirm that they will follow Council procedures when using the Council's systems.	Compliant
ICT	IT4	Are processes in place to ensure compliance with the IT Security Policy?	Each time a user logs on they are asked to explicitly confirm that they will follow Council procedures when using the Council's systems	Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
			The Council's 'Code of Conduct' requires all employees to comply with all authorised Council policies of which the IT Security policy is one. All staff are required to undertake annual Information Governance training which reiterates the need to comply with Council IT Security Policies and procedures.	
Information Management	IM3	Is data held or used by each service area relevant, accurate, up to date and necessary for the purpose it is being held, and is it only used for the purposes set out in the Council's Data Protection notification?	Annual mandatory data protection training is a requirement for Council officers,	Compliant
Information Management	IM6	Is all information and documentation held and managed in accordance with the Council's information / document retention policy and procedures?	Document retention guidelines are available to all staff on the Council's intranet	Compliant
Partnership Working	PW1	Does the Council have existing or potential partnerships with external organisations?	A structure for the Safer Walsall Partnership has been established, along with the priorities that each lead/partner will be responsible. The Community Safety Plan identifies Black Country Chamber of Commerce, West Midlands Police and Crime Commissioner, Walsall College, Walsall Housing Group and One Walsall as active members of the Partnership. Contracts with Strategic Partners are not always completed in a timely manner which can put the Council's priorities at risk. Despite their appointment in May 2019, the contract and KPIs with the Council's managing agent for the Saddlers Centre was not completed during the year.	In-part Compliant
Partnership Working	PW3	Are processes in place to ensure that partnerships are appropriately aligned to Council priorities and strategies?	Cabinet approved the Walsall Plan: Our Health and Well-being strategy 2019-2021 as the overarching plan for the Walsall Partnership on 13th February 2019.	Compliant
Human Resources	HR3	Appropriate procedures are in place for the following: a) recruitment; b) induction; c) training and development; d) monitoring of sickness; and e) monitoring of overtime	Policies and procedures are in place that clearly define the roles and responsibilities of the relevant parties. However, policies have not been updated/reviewed by staff to provide updates where required.	In-part Compliant
Human Resources	HR11	Are procedures and monitoring arrangements in place to ensure that staff are not influenced by prejudice, bias or conflicts of	Documents provided outlines the procedure to follow to ensure staff are not influenced. However, policies have not been	In-part Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
		interest (including the influence of gifts and hospitality)?	updated/reviewed to provide updates where required.	

Conclusions:

- In general, internal audit noted compliance with the Annual Governance Statements.
- Of the 22 key questions sampled, in 16 cases representing 73% of the sample tested, there was evidence of full compliance and in 6 cases there was part compliance as further actions were required
- There were no instances of non-compliance in the sample selected.

External Audit Assurance

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

The Council's independent External Auditor has a broad role covering finance and governance matters. Work in 2019/20 included:

a) The Annual Report to Those Charged with Governance (ISA260), published September 2019 by our external auditors Grant Thornton, which provided an unqualified opinion of the 2018/19 accounts and a formal conclusion that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the VFM conclusion).
b) The results of the Interim Audit work of our incoming auditors Grant Thornton in relation to the 2019/20 accounts – no issues were found as part of this review that GT wished to bring to the attention of the Committee.
c) At the time of writing this AGS, GT's work in relation to 2019/20 (namely the Annual Report to Those Charged with Governance, the audit of the Statement of Accounts, and the VFM conclusion) is not complete. The final AGS to be approved and published by September will provide feedback on that work if there is any impact on the internal control environment and the AGS.

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

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

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

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

The above have been incorporated into the revised Charter which was presented to Audit Committee on 19th February 2017. The next review is due 2021.

Regulatory Committee – the Audit Committee

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

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

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

CIPFA recommends that an assessment exercise is undertaken regularly by the Audit Committee to ensure that its effectiveness is reviewed. It has published a Good Practice checklist. Using the recommended practice in this publication is intended to help the authority to achieve a good standard of performance. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee.

In September 2019, the Audit Committee considered the self-assessment of its effectiveness using the checklist. 25 key supporting questions were considered by Audit Committee, supported by senior officers including the Deputy Chief Finance Officer and Head of Internal Audit. The overall assessment was positive, with the majority (22 of 25) of questions considered to be fully compliant, with 3 assessed are partly compliant. None are considered significant. The three areas covered:

- Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory? The knowledge self-assessment had been completed by a number of Audit Committee members during 2018/19, but not formally by all members.

- Has the Committee obtained feedback on its performance from those interacting with the committee or relying on its work? An annual report is presented to Council and there are opportunities for Council members to provide feedback or query the work of the Committee. Additionally, internal and external audit observe the operation of Audit Committee at each meeting. Audit Committee may, however, wish to consider a more formal feedback mechanism.
- Has the committee evaluated whether and how it is adding value to the organisation? An annual report is produced and a review of the core functions of the Committee have been undertaken, however the Committee may wish to consider a more formal process.
- A follow up on the above is programmed into the Committee's work plan for 2020/21.

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

- General enquiries of management
- Fraud risk assessment
- Impact of laws and regulations
- Going concern considerations
- Related parties
- Accounting estimates

This was used to support the assurance gathering process.

During 2019/20, the work of the Audit Committee included the following in its assurance role:

- Reviewing at each meeting of progress reports in relation to the Internal Audit plan, including receipt of limited assurance findings, and updates on priority 1 recommendations;
- Reviewing the Risk Management Strategy and Strategy Risk Register;
- Approving accounting polies, the statement of accounts and the annual governance statement;
- Oversight and approval of the 2018/19 Statement of Accounts and Annual Governance Statement, including approving the annual review of the effectiveness of the internal control environment;
- Receipt of and review of all external audit reports, including the value for money conclusion and Annual Audit Letter;
- Responding to the Council's external auditors requirement to obtain an understanding of management processes and the Audit Committee's oversight of the Council's governance arrangements in relation to general enquiries of management; fraud risk assessment; the impact of laws and regulations; going concern considerations; related parties and accounting estimates
- Reviewing the effectiveness of the Audit Committee;
- Reviewing counter fraud arrangements against the Fighting Fraud Locally (FFL) Good Practice advice and checklist.

Regulatory Committee – Standards Committee and the Ethical Framework

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

The Localism Act 2011 required the Council to reconstitute its Standards Committee to deal with potential issues of member conduct. There is a statutory duty under section 27 of the said Act for the Council to promote and maintain high standards of conduct. To do so the Council has to ensure that it has in place a Code of Conduct for Elected Members, Arrangements for Dealing with Complaints about Elected Member behaviour, and a Standards Committee to determine issues of conduct. The Council established these processes at a special meeting of Council on 25th June 2012. These process were reviewed and changes to the Code and Arrangements were approved at Annual Council on 20th May 2019. These changes incorporated the Best Practice recommendations from the Committee for Standards in Public Life. One of these for example was to include a definition of bullying in the Code of Conduct.

During 2019/20 the Council received no complaints which required a formal standards investigation to be undertaken.

The Standards Committee has now taken oversight of member development to ensure that Elected Members undertake appropriate training to assist them in fulfilling the requirements of their role. This includes mandatory training for committees dealing with planning and employment issues. An annual report on training was presented to Standards Committee.

As Lead Officer for the Standards Committee, the Monitoring Officer has a key role in promoting the Council's Ethical Framework and high standards of conduct within the authority. This includes the maintenance of the Members and Officers Registers of Interests and Gifts and Hospitality. The Monitoring Officer is responsible for establishing and maintaining a Register of Member's disclosable pecuniary interests. This is held within the office of Democratic Services and is also accessible through the Council's website via CMIS. The register is updated following the Council's Annual Meeting each year and periodically thereafter as Elected Members advise of changes to their entries on the register. Members' gifts and hospitality is also recorded on the interest register. Regular reminders of the need to keep it up-to-date continue to be provided to all members. The Monitoring Officer also keeps the register of officer financial and non-financial interests in accordance with 17.3 of the Code of Conduct for Council Employees.

The Constitution is a living document and as such is subject to regular review and update. In particular the Officer delegations are reviewed annually. Any changes to the Constitution are reported to Annual Council, and the Constitution is amended accordingly. The proposed amendments/changes to the Constitution are presented to Audit Committee prior to going to Council to ensure elected members are able to scrutinise and be consulted on any proposed changes. In 2019/20 a number of changes were made to the Constitution in consultation with the Audit Committee and the changes were approved at Annual Council on 20th May 2019.

Constitution and Code of Conduct

The Constitution was reviewed and updated in May 2019.

The Constitution also sets out Codes of Conduct for members and officers, setting out appropriate standards of conduct and expectations around ethics and behaviours. Comprehensive policies and procedures such as human resource policies support officers in carrying out their roles. These include whistleblowing procedures, the Grievance policy; and performance management procedures. A significant grievance investigation took place in 2019/20 which tested the lawfulness and application of the Council's Constitution and grievance policy. The Council's external auditors were informed of the outcome of this investigation and were satisfied with the way in which the Council applied its governance in managing the procedure. The Council will need to ensure that managers have adequate training in relation to the lawful application of policy and procedure. An audit of the training that senior managers have undertaken will be carried out and mandatory training provided. There are at present other grievance matters subject to investigation and if anything significant arises as a consequence of those processes they will be incorporated in the next AGS. The detail of these matters are confidential.

The Council is investing in training and development of officers and members to ensure that they have the necessary support in ensuring that the Council acts in accordance with its Constitution, policy, and procedures.

Decision Making – amendments during Covid-19

Following the introduction of lockdown measures, the Council utilised existing provisions within the Constitution in the form of officer delegations and the strong leader executive decision making function to continue to make decisions during the Covid-19 crisis. On 19 May 2020 Cabinet received a suite of reports in relation to the Council's management of Covid-19 including amendments to the governance and decision making processes. Please refer to the following link to access these reports. 19 May Cabinet Reports

In managing the crisis the Council also established two senior management officer groups which met on a daily basis. The main strategic meeting was Gold Control which was established to manage the strategic impact of the Covid 19 crisis taking into account national, regional, and local issues that had an impact on the functioning of the Council and the welfare of its residents and employees. Gold Control was part of the decision-making insofar as issues were raised may require decisions and following discussion at Gold Control were referred for decisions to be made where it was felt to be appropriate. The other Silver Control met on a daily basis to discuss and determine operational issues at a local level. Gold and Silver Control continue to meet on a twice weekly basis.

The Council is now rolling out virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 coming into force on 4 April 2020. This will ensure greater openness and transparency in decision-making and allow for scrutiny of executive decisions. The Council is carrying out a governance view in relation to Council meetings in July 2020 to see whether or not further elements of decision-making can be reintroduced on a safe basis.

The Constitution already empowers the Chief Executive and the Executive Directors to take all necessary decisions in cases of emergency. The definition of an emergency under the constitution means any situation in which the relevant officer believes that there is a risk of

damage to property, a threat to the health or wellbeing of an individual or that the interests of the Council or the Borough as a whole may be compromised.

In addition to this the Council has provided advice to all senior officers regarding lawful decision-making in the current crisis, as a consequence of having to postpone Council meetings to follow government guidance in relation to the lockdown. On 20th March 2020 Democratic Services issued guidance with regard to Executive decision making by the Leader and officers during the Covid-19 outbreak to assist Officers in making lawful decisions under their delegated powers to ensure the Council could continue to function in the absence of committee meetings. This guide to decision making was approved by the Corporate Management Team on 4 April 2020 and circulated to all the top four tiers of Council managers with an explanatory email on 7 April 2020. The document also explained the Leader's role in executive decision making throughout this period. This included a full explanation as to how urgent decisions would be made. The Council still followed its constitutional requirements in relation to the publication and recording of decisions.

It was and is recognised that the Council has been operating in a time of emergency and accepted that decisions may have to be made on an urgent basis to deal with the rapidly changing circumstances to prevent serious prejudice to the Council's or public interest. Where urgency existed in relation to executive decisions agreement from the Mayor was sought to deal with the issue as a matter of urgency which removed the requirement for such decisions to be subject to the call in procedure.

Even where decisions were taken on this basis the Council has tried to ensure that these have been informed decisions with relevant information provided to decision makers. It has to be accepted due to the circumstances the Council are operating in that this information may not have been as complete as it would be under normal circumstances.

Lawfulness and Maladministration

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

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

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

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

This supports the assurance gathering process.

Each year the Local Government Ombudsman issues an Annual Review letter for each Council, including annual statistics relating to complaints received and determined during the year. This is published on the Ombudsman's website https://www.lgo.org.uk/your-Councils-performance and locally is submitted to the Council's Standards Committee for consideration. The Annual Review letter for the year ending 31 March 2020 will be published by 31 July, but at this stage, and based upon the Council's own records, it is believed that the authority has complied with all of the recommendations issued by the Local Government Ombudsman.

Contract and Finance Rules

The above rules are set out within the Constitution. There have been no significant matters of concern brought to the attention of the S151 Officer or Head of Procurement in relation to the above. Where emergency measures have been taken in relation to Covid-19, then appropriate reporting has been undertaken to CMT or members, as required by the Constitution.

Financial Management

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

The Council has a robust medium term financial strategy and a rolling four year plan to support delivery of resource allocation in line with Council priorities. This is regularly reviewed in light of ever-changing financial and economic conditions and pressures arising from demand led services. The Council's medium term financial strategy, finance rules and scheme of delegations were updated and approved in 2019/20. The Council has a strong track record of delivering savings and out-turning within/close to the approved budget. Treasury management activities are operated in accordance with the statutory Codes of Practice.

Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves.

The Council has outturned 2019/20 with an underspend against budget of £291k and with its general reserves intact.

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

Since 2011/12, the AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government' (2010) as set out in the 'Application Note to Delivering Good Governance in Local Government: A Framework'. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.

The Executive Director, Resources and Transformation and S151 Officer was responsible during 2019/20 for the proper administration of the Council's affairs, as required by Section 151 of the Local Government Act 1972. In assessing these five principles, the Authority complied with all of these during 2019/20.

A Covid-19 financial register and financial risk register were established in April and has been used to monitor and report on actual costs and risks to CMT and Cabinet in May and July 2020. All additional Covid-19 costs have been reported and approved through either Silver, Gold Control, or Cabinet, dependent on the value of the spend. Actions to manage any shortfall in Government funding are set out in the July Cabinet report - Covid-19 Corporate Financial Performance. These actions are in train and will be reported back to Cabinet in September with an update on the position for both 2020/21 and future years. Controls in relation to Covid-19 spend are in place and working effectively.

Performance Management

The Corporate Plan, 2018-2021 sets out the following: Our Vision "Inequalities are reduced and all potential is maximised" and Our Purpose "To create an environment that provides opportunities for all individuals and communities to fulfil their potential", explains what we are doing as a Council and what we are trying to achieve. This Corporate Plan remains in place prior to a planned refresh for 2021-25.

Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework – in place from October 2018 - and approach taken is aimed at continuing to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances.

A refreshed Corporate Performance Management Framework will be reported to Audit Committee for review and recommendation to Cabinet later in the 2020/21 financial year.

The main objectives of the Corporate Performance Management Framework are to set out how the Council ensures the delivery of the Corporate Plan 2018-2021, its vision and priorities, and secures effective and sustainable improvements for the benefit of our residents. The framework sets out the broad performance management principles for how we approach our work and underlines the performance management responsibilities of everyone working for the Council. Included in the framework is the basket of headline performance measures which directorates have identified as aligning with the priorities of the 2018-2021 Corporate Plan and that will be routinely monitored and reported on. This basket is currently being refreshed and will go forward to Cabinet on 17 June 2020 for approval.

Performance against the basket of key measures has been reported each quarter to CMT and Cabinet since 2018. Reports for 2019/20 are available on CMIS:
Refresh of measures May 2019
Quarter One Sept 2019
Quarter Two Dec 2019
Quarter Three Mar 2020
Quarter Four May 2020

This reporting cycle is scheduled to continue in 2020/21 and beyond.

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

Information Governance

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

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

Management of Data Protection Breaches 2018/19

During 2019/20 there were 136 incidents reported as data breaches to the Information Governance team compared to 77 the previous year (69 in 2017/18). These breaches were categorised from grade 0-1 (internal action required) through to grade 2 (reportable externally), as set out below.

The increased awareness raised in 2019/20 and the improved understanding around what constitutes a data protection incident and/or breach of confidentiality against the previous year, confirms that there is a high level of awareness in regard to understanding our duties and responsibilities across all service areas to report data breaches immediately. The increase against the previous two years is as a direct impact of increased awareness and training in the recognition of a data breach.

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

Directorate	Total
Adult Social Care	30
Children's Services	55
Economy and Environment	19
Resources and Transformation	32
Grand Total	**136**

To further support the reporting and monitoring of data protection incidents the Information Governance team ensure that any reported incidents are identifiable by the incident type so that any repetitive incidents or identifiable risks can be addressed.

Breach Type	Total
Breach of confidentiality (category now deleted)	22
Information Disclosed in error	96
Information lost or stolen	18
Grand Total	**136**

Lessons learnt:

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

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

Serious incident reporting:

The Council have not had to report any serious data breaches for this financial year, however we have recorded a rise in the number of complaints received from the Information Commissioners Office which relate to disclosures made during safeguarding social care assessments.

To address these complaints the IG team have updated the terms of reference for the Forum for Information Governance and Assurance to ensure that information champions reflect on incidents and provide regular updates to individual director management teams for awareness and accountability in the sharing of lessons learnt.

Data Protection Incident improvement actions:

Over the reporting period the Information Governance team have implemented a new breach reporting system and staff guidance to ensure that breaches can be reported quickly and easily from any location. Every incident is then appropriately investigated and where required escalated through to senior leads for the appropriate actions and or sharing of any lessons learnt.
This ensures the Council meets with its obligations to investigate and manage data protection incidents accordingly and are able to report the outcomes and requirements of any incidents to an appropriate senior board through FIGA. This also ensures that Information Asset Owners and Information Champions continue to remain responsible for their service areas.

Update reports are also presented bi-monthly to the Forum for Information Governance (FIGA) to ensure that this senior management board are aware of data protection breaches in the organisation and can take appropriate action as required.

Data Protection and Information Security Training and Awareness:

With the changes in technology the Information Governance team changed the mandatory annual data protection training to include additional awareness around cyber and information security.

To ensure everyone is aware of their duties and responsibilities all staff are mandated to complete the appropriate training modules on an annual basis from the 1st of April to the 31st of March of every financial year.

The NHS Digital "Data Security and Protection" (DSP) Toolkit is an audit tool that enables the Council to gain the required level of assurances relating to the provision of its social care services and partnership work with third parties such as Health, Police and Safeguarding.

The completion of this audit tool annually requires the Council to ensure that a minimum of 95% of its staff have undertaken data protection training and that its systems and processes have data protection and privacy embedded throughout their processing activities.

The Council is very pleased to report that a compliance figure of 97% of all staff trained for this financial year was achieved by the end of December 2019, which is three months ahead of the annual deadline. This provides the Council with the additional assurances that all staff are fully aware of their duties and responsibilities relating to confidentiality and data protection alongside increased awareness of cyber and information security requirements.

The ongoing management of performance in the handling of SARs has led to detailed monitoring reports being presented to FIGA and, in line with the Information Commissioners Office (ICO) recommendations, reported through to CMT on a quarterly basis. Following implementation of service improvements; recruitment, staff training, resource allocation and implementation of a new case management system allowing more efficient and effective case management and monitoring, compliance with statutory response timescales is very much improved. Compliance is summarised for each quarter in the table below, 2019/20 compared to 2018/19.

Year 2019/20			
Quarter	SAR's Due Out	SAR's Out in Time	% Compliance 2019/20 (2018/19)
Q1 (01/04/19 - 30/06/19)	30	22	73% (26%)
Q2 (01/07/19 -30/09/2019)	44	35	80% (33%)
Q3 (01/10/19 - 31/12/19)	29	25	86% (58%)
Q4 (01/01/20 -31/03/20)	32	24	75% (66%)
2019/20 TOTAL	**135**	**106**	**79% (48%)**

This demonstrates that whilst performance fluctuates, due to the small numbers involved, performance is good. The slight decline in quarter 4 reflects a change in practice regarding the management of FoI's following a system upgrade. However, the system upgrade has enabled the team to continue to fully work from home during lockdown which has been vital to the sustainability of the service during the ongoing challenge of coronavirus. As the team are now entirely homeworking; limitations in our ability to fulfil some requests where paper files are involved may lead to delays in a few cases which might impact on future performance. However all efforts are being made to mitigate against this as far as possible.

This is against a backdrop of slightly more requests being received and the shortening of statutory response timescales; making the outcomes achieved all the more impressive. The team dealt with +37 more requests than the previous year and noting that since the introduction of GDPR, response timescales have been shortened from 40 days to within a month; on average the team have 22 working days to complete a SAR request unless

timescales need to be extended because requests involve significant amount of information requiring review and redaction. SAR requests are resource intensive.

Other Inspectorates / External Reviews

During 2018/19, there were a number of external inspections with several resulting in Inadequate Outcomes. Where follow ups have been undertaken during 2019/20, these are shown below.

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

   An Ofsted Monitoring Inspection was made on 8 to 9 May 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal of special measures. The local authority's statement of action is fit for purpose and the school's improvement plan is fit for purpose. The school may not appoint newly qualified teachers before the next monitoring inspection."*

   No further Monitoring Inspections have taken place during 2019/20 and the school converted to Academy status on 1 December 2019.

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

   Ofsted Monitoring Inspections were made in January and June 2019. A further special measures inspection was made in November 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal of special measures. The school may appoint newly qualified teachers before the next monitoring inspection only after consultation with Her Majesty's Inspectors".*

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

   An Ofsted Monitoring Inspection was made in April and November 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal of special measures. The school's improvement plan is fit for purpose. The school may appoint one newly qualified teacher in English and one newly qualified teacher in mathematics before the next monitoring inspection*."

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

   A focused visit took place in October 2019 which set out a number of areas of improvement.

There have been no new external inspections which highlighted significant governance issues or resulted in an inadequate outcome during 2019/20.

Other Supporting Evidence

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

a) Quality assurance controls put in place by Internal Audit and managers, in managing and delivering the Internal Audit service in accordance with the Public Sector Internal Audit Standards and including such areas as discussion/agreement of the risk based audit plan and each individual audit review;
b) The role of the Audit Committee in endorsing Internal Audit's work plan and in their regular review and scrutiny of audit performance;
c) The work of Audit Committee reviewing specific reports which have been awarded limited assurance for detailed scrutiny, ensuring the Committee is able to be assured that operational and control issues are being dealt with appropriately and that managers' agreed actions are being implemented. The Committee are able to seek explanation from managers failing to progress agreed actions.
d) The preparation and presentation of an Annual Report to Council of Audit Committee's work, assisting it to discharge the committee duty to provide independent assurance on the adequacy of the Council's risk management framework and the internal control and reporting environment.
e) The regular review of Internal Audit work by the CFO/Deputy CFO including meetings with Internal Audit.

Based on the work of Audit Committee, the Internal Audit Annual Opinion, the work and findings of Internal and External Audit, and review of other assurances, the system of Internal Control is assessed as satisfactory overall.

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

The Coronavirus pandemic has clearly had an impact on the Council's governance arrangements, however assurances have been sought and received that appropriate controls are in placing and operating to ensure governance and decision making is operating effectively.

Appendix 1

Annual Governance Statement 2019/20

1. Scope of responsibility

This statement is given in respect of the 2019/20 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

This statement acknowledges the impact of Covid-19 on the Council's operations and decision making and governance arrangements. The annual review has considered actions taken by the Council to manage this impact.

2. The purpose of the Governance Framework

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

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

The governance framework has been in place at Walsall Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

The key elements of the Council's governance arrangements, including the system of internal control, are contained in the Council's Local Code of Governance. The Code in force

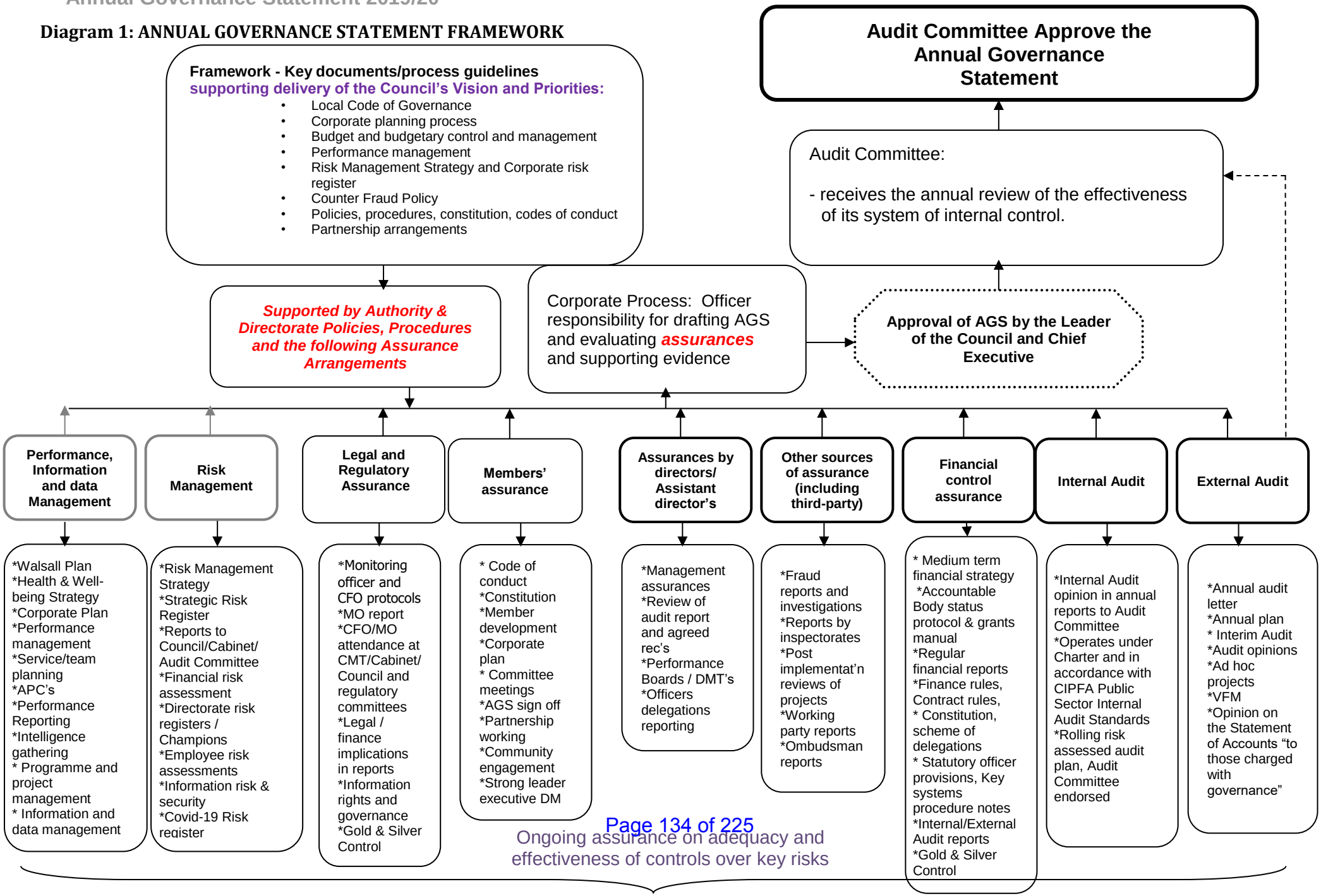
during 2019/20 is available at the following link. Code of Governance. The Local Code of Governance incorporates seven core principles of good governance:

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

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

The AGS review reports on amendments to the governance and decision making processes introduced in March to allow the Council to respond to the Coronavirus pandemic in a timely manner, whilst still operating within our overall good governance arrangements. These include the setting up of Gold and Silver Control meetings to manage the Council's response to Covid-19 following the suspicion of all Council meetings after March, establishment of a Covid-19 risk register and enhanced controls in relation to authorisation, monitoring and reporting of financial spend in relation to Covid-19. These are included within the framework below.

Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK



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

In particular, the system includes the following key elements:

- A Partnership Plan (Walsall Plan – the Health and Wellbeing Strategy for the Borough), setting out ambition, objectives and priorities of the Council and key partners, developed following consultation with the community and stakeholders – supported by our Corporate Plan 2018-2021.
- A robust financial framework, incorporating a comprehensive medium term financial strategy and plan, budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- An information governance framework.
- A comprehensive risk management strategy and internal control framework, operating at both strategic and operational levels. This now incorporates a Covid-19 Strategic Risk Register.
- An approved Constitution, including finance and contract rules, a scheme of delegations and decision-making processes of the Council, ensuring sound decision making and compliance with regulations and the law.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the Council operates within existing legislation and statutory guidance.
- Comprehensive policies and procedures, including codes of conduct (member and officer ethics and behaviours), whistle blowing policy and a counter-fraud and anti-corruption policy and strategy.
- Clear measures of financial performance linked to the corporate plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the Council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the Council.
- A risk assessed Internal Audit plan that is planned in advance which and covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the Council.
- Member and officer development strategy and individual development planning processes.
- Comprehensive communication and consultation arrangements both internally and externally.

- In response to the Coronavirus pandemic, a Gold and Silver Control meeting structure has been established to manage the impact of the Covid-19 crisis; they met initially on a daily basis in order to analyse and respond to issues and information that the Council receives both on a local and national basis. In addition, their role is to ensure that, whilst allowing agile decision making, additional Covid-19 related spend is properly authorised, monitored and managed. Guidance has been provided to officers and members in relation to lawful decision making during the pandemic.

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

The Corporate Plan 2018-2021 explains what we are doing as a Council and what we are trying to achieve. Key achievements delivered against priorities over the last 12 months were reported to Cabinet on 19 May 2020. The report can be accessed at the following link: Review of Achievements 2019/20

Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to aim to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. The Council is currently reviewing the corporate performance management framework to suit the measures being reported on and an increased focus on delivery of activity to address the priority issues and an updated Framework is planned to be reported to Audit Committee in November 2020.

The Council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules which set out the control environment in which the Council operates. The Constitution was reviewed and updated in May 2019. In addition, during March 2020, a Gold and Silver Control meeting structure was set up to manage the impact of the Covid-19 crisis in order to analyse and respond to issues and information that the Council receives both on a local and national basis. In addition to this the Council has provided advice to all senior officers regarding lawful decision-making in the current crisis, as a consequence of having to postpone Council meetings to follow government guidance in relation to the lockdown. The Council is now rolling out virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 coming into force on 4 April 2020. This will ensure greater openness and transparency in decision-making and allow for scrutiny of executive decisions. The Council is carrying out a governance view in relation to Council meetings in July 2020 to see whether or not further elements of decision-making can be reintroduced on a safe basis.

The Constitution also sets out Codes of Conduct for members and officers, setting out appropriate standards of conduct and expectations around ethics and behaviours. Comprehensive policies and procedures such as human resource policies support officers in carrying out their roles. These include whistleblowing procedures, the Grievance policy;

and performance management procedures. A significant grievance investigation took place in 2019/20 which tested the lawfulness and application of the Council's Constitution and grievance policy. The Council's external auditors were informed of the outcome of this investigation and were satisfied with the way in which the Council applied its governance in managing the procedure. The Council will need to ensure that managers have adequate training in relation to the lawful application of policy and procedure. An audit of the training that senior managers have undertaken will be carried out and mandatory training provided. There are at present other grievance matters subject to investigation and if anything significant arises as a consequence of those processes they will be incorporated in the next AGS. The detail of these matters are confidential.

The Council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the Council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. A revised Risk Management Strategy was approved by Audit Committee in January 2019, and a revised Strategic Risk Register (SRR) implemented. A lessons learnt report was presented to CMT in June 2020 and is due to be presented to Audit Committee in July 2020, recommending some changes to the approach. The next comprehensive review is due in 2021. Committee received reports on risk management at their April and September 2019 meetings. The SRR was reviewed and updated for Covid-19 risks during May, reported to CMT in June 2020 and is due to be presented to Audit Committee in July 2020.

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. A Covid-19 financial register and risk register was established in April and this has been used to monitor and report on actual costs and risks to CMT and Cabinet in May and July 2020.

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

The Executive Director, Resources and Transformation and S151 Officer was responsible during 2019/20 for the proper administration of the Council's affairs, as required by Section 151 of the Local Government Act 1972. The AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2016).* The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complied with all of these during 2019/20.

Arrangements for the provision of Internal Audit are contained within the Council's Constitution. The Council, via its statutory S151 Officer, must ensure that there is an adequate and effective Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2015.

Executive directors and accountable budget and asset owners are required to provide assurance via internal audit reports and where appropriate, to Audit Committee that agreed

audit actions are being implemented, and where control weaknesses are identified, to put in place remedial action in a timely manner, and as agreed with audit.

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

The Council is investing in training and development of officers and members to ensure that they have the necessary support in ensuring that the Council acts in accordance with its Constitution, policy, and procedures.

4. Review of Effectiveness

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

The review of the effectiveness is informed by and assurance obtained from:

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on Value for Money and the financial resilience of the Council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- A review of the AGS via key questions by Internal Audit during 2019/20 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates, and Council actions to address these.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate performance Management Framework and Counter Fraud arrangements.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.

- The workings of Silver and Gold Control and reporting of decisions to members.
- Review of May and July Cabinet reports setting out the Council's response to Covid-19 in relation to governance and decision making; safeguarding within adults and children's social care; supporting the shielded and vulnerable residents in the community; Supporting business; Managing delivery of the Proud programme and the impact on delivery of approved budget savings; Corporate financial performance Amendments to the governance and decision making processes;
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

In respect of the system of internal control, a review of the following areas has been undertaken and will be reported to Audit Committee on 27 July 2020 to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2019/20 in:
  - receiving limited assurance internal audit reports;
  - reviewing the Risk Management Strategy and Strategy Risk Register;
  - approving accounting polies, the statement of accounts and the annual governance statement;
  - receiving external audit reports on the annual audit and inspection letter;
  - responding to the Council's external auditors requirement to obtain an understanding of management processes and the Audit Committee's oversight of the Council's governance arrangements in relation to general enquiries of management; fraud risk assessment; the impact of laws and regulations; going concern considerations; related parties and accounting estimates
  - reviewing the effectiveness of the Audit Committee;
  - reviewing counter fraud arrangements against the Fighting Fraud Locally (FFL) Good Practice advice and checklist.

- Internal Audit's evaluation of the effectiveness of the Council's risk management, control and governance processes; identified control weaknesses 2019/20 and the Annual Opinion. The Annual Opinion is as follows:

  "On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

  In reaching this opinion the following factors were taken into particular consideration:

  <u>Corporate Governance and Risk Management</u>
  Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at

Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A review of the Risk Management Strategy for 2020/21 will be completed once the staff restructure resulting from the Walsall Proud Programme has been completed.

Internal Control
Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 24 a 'Substantial' level of assurance and eight a 'Limited' level of assurance. No audits were given ''No' level of assurance.
During the year, we have made 11 'Priority 1' recommendations and these are summarised in Appendix A2 of this report. 111 recommendations categorised as 'Priority 2' were also made.

In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management".

- Progress in addressing governance Issues and control weaknesses identified in the 2018/19 AGS and progress in addressing these;
- The work of Internal Audit to assess the extent to which compliance with the AGS framework has been met by the Council;
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013;
- Regular reporting to and scrutiny by Audit Committee of strategic risks;
- The work of other regulatory Committees – Standards;
- The work of Inspectorates and the Council's response and actions plans to address Inadequate findings;
- The work of external audit;
- Changes made to the existing governance and decision making reporting arrangements to support the Council's response to Covid-19 during March to July 2020 and to ensure governance remains strong;
- Review of May and July Cabinet reports setting out the Council's response to Covid-19 in relation to governance and decision making; safeguarding within adults and children's social care; supporting the shielded and vulnerable residents in the community; Supporting business; Managing delivery of the Proud programme and the impact on delivery of approved budget savings; Corporate financial performance;
- Financial and performance reporting, including in relation to financial and budgetary control, risk, information governance and data protection arrangements, and other supporting evidence.

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

The production of the Statement and effectiveness review has been able to substantially rely on existing assurance provisions. Specifically the Head of Internal Audit Annual Opinion and Report, which is a major source of assurance, has been finalised within the usual timeframes. There are no limitations to the review to report to the leadership team or Audit Committee. As well as existing assurance areas (external audit, the work of the Audit Committee, etc), additional assurance in relation to Covid-19 has been drawn from reports presented to Cabinet in May and July 2020 as set out in the effectiveness review report presented to Audit Committee on 27 July.

5. Significant Governance Issues

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

There are no significant governance issues to report.

Some control weaknesses have been identified, which were reported to Audit Committee throughout 2019/20 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control report to Audit Committee on 27 July 2020. Actions are in place to address these.

The Council continues to manage the impact of Covid-19 and acknowledges that the pandemic has had an impact on service delivery and decision making arrangements. Existing Constitutional provisions have been utilised to manage our emergency response. Where appropriate, additional controls have been put in place to manage the impact and risks associated with Covid-19.

Dr Helen Paterson
Chief Executive
Date: 16 July 2020

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Councillor Mike Bird
Leader of the Council
Date: 16 July 2020

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.

Agenda Item No. 14

Audit Committee – 27 July 2020

Annual Report of the Audit Committee 2019/20

1. Summary of report

1.1 This report presents the proposed Annual Report of the Audit Committee 2019/20 and seeks approval for the Vice Chair of Audit Committee to present this report to Council.

2. Recommendation

2.1 That the proposed Annual Report of the Audit Committee 2019/20 be approved and that the Vice Chair of the Audit Committee during 2019/20 present the report to the next meeting of Council.

3. Resource and legal considerations

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

4. Citizen impact

4.1 The production of an annual report strengthens assurance reporting and governance. This is further strengthened by the Vice-Chair of the Audit Committee reporting to Council on the activities of the Committee.

5. Performance and risk management issues

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

6. Equality implications

6.1 Assurance reporting encompasses key equality and diversity implications.

7. Consultation

7.1 This annual report is produced in accordance with the revised work programme for the Audit Committee as agreed at its meeting on 22 July 2019.

8. Background papers

8.1 Chartered Institute of Public Finance & Accountancy (Audit Committees: Practical Guidance for Local Authorities and).

8.2 Audit Committee agendas, minutes and reports for the municipal year 2019/20.

Vicky Buckley
Interim Director of Finance, Corporate Landlord and Corporate Performance Management
13 July 2020

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

Walsall Council
Annual Report of the Audit Committee 2019/20

1. Introduction from the Chair of the Audit Committee

I am pleased to present the sixth Annual Report of the Audit Committee for the 2019/20 municipal year.

It is important that the Council is able to demonstrate to the residents of the borough and stakeholders, the significance of the Audit Committee's role and the positive contribution it makes to the Council's overall governance and accountability arrangements. Audit Committee meetings are open to members of the public and I would encourage all to come along and see our work in action.

This year was one of stability with the bedding in of Mazars LLP who won the contract for delivery of the Council's internal audit service in 2016/17, and the second year of Grant Thornton as our external auditors. Our internal and external audit providers continue to bring much added value to the work that they do.

We also welcomed a new member to the Committee during 2019/20, Councillor Rasab to replace Councillor Craddock who stepped down to become a member of the Cabinet. I would like to thank Councillor Craddock for the invaluable support he has provided as Vice Chairman of the Committee over the last few years.

Looking ahead to 2020/21 there is an extensive programme of work planned. Over and above the normal activities, it is timely, in the context of the significant financial challenges facing the public sector, increasing demands and shrinking resources, for the Committee to review the overall Governance Framework of the Council to ensure it remains fit for purpose.

This is particularly relevant in the context of responding to the Coronavirus pandemic. Since March 2020 all Councils across the country have been operating in an emergency response situation which is unprecedented. Lockdown and associated measures have and continue to have a significant impact on how and what services the Council provides to its residents and services users and has necessitated changes to the Council's governance arrangements. Whilst these changes have been reported in the Council's Annual Governance Statement (AGS), it will be the role of the Audit Committee to seek assurance as to the appropriateness and probity of the changes.

Finally, I would like to take this opportunity to thank all those members and officers who have contributed to the work of the Audit Committee over the last 12 months.

Mr Andy Green,
Independent Chair of the Audit Committee 2019/20

14 July 2020

2. Terms of Reference

The terms of reference which the Committee operated to during the 2019/20 municipal year, are detailed at the following link:

Audit Committee Terms of Reference

3. Member and Officer Attendance

The Audit Committee met 4 times during 2019/20; the meeting scheduled for April 2020 was cancelled in accordance with the Coronavirus pandemic lockdown measures.

Membership of the Audit Committee during 2019/20 and their attendance is detailed at Appendix A.

A number of Audit Committee members also sat on various other Committees and panels. There were no reports received during the year that necessitated members absenting themselves.

In reviewing the effectiveness of the Audit Committee Members considered whether there was a conflict of independence by sitting on both a Scrutiny Committee and the Audit Committee. Members felt that the simple matter of exempting themselves from any item under discussion, which had or was being considered by a Scrutiny Committee of which they were a member, was sufficient to maintain that independence.

Independence is further strengthened by the Independent Member on the Audit Committee. Recruitment to the vacant posts will commence as soon as is practicable.

Senior officers from the Council also attend the Audit Committee as required, including the Chief and Deputy Chief Finance Officers and Executive Directors. The Head of Internal Audit and External Audit also attend each meeting and may be required to meet the Committee without other officers being present.

4. Training & Effectiveness

The Audit Committee receives appropriate and proportionate training. Training updates on the role of the Committee; internal audit, the internal control environment and assurance framework; risk management; and counter fraud were delivered during the year.

5. Sources of Assurance during 2019/20

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2019/20 is detailed at Appendix B per the following themes:

- Internal Audit
- External Audit / Inspection
- Financial Management
- Risk Management
- Corporate Governance

The Committee gained assurance in 2019/20 from these themes as follows:

Internal Audit

In respect of the 2019/20 financial year, a positive The Head of Internal Audit Opinion was given as follows:

"On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

<u>Corporate Governance and Risk Management</u>
Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A review of

the Risk Management Strategy for 2020/21 will be completed once the staff restructure resulting from the Walsall Proud Programme has been completed.

Internal Control

Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 24 a 'Substantial' level of assurance and eight a 'Limited' level of assurance. No audits were given ''No' level of assurance.

During the year, we have made 11 'Priority 1' or 'fundamental' recommendations. 111 'Priority 2' or 'significant' recommendations were also made.

In respect of follow up of recommendations, Internal Audit has an established process for tracking the implementation of recommendations raised and enabling management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by management".

During 2019/20, those internal audit reports given a limited assurance were submitted to Audit Committee for consideration. Selected accountable senior managers and their directors were called before the Audit Committee to provide necessary assurances that actions were being taken to address the identified weaknesses in control.

Audit Committee received reports on the performance of the Internal Audit function during the year which indicated that the service was performing well against most of its performance measures; all key financial systems and high priority audits were completed within the plan. Council can be assured that no issues have been identified in the 2019/20 work completed which impacts materially on the overall system of internal control

The Audit Committee also endorsed internal audit's work plan.

External Audit / Inspection

The main responsibility of the External Auditor is to obtain and report on whether the Council's accounts have been properly prepared and are free from material misstatement, and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton, the Council's Auditor reported on the 2018/19 accounts during the year and concluded that:

- the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended,
- the financial information in the Financial Report was consistent with the financial statements ,
- the Council had put in place proper arrangements to secure value for money in their use of resources.

Financial management

During 2019/20, the Committee scrutinised the 2018/19 statement of accounts and also received reports on accounting policies and any associated changes. The Committee also received regular Internal Audit progress reports.

Ordinarily, the Committee would receive a number of reports covering financial management and controls in relation to 2019/20, including in relation to budgetary control, however as the meeting of the Committee scheduled for April 2020 was cancelled, this did not occur. However, the budgetary control report received a Good level of assurance – the highest available. The AGS reports on the additional financial controls put in place in relation to

Coronavirus to ensure appropriate management, monitoring and reporting of Covid-19 spend.

Risk management

Following Audit Committee approval of a revised Risk Management Strategy and work programme in 2018, progress against the programme was reported to Audit Committee during 2019/20, including implementation of a revised Strategic Risk Register (SRR), which was subject to examination by the Committee. Committee received reports on risk management at their April and September 2019 meetings.

Corporate governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2018/19 financial year concluded that the effectiveness of the system of internal control was adequate overall.

Reports were also considered on the Annual Audit Inspection Letter and on the Committee's oversight of the Council's governance arrangements to support the external auditor's annual risk assessment.

A review of the adequacy of the Council's counter fraud arrangements was also undertaken and a work programme of activity agreed, which will be implemented and monitored during 2020/21.

Additionally during 2019/20, the Committee undertook a review of its own effectiveness, against the CIPFA Good Practice checklist. The overall assessment was positive, with the majority (22 of 25) of questions considered to be fully compliant, with 3 assessed as partly compliant. These were:

- Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory
- Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work.
- Has the Committee evaluated whether and how it is adding value to the organisation.

A follow up on the above is programmed into the Committee's work plan for 2020/21. None were considered significant in nature.

A Committee decision tracking report was utilised in 2019/20 to track all of its decisions for which a follow-up is required, to enable members to monitor any outstanding actions and seek updates at future meetings where applicable.

6. Conclusion

The Committee has been 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 during 2019/20 that were not being adequately addressed.

Appendix A

Audit Committee Meetings and Member Attendance

	Cllr Gaz Ali	Cllr Sat Johal	* Cllr Stephen Craddock	Cllr Sally Neville	Mr A Green Independent Member	* Cllr Waheed Rasab	Cllr Ann Young	Cllr Ian Robertson
22.07.2019	✓	✓	✓	✓	✓	N/A	X	✓
23.09.2019	✓	✓	✓	✓	✓	N/A	✓	✓
18.11.2019	✓	✓	✓	X	✓	N/A	✓	✓
18.02.2020	✓	✓	N/A	X	✓	✓	X	✓
06.04.2020	Meeting cancelled due to Coronavirus pandemic							
% Attendance	100%	100%	100%	50%	100%	100%	50%	100%

*Councillor Craddock was a member of the Audit Committee until November 2019 and was then replaced by Councillor Rasab

Appendix B

Summary of Audit Committee Work Plan 2019/20

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
22 July 2019	Committee Decision Tracking Chart					✓
	Audit Committee role, remit and work programme 2019/20					✓
	Internal Audit Annual Report and Opinion for the year ending 31 March 2019	✓				✓
	Annual Governance Statement 2018/19 including Annual Review of Effectiveness of Internal Control			✓	✓	✓
	Post Audit Statement of Accounts 2018/19 including Audit Findings Report		✓	✓		
	Audit Committee 2018/19 Annual Report to Council					✓
	Internal Audit Progress Report 2019/20	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
23 September 2019	Committee Decision Tracking Chart					✓
	Post Audit Statement of Accounts 2018/19 including Audit Findings Report		✓	✓		
	Annual Audit Letter for the year ending 31 March 2019		✓	✓		✓
	Review of Effectiveness of the Audit Committee					✓
	Risk Management Update				✓	
	Internal Audit Progress Report 2019/20	✓				
18 November 2019	Committee Decision Tracking Chart					✓
	Counter Fraud and Corruption Arrangements			✓	✓	✓
	External Audit – Audit Progress Report and Sector Update year ending 31 March 2020		✓			
	Internal Audit Progress Report 2019/20	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
18 February 2020	Committee Decision Tracking Chart					✓
	Internal Audit Progress Report 2019/20	✓				
	External Audit: Informing the Audit Risk Assessment	✓	✓	✓	✓	✓
	External Audit: Audit Planning for year ended 31 March 2020		✓			

Audit Committee – 27 July 2020

Internal Audit Charter

1. Summary of report

1.1 This report represents the Internal Audit Charter which sets out the terms of reference and serves as a basis for the governance of Walsall Council's Internal Audit Function. It sets out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit.

2. Recommendations

2.1 That Audit Committee approves the Charter.

3. Background

3.1 The Internal Audit Charter is a formal document that establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Audit Committee.

4. Resource and Legal Consideration

4.1 Section 151 of the Local Government Act 1972 specifies that 'every local authority will make arrangements for the proper administration of their financial affairs and will secure that one of their officers has responsibility for the administration of those affairs'. For Walsall, that rests with the Chief Finance Officer / S151 Officer (Executive Director of Resources and Transformation).

In addition, the Council, via Audit Committee, has a statutory responsibility to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.

The Internal Audit function is provided under contract by Mazars. The contract is subject to key performance indicators and measures, performance against which is regularly reported to Audit Committee.

5. Citizen Impact

5.1 This report reinforces the protection to the council and its officers in respect of the robustness of the internal control environment and is an integral part of the assurance provided to citizens and other stakeholders on the security of the Council's activities and operations.

6. Performance and Risk Management issues

6.1 See 4.1.

7. Equality Implications

7.1 There are no direct implications arising from this report.

8. Consultation

8.1 There are no changes to be consulted on for 2020/21.

9. Background Papers

9.1 Various statutory and other guidance.

Vicky Buckley - Interim Director of Finance, Corporate Performance Management and Corporate Landlord

Author
Sarah Knowles - Audit Manager (Mazars), ✉ Sarah.Knowles@mazars.co.uk

MAZARS

Walsall Council

Internal Audit Charter

June 2020

Introduction

The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority and responsibility in accordance with UK Public Sector Internal Audit Standards (PSIAS). The charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Audit Committee; authorises access, to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities. It provides a framework for the conduct of the service and has been approved by the Council's Corporate Management Team (CMT) and the Audit Committee.

The PSIAS also include a Mission for Internal Audit which is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

The Charter will be reviewed annually and presented to the Audit Committee and CMT for final approval.

Nature and Purpose

Walsall Council has developed a risk management framework, overseen by the Head of Internal Audit, which includes:

- Identification of the significant risks in the Authority's operations and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Corporate Management Team of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the Authority's risk profile.

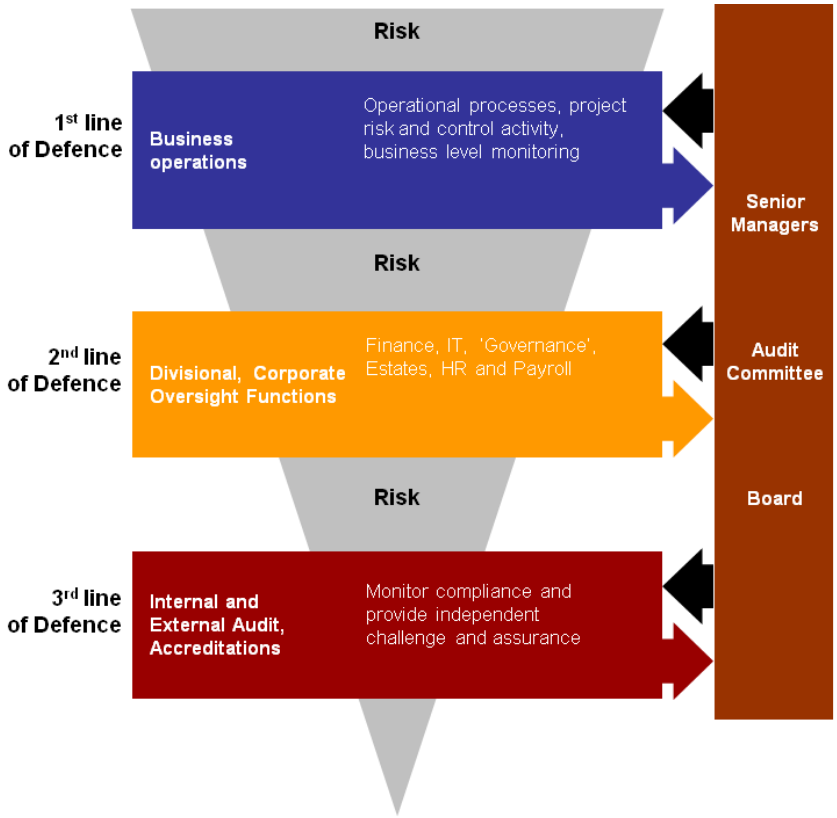
A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

Walsall Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Authority's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the Authority to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Corporate Management Team.

The Authority needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the Authority's business - these

including Members, regulators etc. There are also many assurance providers. The internal audit function is the third line of defence in the Council's 'three lines of defence approach' to risk and assurance. The first line of defence comprises the Council's core operational services, and the second line comprises the oversight functions such as risk management.

The following diagram summarises the three lines of defence model and explains where Internal Audit fits into the Council's assurance process.



Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

In a local authority, Internal Audit provides independent and objective assurance to the organisation, its Members, the Chief Executive, the Corporate Management Team, and in particular to the Chief Finance Officer to help her discharge her responsibilities relating to the proper administration of the Authority's financial affairs under S151 of the Local Government Act 1972.

In addition, the Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy and effectiveness of the Authority's governance, risk management and internal control systems.

In particular, Internal Audit carries out assurance and consulting activities across all aspects of Walsall Council's business, based on a programme agreed with the Audit Committee, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with the Authority's risk owners, service line risk teams, and the Corporate Management Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the Authority's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Corporate Management Team and management in the service lines (including risk teams).

The independent assurance provided by Internal Audit also assists the Authority to report annually on the effectiveness of the system of internal control included in the Authority's Annual Governance Statement.

Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all Authority records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter Authority property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Authority should be set out in the conditions of funding.

Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the Audit Committee.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities.

Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

Responsibility

The Authority's Head of Internal Audit is required to provide an annual opinion to the Authority and to the Chief Finance Officer and the Chief Executive, through the Audit Committee, on the adequacy and the effectiveness of the Authority's risk management, control and governance processes. In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers (such as the service line quality and risk teams, the external auditors, the auditors of the Authority's Quality Management, Environmental Management and Information Security accreditations etc.) such that the assurance needs of the Authority, regulators and other stakeholders are met in the most effective way.
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.
- Carry out assurance and consulting activities across all aspects of the Authority's business based on a risk-based plan agreed with the Audit Committee.
- Provide the Chief Finance Officer, Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports as requested, to the Audit Committee, and the Corporate Management Team summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Authority to aid the prevention and detection of fraud;
- Assist in the investigation of allegations of fraud, bribery and corruption within the Authority and notifying management and the Audit Committee of the results.
- Assess the adequacy of remedial action to address significant risk and control issues reported to the Audit Committee. Responsibility for remedial action in response to audit findings rests with line management.

Definition	Details	Responsibility in relation to Internal Audit
The Audit Committee	To provide independent assurance to members of the adequacy of the risk management framework and internal control environment. To provide an independent review of governance, risk management and control frameworks and oversee the financial reporting and annual governance processes.	To oversee Internal Audit (and External Audit), helping to ensure efficient and effective assurance arrangements are in place.
Senior Management	The Chief Executive and Executive Directors are empowered to take all operational decisions, within agreed policies, in relation to the services for which they are responsible.	Corporate Management Team
S151 Officer	To exercise the functions of the Council's chief financial officer, including proper administration of the Council's financial affairs under S115 and S151 of the Local Government Act 1972 and S114 of the Local Government Finance Act 1988.	Deal with internal audit issues under the Accounts and Audit Regulations 2015.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work. Unless specifically requested and agreed, Internal Audit will not perform substantive testing of underlying transactions.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to the Authority's policies and standards and will monitor whether such measures are implemented on a timely basis.

Where appropriate, Internal Audit will undertake assurance or consulting activities for the benefit of the Authority in organisations wholly owned or controlled by the Authority (e.g. Local Authority Trading Companies etc). Internal Audit may also provide assurance to the Authority on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

The Audit Committee is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the Authority's governance, risk management and control processes using a systematic and disciplined approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting the Authority in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to the Authority's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

Reporting

For each engagement, Internal Audit will issue a report to the appropriate Audit Sponsor and Chief Finance Officer or her nominee, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Corporate Management Team and the Audit Committee.

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Charter is reported to the Corporate Management Team. It is then presented to the Audit Committee annually for formal approval.
- The annual risk-based plan is compiled by the Head of Internal Audit taking account of the Authority's risk management / assurance framework and after input from members of the Corporate Management Team. It is then presented to the Corporate Management Team and Audit Committee annually for noting and comment.
- The internal audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Authority budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Audit Committee.
- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Corporate Management Team and Audit Committee on a quarterly basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee.
- Results from the Quality Assurance and Improvement Programme will be reported to both the Corporate Management Team and the Audit Committee.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Corporate Management Team and the Audit Committee and will be included in the annual Head of Internal Audit report. If there is significant non-conformance, this may be included in the Authority's Annual Governance Statement.

Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Executive;
- Chief Finance Officer;
- Monitoring Officer;
- Chair of the Audit Committee; and
- Any other member of the Corporate Management Team.

The independence of the contracted Head of Internal Audit is further safeguarded as his/her annual appraisal is not inappropriately influenced by those subject to internal audit.

To ensure that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the external auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Where applicable, Internal Audit will follow up the implementation of internal control issues raised by external audit.

Internal Audit and external audit may meet periodically to:

- Plan the respective internal and external audits;
- Discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Authority Policies and Procedures; and
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor. An external assessment was carried out in December 2019 which concluded that Mazars Risk Assurance Services conforms to the requirements of the International Professional Practices Framework for Internal Audit and the Public Sector Internal Audit Standards.

A programme of Continuous Professional Development CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. Both the Head of Internal Audit and the Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

Approved by the Audit Committee on xxxxxxx

Important Notice

We take responsibility to Walsall Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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Audit Committee – 27th July 2020

Internal Audit Work Plan 2020/21

1. Summary of report

1.1 This report details the recommended Internal Audit Plan for 2020/21 for Audit Committee's consideration.

2. Recommendations

2.1 That Audit Committee consider the recommended Internal Audit Plan for 2020/21 and suggest any other areas for inclusion in the plan, particularly in light of the Covid-19 pandemic.

3. Background

3.1 The audits in the plan have been proposed on the basis of the Council's current Strategic and Directorate Risk Registers; the Walsall Proud Programme, which will continue to give rise to significant change in the organisation in 2020/21; any emerging legislation which will impact the Council in 2020/21; and the recent impacts of Covid-19.

4. Resource and Legal Consideration

4.1 The Accounts and Audit Regulations require councils to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

5. Citizen Impact

5.1 Internal audit work is intended to ensure that effective systems of internal control are in place. This protects the Council and its officers and provides an assurance to stakeholders and citizens regarding the security of the council's operations.

6. Performance and Risk Management issues

6.1 Part of internal audit's role is to provide assurance on the Council's performance and risk management arrangements. Internal audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.

7. Equality Implications

7.1 Internal audit has full regard to equalities both within the internal audit service and in the services / activities under review.

8. Consultation

8.1 The development of the annual work plan 2019/20 has included discussions with key members of senior management.

9. Background Papers

9.1 Audit plan; risk registers; Council, Cabinet and CMT papers

Vicky Buckley – Interim Director of Finance, Corporate Landlord and Corporate Performance Management

Authors:

Sarah Knowles, Internal Audit Manager, ✉ sarah.knowles@mazars.co.uk

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Walsall Council

Draft Internal Audit Operational Plan 2020/21

June 2020

This report has been prepared on the basis of the limitations set out on page 9.

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2.	2019/20 Audit Planning	1
Appendix A - Internal Audit Plan 2020/21		3
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Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Walsall Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.
The Report was prepared solely for the use and benefit of Walsall Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix B of this report for further information about responsibilities, limitations and confidentiality.

1. Background

This document sets out the draft Internal Audit operational plan for Walsall Council for discussion and approval by the Audit Committee. The purpose of this plan is to identify the work required to achieve a reasonable level of assurance to be provided by Internal Audit in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and the Audit Committee with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work in accordance with an annual operational plan as approved by the Audit Committee.

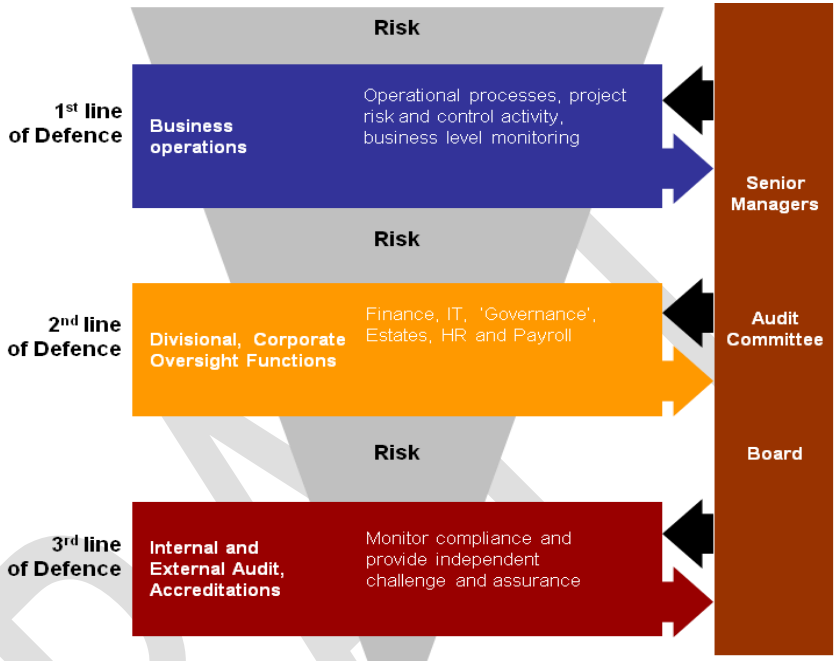
2. 2020/21 Audit Planning

As part of the audit planning for 2020/21, we have prepared a proposed plan of internal audit work for the period 1 April 2020 to 31 March 2021.

The Internal Audit Plan 2020/21 was developed based on:

- Discussions with Executive Directors and other Senior Management;
- Review of the risks and priorities contained in Walsall Council's Strategic, Covid-19 and directorate risk registers;
- Review of Walsall Council's key objectives, plans and frameworks; and
- Reference to previous audit and assurance work and the progress towards implementing recommendations.

At the time of drafting, discussions with key members of management had been completed and their suggestions included in the plan. However, while these suggestions may remain important following the Covid-19 pandemic, some aspects of service delivery and ways of working will have to be transformed and systems of internal control need to change along with these. We will adapt our approach to ensure that front line services are not impaired by our work, but we must continue to assure members and management that risks are being managed effectively. Our strategy is based upon a three lines of defence model of assurance. This is shown in the diagram below. Internal audit seeks to identify assurances provided through the first and second lines of defence, and selects the most appropriate method for obtaining assurance to support the Head of Internal opinion and the Council's governance requirements.



The Internal Audit Plan 2020/21 detailed in Appendix A particularly seeks to:

- Address areas of specific concern identified by management;
- Provide assurance over areas of high risk; and
- Provide independent assurance where high reliance is placed on specific controls by management in the first and second lines of defence.

The Internal Audit Plan will remain flexible during the current financial year to adapt, as required, to the changing needs of Walsall Council in light of Covid-19. Any proposed changes to the Internal Audit Plan, in year, will be presented to the Audit Committee/CMT for approval. Appendix A contains the proposed timings of the audits for 2020/21.

Internal Audit Plan 2020/21 Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
Core Financial Systems	Main Accounting	Covering continuous auditing of the adequacy and effectiveness of controls including access control, journals, virements, etc	Key Financial Systems	Financial/ Operational	12	Q3
	Accounts Receivable	Covering continuous auditing of the adequacy and effectiveness of controls over the Accounts Receivable system.	Key Financial Systems	Financial/ Operational	12	Q3
	Accounts Payable	Covering continuous auditing of the adequacy and effectiveness of controls over the payment of creditor invoices.	Key Financial Systems	Financial/ Operational	12	Q3
	Budgetary Control	To cover of the strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments. CRSA to be applied.	Key Financial Systems	Financial/ Operational	10	Q4
	Council Tax	Covering of the adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	Key Financial Systems	Operational	8	Q4
	NNDR	Covering of the adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	Key Financial Systems	Operational / Business Change	8	Q4
	Housing Benefit & Local Council Tax Support	Covering of the adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	Key Financial Systems	Operational / Business Change	10	Q4
	Payroll and Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	Key Financial Systems	Operational	12	Q4
Core Financial Systems Total					**84**	

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Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
Operational Risks	**Resources and Transformation**					
	HR – Grievance process	To cover controls in place in relation to HR procedures for responding to grievances in a timely manner	Covid-19 SRR6	Operational	10	Q2
	MTFS	Covering adequacy and effectiveness of controls in place for financial resilience and balancing the council budget, alongside impact of Covid-19.	SRR 7	Operational	10	Q3
	Growth Deal	Annual Audit	SRR 1	Regulatory	7	Q3
	Economy and Environment					
	Resilient Communities Implementation	Covering adequacy and effectiveness of the implementation of the new ways of working within Resilient Communities	Covid-19 SRR4	Operational/ Reputation/ Financial	10	Q2
	Capital Programme	Covering controls in place for management of large capital projects.	E&E 2	Operational/ Financial	10	Q3
	Community Safety Plan Follow Up	Follow Up	SRR3 Covid-19 SRR3		5	Q4
	Children's Services					
	Home to School Transport	Covering adequacy and effectiveness of controls in place over the newly implemented system.	SRR4 CS 2	Operational	10	Q2
	Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	SRR4	Operational	12	Q2 & Q3
	Traded Services provided by Maintained Schools	Covering adequacy and effectiveness of controls in place over reporting requirements to ensure compliance with financial procedures	CS2	Operational	10	Q2
	Adult Social Care					
	Partnership Relationships	Covering adequacy and effectiveness of controls in place to manage market provision, safeguarding and Care Act Easement.	SRR3 & 4 Covid-19 SRR3 &4	Operational	10	Q3
Operational Risks Total					**94**	

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Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
Strategic Risks	Commercialism	Review of the controls in place to implement the Council's Income & Commercial Policy and Investment Strategy	SRR7	Operational	10	Q3
	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement.	SRR 3 & 7	Operational/ Regulatory/ Financial	15	Q3
	Walsall Proud Programme	Covering adequacy and effectiveness of controls in place over transformation projects.	SRR 2 Covid-19 SRR2	Operational/ Business Change	30	Q2-Q4
	Review of Covid-19 Governance and Controls	Covering adequacy and effectiveness of governance arrangements and controls in place to manage Covid-19 impacts.	Covid-19 SRR7	Operational/ Business Change	7	Q2
	Payments to Suppliers	Review of the controls in place to support the Council's suppliers in line with PPN guidance issued.	Covid-19 SRR1 & 3	Operational/ Regulatory/ Financial	5	Q2
	One Source: Self Service	Review of the controls in place within the new self service application and management/staff compliance across the Council.	SRR7	Business Change	10	Q4
	Reset Support	Resources used for advice/input to support the development of Reset Plans	Covid-19 SRR6	Business Change	5	Q2/3
	To be used as necessary during and following Covid-19 pandemic.				10	
Strategic Risks Total					**92**	
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend		SRR 4 SRR 7 CS 3	Operational/ Financial	115	Q1-Q3
Schools Total					**115**	

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Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
ICT	The specific audits and scopes will be agreed with management.		SRR 2	Operational / Business Change	30	Q3-Q4
ICT Total					**30**	
	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. Risk Management Workshops for staff and Members. Review of individual risks registers as agreed with management.	All	All	40	Q1-Q4
	Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, attendance at Midlands Fraud Group meetings and carry out the role of key contact for the NFI and data match reviews	All	All	20	Q2-Q4
	Assurance Mapping	Mapping assurances against risks across the Council and identifying assurance gaps.	All	All	20	Q3-Q4
Governance, Fraud & Other Assurance Methods Total					**80**	
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.			25	
	Management, Advice and Planning	Including attendance at Audit Committee			70	
Other Total					**95**	
Plan Total					**590**	
	Ad Hoc/Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.			70	
Total					**660**	

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Key Contacts

Appendix B

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Sarah Knowles – Senior Manager

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Statement of Responsibility

We take responsibility to Walsall Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.
We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.
The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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Agenda Item No. 17

Audit Committee – 27 July 2020

Internal Audit Progress Report 2020/21

1. Summary of report

1.1 This report provides an update to Audit Committee on Internal Audit's progress against the 2020/21 audit plan.

2. Recommendations

2.1 That Audit Committee notes the contents of this report.

3. Background

3.1 The audits in the plan have been proposed on the basis of the Council's current Strategic and Directorate Risk Registers; the Walsall Proud Programme, which will continue to give rise to significant change in the organisation in 2020/21; any emerging legislation which will impact the Council in 2020/21; and the recent impacts of Covid-19.

3.2 Although impacted by Covid-19 and remote working, we have completed a number of schools audits and grant assurance pieces of work by amending the scopes of the audits to accommodate the new working arrangements.

4. Resource and Legal Consideration

4.1 The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

5. Citizen Impact

5.1 Internal audit work is intended to ensure that effective systems of internal control are in place. This protects the council and its officers and provides an assurance to stakeholders and citizens regarding the security of the council's operations.

6. Performance and Risk Management issues

6.1 Part of internal audit's role is to provide assurance on the council's performance and risk management arrangements. Internal audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.

6.2 Regular updates will be provided to Audit Committee on progress against the approved Internal Audit Plan for 2020/21.

6.3 KPI performance for the first quarter of 2020/21 is detailed below, with all KPI's currently on target.

Standard	Target	Actual as at 31/03/20
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	End of Year Measure
Produce annual report which includes an overall assurance opinion for the Council for the year.	To be produced and issued to the Chief Finance Officer within 15 working days from 31 March each year.	End of Year Measure
Annual review and report on the effectiveness of the risk management strategy and its application with comments and recommendations for changes.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	Ongoing Risk Management work with the Council
Annual risk management report which provides assurance that the system of risk management and identification is suitable and sufficient for the purposes of the Annual Governance Statement.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	Ongoing Risk Management work with the Council
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	11/11 100%
Achieve performance of quarterly audit work plan	100% expected audits in the quarterly plan to be completed to draft report stage within15 working days of last day of quarter	11/11 100%
Produce quarterly progress report in accordance with the specification.	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Met for Quarter 1
Produce a quarterly risk management update report	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Strategic Risk Register updates regularly presented to CMT and Audit Committee. Risk sessions across the Council ongoing
Quarterly review of Strategic Risk Register (SRR) and report for Corporate Management Team and Audit Committee	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Strategic Risk Register updates presented to CMT and Audit Committee. Next update to Audit Committee 27th July

6.4 The following table sets out the Performance Standards against which the success of the contract is measured. Quarter 1 performance for 2020/21 is currently on target for all areas apart from producing draft reports within 10 working days of the exit

meeting, where 2 audits have seen slight delays (11 and 12 days respectively rather than 10) due to the impact of Covid-19 and remote working.

Standard	Target	Actual as at 31/03/20
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance.	15/15 100%
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	15/15 100%
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre arranged time, as specified in the audit brief.	11/11 100%
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	9/11 82% exceptions - **Blue Coat Federation and Castlefort Primary School**
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	10/10 100%
Complete National Fraud Initiative (NFI) data matching exercise.	Ensure that all data matches are reviewed and investigated on an annual basis in accordance with the timetables provided.	2020/21 data matching process not yet commenced by NFI
Counter fraud work	To maintain and update counter fraud policies, the counter fraud toolkit, training and other counter fraud work as agreed in advance with the Chief Finance Officer.	Ongoing as required
Follow up on all high priority actions	Reports produced in accordance with timetables set out in the Specification.	Ongoing and progress reported to each Audit Committee
Specialist IT / risk audits	Quarterly report detailing percentage of time of qualified or specialist staff utilised in delivery of the audit and risk work undertaken during the quarter	Completed as part of monitoring information
Respond to unsatisfactory client satisfaction questionnaires/CMT feedback	To be provided to the Chief Finance Officer within 10 working days	N/A
Attendance at planned meetings with both the Chief Finance Officer and external audit as detailed throughout this specification.	Meetings attended by Contract Manager	Ongoing
Attend the Audit Committee meetings in accordance with the Audit Committee Work Programme and Timetable	Meetings attended by Partner or Director or Contract Manager	Ongoing

Standard	**Target**	**Actual as at 31/03/20**
Provision of audit helpline	Summary of advice provided, to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	Completed as part of monitoring information
Provision confidential reporting hotline answer phone facility.	Summary of calls received and action taken to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	None received
Quality control system	Copy to be provided to Chief Finance Officer on an annual basis	Provided
Compliance with the PSIAS via external accreditation	To provide evidence of the external accreditation	External Assessment completed in 2019 and results shared with Chief Finance Officer.
Provide training for Council Officers, Project Managers and Members in the principles and practices of Risk Management	Provision of training as agreed by the Chief Finance Officer	Member training scheduled in Audit Committee work programme
Audit and Risk Training Programme	To provide a copy to the Chief Finance Officer on an annual basis	Updated as part of strategy review in December 2018. Next review December 2020

7. Equality Implications

7.1 Internal audit has full regard to equalities both within the internal audit service and in the services / activities under review.

8. Consultation

8.1 The annual work plan 2020/21 was consulted upon before its endorsement by executive directors, senior managers, and the Chief Finance Officer. It will be presented to Audit Committee in a separate agenda item at this meeting.

9. Background Papers

9.1 Internal Audit reports/monitoring information

Vicky Buckley - Interim Director of Finance, Corporate Performance Management and Corporate Landlord,

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WALSALL COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – 27th July 2020

Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Walsall Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Walsall Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix 5 of this report for further information about responsibilities, limitations and confidentiality.

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Introduction

This progress report to the Audit Committee covers the work carried out since the last audit committee by Mazars LLP.

Audit planning discussions with key members of management had been completed prior to the Covid-19 pandemic, and their suggestions included in the plan. However, while these suggestions may remain important, some aspects of service delivery and ways of working will have to be transformed and systems of internal control need to change along with these. The Covid-19 Strategic Risk Register has informed some of the audits included in the proposed plan, and the Corporate Management Team has approved these suggestions. We will adapt our approach to ensure that front line services are not impaired by our work, but we must continue to assure members and management that risks are being managed effectively.

The Internal Audit Standards Advisory Board has developed guidance to support both heads of internal audit and individual auditors working in the UK public sector and we will be complying with this guidance in all of our work.

The schools audits we have completed since April have all been carried out remotely and we have amended the usual scope accordingly. Where there are known risks within the omitted scope areas, we have agreed with the schools that we will carry out specific testing in these areas later in the year.

Background

The purpose of the internal audit plan is to identify the work required to achieve a reasonable level of assurance to be provided by Mazars LLP in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work, normally in accordance with a strategic plan and an annual operational plan, as approved by the Chief Finance Officer and the Audit Committee.

As internal audit is a major source of assurance that the Council is effectively managing the principal risks to the achievement of its corporate objectives, a key rationale for the development of the internal audit plan was the Council's own Strategic, Covid-19 and Directorate Risk Registers and how the internal audit plan can provide this assurance.

Progress to Date

Progress against the 2020/21 Internal Audit Plan is shown in Appendix 1.

We have issued the following 2020/21 Draft reports since the last meeting of the Audit Committee:

- St Mary's of the Angels Catholic Primary School

We have issued the following 2020/21 Final reports since the last meeting of the Audit Committee:

- Blue Coat Federation (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Castlefort Primary School (Evaluation assurance: **Substantial.** Testing assurance **Limited**)
- County Bridge Primary School (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- St Anne's Catholic Primary School (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Delves Infant & Nursery School(Evaluation assurance: **Good.** Testing assurance **Good**)
- St Peter's Catholic Primary School (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- St Francis Catholic Primary School (Evaluation assurance: **Substantial.** Testing assurance **Limited**)
- Salisbury Primary School (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Brownhills West Primary School (Evaluation assurance: **Good.** Testing assurance **Substantial**)
- Abbey Primary School (Evaluation assurance: **Limited.** Testing assurance **Substantial**)

We have issued the following 2019/20 Draft reports since the last meeting of the Audit Committee:

- Budgetary Control
- Supplier Resilience

We have issued the following 2019/20 Final reports since the last meeting of the Audit Committee:

- Children's Social Care Caseloads (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Social Media Policies & Procedures (Evaluation assurance: **Limited.** Testing assurance **Limited**)
- Community Safety (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- National Funding Formula (Evaluation assurance: **Good.** Testing assurance **Good**)
- Saddlers Centre Management (Evaluation assurance: **Substantial.** Testing assurance **Limited**)
- School Capital Programme (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Accounts Payable (Evaluation assurance: **Good.** Testing assurance **Good**)
- Council Tax / NNDR (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Cyber Security (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Homelessness (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Accounts Receivable (Evaluation assurance: **Good.** Testing assurance **Substantial**)
- Main Accounting (Evaluation assurance: **Good.** Testing assurance **Good**)
- Adult's Social Care Caseloads (Evaluation assurance: **Good.** Testing assurance **Good**)

- Governance Role of Overview & Scrutiny Committee (Evaluation assurance: **Good.** Testing assurance **Good**)
- Federation School Governance (Evaluation assurance: **Substantial.** Testing assurance **Substantial**)
- Payroll & Pensions Administration (Evaluation assurance: **Limited.** Testing assurance **Limited**)

Progress to Date
Follow-up of Recommendations

2017/18, 2018/19, 2019/20, 2020/21

The table below highlights the number of recommendations raised in the final audit reports for 2017/18, 2018/19, 2019/20 and 2020/21. It should be noted that progress in implementing recommendations raised is due for follow up as part of the 2020/21 audit plan, and summary of findings to date is shown in the table below:

Year	Total Recommendations	Implemented and/or no longer relevant	%	Implemented, no longer relevant and/or partly implemented	%
2017/18	375	360	96%	364	97%
2018/19	333	308	93%	319	96%
2019/20	227	185	81%	190	86%
2020/21	45	29	64%	29	64%

The table below highlights the number of outstanding high priority actions:

Year	Partly Implemented	Not Implemented	Not Yet Due	Superceded
2017/18	1			
2018/19	4	2		
2019/20		6	2	
2020/21		1	1	

Definition of Assurance & Priorities

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Adequacy of system design	Effectiveness of operating controls
Good	G	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial	S	Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	L	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil	N	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Good' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.

Priority 1 Recommendations

Nine Priority 1 recommendations have been raised in the final reports issued since the last Audit Committee meeting.

These are included in a separate agenda item.

Appendix 1 – Status of Audit Work 2020/21

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Governance, Fraud & other Assurance Methods	Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, attendance at Midlands Fraud Group meetings and carry out the role of key contact for the NFI and data match reviews	20	2	Q1-Q4							
	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. Risk Management Workshops for staff and Members. Review of individual risks registers as agreed with management.	40	2	Q1-Q4							
	Assurance Mapping	Mapping assurances against risks across the Council and identifying assurance gaps.	20		Q1-Q4							
Governance, Fraud & other Assurance Methods			**80**	**4**								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	25	5	Q1-Q4							
	Management, Advice and Planning	Including attendance at Audit Committee	70	5	Q1-Q4							
Other total			**95**	**10**								
ICT	The specific audits and scopes will be agreed with management.		30		Q3							
ICT total			**30**									
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend		115	58	Q1-Q3							
Schools Total			**115**	**58**								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Plan Total			**320**	**72**								
Ad Hoc Contingency		Contingency allocation to be utilised upon agreement of the Chief Finance Officer.										
Total			**320**	**72**								

School Audits

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Schools	Abbey Primary		5	5	Q1	Final Report Issued (Jul 2020)	**Limited**	**Substantial**	1	2	3	
	Blue Coat Federation		10	10	Q1	Final Report Issued (Jun 2020)	**Substantial**	**Substantial**	-	3	2	
	Brownhills West Primary		5	5	Q1	Final Report Draft (Jul 2020)	**Good**	**Substantial**	-	2	1	
	Castlefort Primary		5	5	Q1	Final Report Issued (Jun 2020)	**Substantial**	**Limited**	2	3	2	
	County Bridge Primary		5	5	Q1	Final Report Issued (Jun 2020)	**Substantial**	**Substantial**	-	3	1	
	Delves Infants & Nursery School		5	5	Q1	Final Report Issued (Jun 2020)	**Good**	**Good**	-	-	1	
	Pool Hayes Primary		4		Q3	ToR Issued						
	Salisbury Primary		5	5	Q1	Final Report Issued (Jul 2020)	**Substantial**	**Substantial**	-	3	-	
	Short Heath Federation		10		Q1	ToR Issued						
	St Anne's Catholic Primary School		5	5	Q1	Final Report Issued (Jun 2020)	**Substantial**	**Substantial**	-	1	4	
	St Bernadette's Catholic Primary School		5		Q2	ToR Issued						
	St Francis Catholic Primary School		4	4	Q1	Final Report Issued (Jul 2020)	**Substantial**	**Limited**	1	6	2	

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	St Joseph's Catholic Primary School		5		Q2	ToR Issued						
	St Mary's of the Angels Catholic Primary School		5	4	Q2	Draft Report Issued (Jul 2020)						
	St Peter's Catholic Primary School		5	5	Q2	Final Report Issued (Jun 2020)	**Substantial**	**Substantial**	-	3	1	
	Whetstone Field Primary School		5		Q3	ToR Issued						
	Whitehall Infants & Nursery School		5		Q3	ToR Issued						
	Rowley View Nursery		4		Q3	ToR Issued						
	Elmwood School		4		Q3	ToR Issued						
	St Francis of Assisi Catholic College		4		Q3	ToR Issued						
	Admin Time inc SFVS		15									
Schools total			**120**	**58**			TOR Issued					

Appendix 2 – Summary of Final Reports

Audit	Opinion		Main Findings
	Evaluation	Testing	
Blue Coat Federation	Substantial	Substantial	• Section 128 checks had not been undertaken for all governors. • In one case the order and invoice had been authorised by the same member of staff. • Evidence to support transfers from the school fund into the base budget was not held centrally.
Castlefort Primary School	Substantial	Limited	• The DBS certificate of one governor had expired. • Governors had not been informed of a change in supplier that they has approved. • School fund and nursery bank account reconciliations are not checked by the Head Teacher.
County Bridge Primary School	Substantial	Substantial	• A Section 128 check had not been undertaken for one governor. • One governor had not completed a declaration of business interest form. • Collection and deposit records had not always been signed by the completing and checking officers.
St Anne's Catholic Primary School	Substantial	Substantial	• A copy of the cheque had not been retained to support a donation made to a charity.
Delves Infant & Nursery School	Good	Good	• A payment made from the school fund bank account had not been reimbursed from the Delves Den (after school club) bank account.
St Peter's Catholic Primary School	Substantial	Substantial	• The DBS certificate of one governor had expired and a Section 128 check had not been undertaken for one governor. • Income records examined had not been checked by a second officer on one occasion. • School fund monthly bank account reconciliations are not checked by the Head Teacher.
St Francis Catholic Primary School	Substantial	Limited	• Access to declaration of interest forms were not available. • Invoices are not always marked as paid. • Privacy notices containing information for parents have not been placed on the school website. • A copy of the Data Sharing Agreement with the financial support provider was not held at the school
Council Tax / NNDR	Substantial	Substantial	• In one case there was no evidence to support a discount applied. • In four cases the suppression had not been removed when necessary. • In two cases, notes supporting the suppression of recovery had not been recorded on Northgate. • There are no formal fraud prevention processes in place.
Cyber Security	Substantial	Substantial	• There is no solution in place to remotely erase portable Apple or Microsoft devices should they become lost or stolen; • The control of admin rights is lacking some key controls including admin privileges being added to standard user accounts rather than a unique account. Additionally, the reason for a business user to have admin access required to run particular software is not consistently and transparently recorded;

Audit	Opinion		Main Findings
	Evaluation	Testing	
			• There is no specific cyber training package in place, or cyber training targets. As at October 2019, the current training statistics reached 60% completion; • From inspection of a sample of 10 starters and 10 leavers, it was noted: • 5/10 new starters had no approved HR form; • 2/10 leavers Active Directory (AD) accounts had been disabled after their leaving date and had not been accessed thereafter.
Homelessness	**Substantial**	**Substantial**	• Agencies are not always sending representatives to the Homelessness Strategy Steering Group meetings. This is a requirement of the group's terms of reference. • Minutes of the Homelessness Strategy Steering Group meetings do not include sufficient details of discussions regarding slippage of actions due for implementation included in the Homelessness Strategy action plan. • Audit testing identified that decisions taken documentation and correspondence is not always recorded or completed and placed on Abritas, the Council's integrated housing system.
Accounts Receivable	**Good**	**Substantial**	• Debt recovery procedures for smaller aged debts are not always followed
Main Accounting	**Good**	**Good**	• No recommendations have been raised as a result of our work on this audit.
Adult's Social Care Caseloads	**Good**	**Good**	• No recommendations have been raised as a result of our work on this audit.
Children's Social Care Caseloads	**Substantial**	**Substantial**	• Monthly supervision / annual reviews are not always undertaken. • The service engages a number of social care agency workers. • There is no collation, monitoring and review of exit meetings. • At the time of the audit a Health Check Survey had not been completed since 2017/18.
Social Media Policies & Procedures	**Limited**	**Limited**	• The central risk assessment and approval process for the creation, use and control of social media accounts undertaken by the Communications team, is not consistently followed. This often results in the adequacy of the central controls being compromised. For example, we noted a 'Pinterest' social media account in the Council's name, but the Communications team were unaware of this account; • Accountability and ownership for the monitoring of Council social media accounts has not been implemented and adopted by service managers and officers; • Training on the correct procedures and proper conduct for Council social media accounts
Community Safety	**Substantial**	**Substantial**	• Within the Community Safety Plan, there is no evidence of internal links within Council departments, or any action to be taken by other relevant service areas at a lower level within the Council.
National Funding Formula	**Good**	**Good**	• No recommendations have been raised as a result of our work on this audit.
Saddlers Centre Management	**Substantial**	**Limited**	• Actions taken to recover growing arrears is not consistently documented or reported.

Audit	Opinion		Main Findings
	Evaluation	Testing	
			• The Council are still holding over on the facilities management contract that was in use prior to acquisition.
Governance of Overview & Scrutiny Committee	**Good**	**Good**	• No recommendations have been raised as a result of our work on this audit.
Federation Schools Governance	**Substantial**	**Substantial**	• Governor / federation information had not been recorded on the Get Information about Schools website by all of the federated schools. • It has not yet been determined how the surplus Cadmus 2019/20 budget will be returned to the schools that made contributions.
Payroll & Pensions Administration	**Limited**	**Limited**	• In one case a fixed term contract had not been ended resulting in an overpayment. • In one case a compensation payment had been made to an employee twice in error. • In one case an overpayment had been made due to sickness absence pay being reinstated.
Salisbury Primary School	**Substantial**	**Substantial**	• Due to issues with the quality of governor meeting minutes, not all minutes have been agreed as a true record. • Evidence of two officers checking income is not maintained. • Income credited to the LMS bank account is not transferred to the base budget promptly.
Brownhills West Primary School	**Good**	**Substantial**	• In one case an order had not been raised and the invoice had not been marked as paid. • There is only one current member of staff included on the school fund bank mandate.
Abbey Primary School	**Limited**	**Substantial**	• One governor / officer had not completed a declaration of business interest form. • Only one officer is involved with the banking of income.

Appendix 3 – Summary of Unplanned/Irregularity Reports

No unplanned or irregularity reports have been issued since the last meeting of the Audit Committee.

Appendix 4 - Follow-up of Recommendations 2017/18, 2018/19, 2019/20 and 2020/21

Follow-up audits have been undertaken in accordance with the 2020/21 audit plan. The objective was to confirm the extent to which the recommendations made in 2017/18, 2018/19, 2019/20 and 2020/21 internal audit final reports have been implemented.

Summary of Recommendations Raised and Follow Up Status - 2017/18

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
RIPA April 2018	Substantial / Substantial	10	3					7		-	Sep 2018	Mar 2020	
Adult Social Care Market Management April 2018	Limited / Substantial	7	4	1	2					-	Dec 2018	Dec 2020	
Domiciliary Care June 2018	Limited / Limited	13	11					1		1	Apr 2019	Nov 2020	
Streamlining of Services (Re-design of Library Service) March 2018	Substantial / Substantial	4	-		1			3			Oct 2019		
		34	18	1	3	-	-	11	-	1	-	-	

Summary of Recommendations Raised and Follow Up Status - 2018/19

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Licensing November 2018	Limited / Limited	11	6	2	3						Mar 2020	Oct 2020	
Millfield Primary School October 2018	Limited / Limited	17	16		1						Nov 2018	Jul 2020	
Residential & Nursing Care April 2019	Limited / Limited	13	11	1			1				Mar 2020	Dec 2020	
Communication & Staff Engagement June 2019	Substantial / Substantial	3	2					1			Dec 2019		
Procurement June 2019	Substantial / Limited	11	2	1			1	7			Apr 2020		
Workforce Plans June 2019	Substantial / Substantial	4	2		2						Dec 2019	Jul 2020	
ICT Business Continuity June 2019	Limited / Limited	4	1								Sep 2020		3
Commissioning of Placements	Limited / Substantial	9	7		1			1			Oct 2019	Sep 2020	

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
(LAC and SEND)													
		72	47	4	7		2	9					3

Summary of Recommendations Raised and Follow Up Status - 2019/20

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
New Art Gallery September 2019	Limited / Substantial	6	1								Mar 2020		5
Apprenticeships December 2019	Substantial / Substantial	4	1								Jul 2020		3
Housing Benefits & Council Tax Support November 2019	Substantial / Substantial	2	1					1			Mar 2020	Sep 2020	
Holy Trinity Catholic Primary School December 2019	Limited / Limited	12	9		2			1			Mar 2020	Jul 2020	
New Invention Infant School December 2019	Limited / Substantial	14	12		1						Mar 2020	Jul 2020	1
St Patricks Catholic Primary School January 2020	Substantial / Limited	12	11		1						Jan 2020	Jul 2020	
Saddlers Centre Management March 2020	Substantial / Limited	5									Sep 2020		5
Children's Social Care Caseloads	Substantial / Substantial	7	4								Jul 2020		3

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
February 2020													
School Capital Programme February 2020	Substantial / Substantial	1									Mar 2020		1
Social Media February 2020	Limited / Limited	6									Apr 2021		6
Accounts Receivable April 2020	Substantial / Substantial	1									Aug 2020		1
Council Tax / NNDR March 2020	Substantial / Substantial	5	2								Jul 2020		3
Payroll & Pensions Administration June 2020	Limited / Limited	6	1		1						Sep 2020		4
Federation School Governance May 2020	Substantial / Substantial	3	2								Oct 2020		1
Cyber Security April 2020	Substantial / Substantial	4	2								Sep 2020		2
		88	46		5			2					35

Summary of Recommendations Raised and Follow Up Status - 2020/21

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Blue Coat Federation June 2020	Substantial / Substantial	5	3								Sep 2020		2
Castlefort Primary June 2020	Substantial / Limited	7	3								Sep 2020		4
County Bridge Primary June 2020	Substantial / Substantial	4	3		1						Jul 2020		
St Anne's Catholic Primary School June 2020	Substantial / Substantial	4	3								Jul 2020		1
St Peter's Catholic Primary School June 2020	Substantial / Substantial	4	1								Jul 2020		4
St Francis Catholic Primary School July 2020	Substantial / Limited	8	7								Sep 2020		1
Brownhills West Primary School July 2020	Good / Substantial	3	2								Sep 2020		1

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Abbey Primary School July 2020	Limited / Substantial	6	4								Sep 2020		2
Salisbury Primary School July 2020	Substantial / Substantial	3	2								Oct 2020		1
		44	28										16

Appendix 5 – Statement of Responsibility

We take responsibility to Walsall Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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Agenda Item No. 18

Audit Committee – 27 July 2020

Risk Management Update – Strategic Risk Register

1. Summary of report

The purpose of this report is to update Audit Committee with regards to recent risk management activity, and the development of a Covid-19 related strategic risk section of the Strategic Risk Register (SRR). This report also provides an update on feedback on the implementation of the existing Risk Management Strategy and the proposed additions to the Risk Management Framework. Detail on each of these areas is set out in the report below.

2. Recommendations

2.1 That Audit Committee note and comment on the Covid-19 related strategic risks section that has been developed and incorporated in to the Strategic Risk Register (SRR), set out at Appendix 1.

2.2 That Audit Committee note the feedback on the implementation of the Risk Management Strategy and the further actions agreed by the Corporate Management Team (CMT).

3. Background

3.1 Recent risk management activity has been carried out to ensure that the SRR takes account of the developing Covid-19 picture.

3.2 The work also sought to identify improvements to directorate processes to support both the implementation of the Risk Management Strategy and how this interacts with the SRR to ensure that the Strategy remains appropriate, both within the current climate and against the Council's priorities.

4. Resource and Legal Consideration

4.1 Audit Committee's responsibility for risk management includes the following:

- Reviewing the mechanisms for the assessment and management of risk;
- Giving assurance about the process;
- Ensuring the Council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2015 (reg. 4(1), "the relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".

4.2 Audit Committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are being actively managed. This report enables Audit Committee to exercise its responsibilities in respect of risk management by

reviewing the current SRR; calling in key business risks for review; and seeking assurance that risk management is thoroughly embedded within the organisation.

4.3 Walsall Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Authority's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the Authority to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of CMT.

5. Citizen Impact

5.1 There are no implications directly related to this report.

6. Performance and Risk Management Issues

Covid related Strategic Risks

6.1 The current Covid-19 crisis and its fluid nature presents clear risks for the Council. The SRR was compiled prior to the current situation with Covid-19, and a pandemic of this nature is not included within it, therefore work has been undertaken to review and incorporate a new section highlighting strategic Covid-19 related risks.

The risks have been compiled in close liaison with Silver / Bronze work stream leads who have contributed significantly to the development of the risks, linked to a number of reports to Cabinet relating to Covid-19 that were presented on 19 May 2020. These risks are attached at Appendix 1.

CMT reviewed and approved these strategic risks at their meeting on 18th June 2020.

Feedback on the implementation of the Risk Management Strategy

6.2 The current Risk Management Strategy was approved by CMT and Audit Committee in January 2019 along with a work plan for its implementation for the period up to January 2020.

As we are now at the end of this work plan period it has proved useful to undertake a 'lessons learnt' exercise to highlight strengths and potential areas for improvement with regard to the ongoing development and implementation of the Strategy. This has highlighted the following:

Strengths	
1. Directorate Risk Registers (DRR)	When these have been provided in line with the Strategy requirements, they indicate risks are being managed effectively with appropriate actions being taken i.e. changes in status / score / position / actions.
2. Audit Committee 'Deep Dives' of Strategic Risks	Requests from Audit Committee for attendance from strategic risk leads to provide further detail on position / actions is an example of good practice. At the September 2019 meeting of Audit Committee, Members requested more detailed assurance from the Executive Director of Resources and Transformation with regard to two strategic risks (relating to WPP and changes in the political environment as a result of Brexit). The 'deep dive' was subsequently trialled at the December 2019 meeting of Audit Committee and is considered to be an example of good practice, giving Members increased assurances via the ability to challenge and discuss risks in more detail.
Areas for Improvement	**Recommended actions**
3. Directorate Risk Registers – there is a lack of consistency in some directorates in meeting requirements – with those directorates who regularly and actively update and have risk as a standing agenda item for discussion at DMT having met the work plan and strategy deadlines.	3.a. Risk champions to be identified within remaining directorates (R&T) and re-confirmed in other directorates to ensure they continue to remain the most appropriate officer. 3.b. Ensure reviews of DRR's are a standing item on all DMT agendas. 3.c. Consider the formation of a Strategic Risk Management Group (led by the Directors Group and consisting of risk champions and corporate risk management support) which will lead on: • Driving consistency across all four directorate risk registers; • Ensuring compliance with quarterly reporting deadlines; • Acting as a more formal link between the directorate, Proud programme and strategic risk management activities; • Supporting the monitoring, review and update of 'council-wide' risks and the resulting update of the SRR.

Areas for Improvement	Recommended actions
4. Continuation of Audit Committee 'Deep Dives' of Strategic Risks	4.a. Support Audit Committee to continue to identify further strategic risks for deep dive discussions
5. Strategic Risk Register -There is a lack of consistency in terms of regular updating, with SRR leads relying on input from others with competing priorities	5.a. Consider utilising the Strategic Risk Management Group (as above, if supported) to support and co-ordinate the update of the SRR.

6.3 All recommended actions were agreed by CMT.

7. Equality Implications

7.1 There are no implications directly related to this report.

8. Consultation

8.1 Silver / Bronze work stream leads have been consulted with and contributed significantly to the development of the Covid-19 related strategic risks. CMT approved these at their meeting on June 18th 2020.

9. Background Papers

Previous reports on Risk Management presented to Audit Committee

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APPENDIX 1

Covid-19 Strategic Risk Register 2020/21

Walsall Council

June 2020

No.	Risk Cause *and Effect*	Link to Strategic Risk Register ***Lead***	Existing Controls *Assurances*	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions/Planned Mitigations	Deadline
1	**Threats to the Economic Growth of Walsall resulting from the impact of Covid on the Walsall and wider economy and additionally any inability to promptly support small and sector specific businesses through Government grant funding** • Delays in administering government grant programmes results in local business suffering from cash flow issues, putting their longer term sustainability at risk. • Business Rate income under threat as a result of weakening markets, reducing business confidence and Business Rate Holiday for 2020/21. • Eligible businesses miss out, due to lack of information / knowledge together with restricted funds being made available by government, so do not receive the grant funding they require. • Grants are paid to ineligible businesses through fraudulent applications. Breach of State Aid rules resulting in possible clawback responsibilities. • Resultant economic uncertainty weakens the investment market together with reduced income for the Council. • Changes in shopping habits threaten town and district centres. *The effect would be reduced future income streams for the council, increased unemployment and reliance on services from the community, reduced aspirations for next generation.*	SRR 1 **Mark Lavender**	• Contacting businesses quickly and implementation of automated portals to administer Government's grant funding / relief programmes. • Marketing and contacting businesses individually to promote applications undertaken. • Application of 100% business rate holiday for all retail, hospitality and leisure businesses for 2020/21. • Use of Government's Grant Management and Counter Fraud digital assurance tool, and external agency to assist with verification checks. • Identifying suppliers at risk of collapse and implementing actions in line with Cabinet Office PPN 02/20. • Cross departmental team approaches established to administer the grants programmes.	Current Score 3	3	9	Amber	• Launch of the Government new Discretionary Grants programme successfully made on the 4th June and now receiving applications. • Conversations with government taking place to seek additional funding for the Discretionary grants programme.	Due to close 26th June Ongoing
				Target Score 2	2	4	Green		

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Walsall Council

June 2020

No.	Risk *Cause and Effect*	Link to Strategic Risk Register ***Lead***	Controls *Assurances*	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
2	**The Proud Programme ceases to progress at the required pace during the period of disruption.** • Lack of improved outcomes and customer experience; • Reduced employee satisfaction and engagement; • Lack of improvements in service efficiency and performance; • Delay in the delivery of savings, leading to reduction in financial benefits delivered in 2020/21; • Cost implications arising from specialist interim support costs; • Further contractual variations may be required. *The effect would be that costs of service provision remains above optimum level and opportunity cost of this cannot be removed. The Council would not become fit for purpose to face future challenges.*	SRR 2 **Penny Mell**	• Review of programmed activity to end of June to determine those activities which can continue and those which should be delayed. • Continuous monitoring over coming weeks and months. • Programme level risks captured at Programme level and within individual work streams. • Procurement advice will be sought from Procurement Team when there is further understanding of any proposed changes.	Current Score 4	3	12	Red	• Updated status report of outcomes from review to CMT. • Integral part of Reset Framework, with the Director of Transformation on the Working Group which meets twice a week. • Proud actions included on the weekly CMT agenda. • Continuous monitoring	July 2020 Ongoing – December 2020 Weekly Ongoing
				Target Score 3	3	9	Amber		

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Walsall Council

June 2020

No.	Risk *Cause and* Effect	Link to Strategic Risk Register **Lead**	Controls *Assurances*	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
3	**Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community.** • *Weak relationships with Partners- provider relationship breakdown, absence of trust;* • *Lack of supply chain resilience / suppliers of services in market;* • *Provider fails;* • *Financial pressures in other sectors reduce the resources they can deploy;* *The effect of this risk materialising would be increased future costs for the Council to deliver the same or reduced services or service disruption due to provider or contractor failure.*	SRR 3 **Kerrie Allward** **Mark Lavender**	• Cross directorate working group established. • Identifying suppliers at risk of collapse (through review of contract registers) and implementing actions in line with Cabinet Office PPN 02/20. • Change in payment method to Adult Social Care providers to provide ongoing cash flow and sustainability.	Current Score 4	5	20	Red	• Implementation of 'additional expenses' process • Business continuity arrangement and open book accounting exercise to be conducted to support continuity of provision/safe exit from the market • Resetting the provider relationship – through regular communication channels i.e. continuation of weekly Skype calls, development of FAQ and move to focus on reintroduction of virtual forums and individual Commissioning Manager/Provider relationship meetings	August 2020 August 2020 August 2020 onwards
				Target Score 3	3	9	Amber		

APPENDIX 1

Covid-19 Strategic Risk Register 2020/21

Walsall Council

June 2020

No.	Risk *Cause and Effect*	Link to Strategic Risk Register **Lead**	Controls *Assurances*	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
4	**The Council is unable to maintain service standards to support the most vulnerable in society.** • Adults and Children in specific circumstances are not adequately supported and are left at risk due to the necessary changes in service delivery – intelligence around vulnerable children and adults is not robustly captured or joined up. • Lack of re-engagement with service users who have chosen to self-support during Covid-19. • Breakdown in communication with partner organisations • Increase in demand through the front door, which is compounded by cases not exiting the service, impacting on capacity to respond. • Failure to provide additional grant funding to the Community and Voluntary Sector would impede their ability to provide ongoing support to the Council. *The outcome could be death or harm to an individual known to or under the care of the authority and partners or shielded/self isolating local people, which would reduce moral and cause reputational damage.*	SRR 4 **Colleen Male** **Karen Jackson** **Paul Gordon**	• Co-ordination of response to ensure the continuation of council services. • Management of sickness and deployment of staffing resource to priority areas. • Use of significant investment in IT to allow the workforce to work remotely and continue to provide services. • RAG rating of all cases to identify immediate need, and ongoing review. • Meetings continue to take place virtually. • All Statutory Safeguarding responsibilities continue to be fulfilled. • Application of Resilient Communities approach (working with Community associations and other partners) to ensure a strong support network for shielded and vulnerable people. • Application of the Government's Hardship Fund. • Continuing to provide Free School Meals. • Care Act easements are well understood and reviewed in line with the guidance.	Current Score 4	Current Score 4	Current Score 16	Current Score Red	• Continued service delivery • Shielded Team to be aligned with Community Hubs and resilience work • On-going review of Business Continuity Plans in line with Reset Planning	On-going In line with timeline for Reset Planning work
				Target Score 3	Target Score 3	Target Score 9	Target Score Amber	• Weekly Safeguarding Partnership briefings to coordinate work across the partnership • Access to workshops and webinars to share information across the workforce and promote staff well-being • Completion of workplace and individual risk assessments to support reset planning • Return of Mash and IRS to the Civic Centre to ensure effective and coordinated responses to any increase in demand. • Ongoing care assurance calls with ASC service users who have elected to self-support during covid-19 as required • COVID-19 action plan developed to monitor and manage all	Weekly Ongoing July 2020 June 2020 Ongoing Ongoing

Covid-19 Strategic Risk Register 2020/21

Walsall Council

June 2020

No.	Risk *Cause and Effect*	Link to Strategic Risk Register **Lead**	Controls *Assurances*	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
								mitigations and controls in relation to covid-19 and reset • Legal updates on Care Act easements circulated to all ASC staff. Clear framework and statement for decision making published on the internet.	June 2020

APPENDIX 1

Covid-19 Strategic Risk Register 2020/21

Walsall Council

June 2020

No.	Risk *Cause and Effect*	Link to Strategic Risk Register **Lead**	Controls *Assurances*	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
5	**The Council is having to make decisions that have a significant financial impact without a guarantee that the costs will be fully compensated for by the Government.** • Significant loss of income following closure of services and facilities; • Significant additional expenditure relating to the council's response to Covid-19; • Insufficient cash flow and funds to meet obligations in the short term; • Delays to Proud Programme savings have an impact in 2020/21 and 2021/22 and a potential "knock-on" effect for future years budgets beyond 2021/22; • Delays to ability to implement Capital Programme schemes potentially impacting on future savings initiatives and capital receipts. *The effect of this would be to have to use reserves to balance the budget putting future stability and sustainability of finances at more risk. There may be the need for the authority to institute a S114 process and to set even more challenging savings programmes to address the Covid-19 impact, which would affect services, result in reputational damage and a reduction in services to residents.*	SRR 7 **Vicky Buckley**	• Receipt of Covid-19 un-ring-fenced response funding, and ongoing discussions with MHCLG regarding potential for additional Government support to councils. • Receipt of ring-fenced infection control, Hardship funds for specific services is helping to support those specific areas of additional cost. • Close management and reporting of costs, loss of income and indirect impacts through CMT Leader and Cabinet. • Implementation of a robust process for approving additional Covid-19 related spend (Silver and Gold). • Monthly financial returns to MHCLG which have been checked for consistency with other Local Authorities in the Region. • Cabinet approval for management of reserves as necessary. • Cabinet approval for pooling of un-ring-fenced allocations and any windfall income to be used as necessary by the council's S151 Officer. • Daily monitoring of cash flow position to provide an update of cash flow forecast for the year. • Establishment of detailed financial Risk register, updated weekly.	Current Score 4	4	16	Red	• Continued engagement in MHCLG monthly financial returns to ensure scope of the financial impact is understood by Government. • Continued dialogue with government both directly and collectively with peer groups (LGA / SIGOMA) to gain confirmation of additional Government support / funding options. • Weekly reporting of financial impact to GOLD as part of Sitrep update, monthly reporting to CMT and quarterly to Cabinet as part of financial performance updates. • Continued monitoring of cash flow position. • Monitoring of impact on council tax and business rates collection performance and identification of any associated financial impact. • Refresh of Budget Framework report to take account of Covid impact and reporting to Cabinet. • If funding is not provided to fully cover any financial impact, then the council will need to consider other actions, including identifying further alternative savings options, and emergency budgets for reporting / consideration / approval by members, and the need for any S114 process, following the updated guidance provided by CIPFA to enter in to dialogue / conversations with MHCLG prior to issuing any formal S114 notice. • There is an opportunity to consider different future ways of working including our approach to home working, estate planning etc, to reduce costs on an ongoing basis.	Monthly Monthly As per reporting schedules Daily Monthly July 2020 Reset Planning under way
				Target Score 3	3	9	Amber		

APPENDIX 1

Covid-19 Strategic Risk Register 2020/21

Walsall Council

June 2020

No.	Risk Cause *and Effect*	Link to Strategic Risk Register **Lead**	Controls *Assurances*	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
6	**The Transition from emergency response to business resetting and recovery does not encompass lessons learnt and good practice experienced during the pandemic period.** • Trying to recreate "how it was" in the reshaping and resetting phase; • Lack of understanding of what went well and how to build on it; • Lack of management of Walsall Proud Programme interdependencies; • Failure to plan effectively for the health , well-being and safety of the workforce; • Failure to put in place necessary safety measures to ensure the resetting of business within Covid-19 secure workplaces. *The effect of this would be a missed opportunity to develop new ways of working and capture innovation required to achieve the objectives of the Walsall Proud Programme.*	SRR 2 **Andrea Potts**	• Reset Framework, endorsed by Cabinet, in place to guide planning, actions and responses. • A cross directorate reset working group, including representation from WPP to ensure links to that programme, will report to and take direction from the reset board (CMT). • Co-ordination with the WMCA.	Current Score 4	3	12	Red	• Covid Service Reviews with all services to identify opportunities and risks and plans required to move those forward within framework process agreed by Cabinet • Implementation of Covid Service Review plans • Reset staff survey to understand and respond to workforce concerns , anxieties and suggestions • Refresh of FAQ's to respond to any specific issues / concerns as they arise • Regular communication with TU colleagues and corporate comms on reset thinking , direction and actions • Covid secure risk assessment for all buildings / services and individual risk assessments for vulnerable employees • Reduced building capacity to ensure social distancing / government guidance and prioritisation of services that cannot work remotely • Signage, screens , one way systems , hand sanitisers etc	July 2020 August 2020 onwards July / August 2020 Ongoing Monthly Ongoing and prior to building based returns Ongoing and prior to building based returns Ongoing and prior to building based returns
				Target Score 2	2	4	Green		

APPENDIX 1

Covid-19 Strategic Risk Register 2020/21

Walsall Council

June 2020

No.	Risk *Cause and Effect*	Link to Strategic Risk Register	Controls *Assurances*	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
7	**Increased exposure to fraud and legal challenge due to emergency governance steps taken.** • Decisions are made at speed and without complete information, leading to potential unintended consequences; • Reduced levels of control in place within authorisation processes; • Lack of segregation of duties putting officers and the organisation at risk of complaint or litigation. • Increased opportunity for phishing, scams etc around business rates in particular.	- **Tony Cox** **Vicky Buckley**	• Guidance with regard to Executive decision making by the Leader and officers approved and circulated at the start of the lockdown. • Gold and Silver command meeting structure set up to manage the impact of the Covid-19 crisis. • Roll –out of ICT equipment to enable virtual meetings as soon as the government enacted the necessary legislation. • Use of Government's Grant Management and Counter Fraud digital assurance tool, and external agency to assist with verification checks prior to payment of business grants funding to businesses. • New authorisation process put in place for additional expenditure requests. • Liaison between services and Internal Audit regarding ability to amend controls in certain circumstances. • Implementation of revised invoice approval process in support of remote working. • Reminders form communications and on website about increased risks.	Current Score 2	3	6	Amber	• The Council will continue to review its governance arrangements as it has done throughout the Covid 19 crisis and will make changes after reviewing all the circumstances at this time of uncertainty to ensure lawfulness, openness, and transparency. A major review of the current arrangements are already scheduled to take place in July 2020. This review will take into account the views of all relevant stakeholders, including the Mayor and Deputy Mayor. • Continued use of counter fraud and state aid compliance processes that have been developed for further supplier support responses implemented by government, for instance support to small and micro businesses. • Implementation and go live of the council's new One Source system (integrated HR, Payroll and Finance system) which includes developments which further support remote approval / authorisation of payments via secure workflows. • Utilisation of Internal Audit work programme days to support further review of controls in services impacted by Covid.	July 2020 26 June 2020 8 July 2020 June – September 2020
				Target Score 2	2	4	Green		

Risk Management Quick Guide

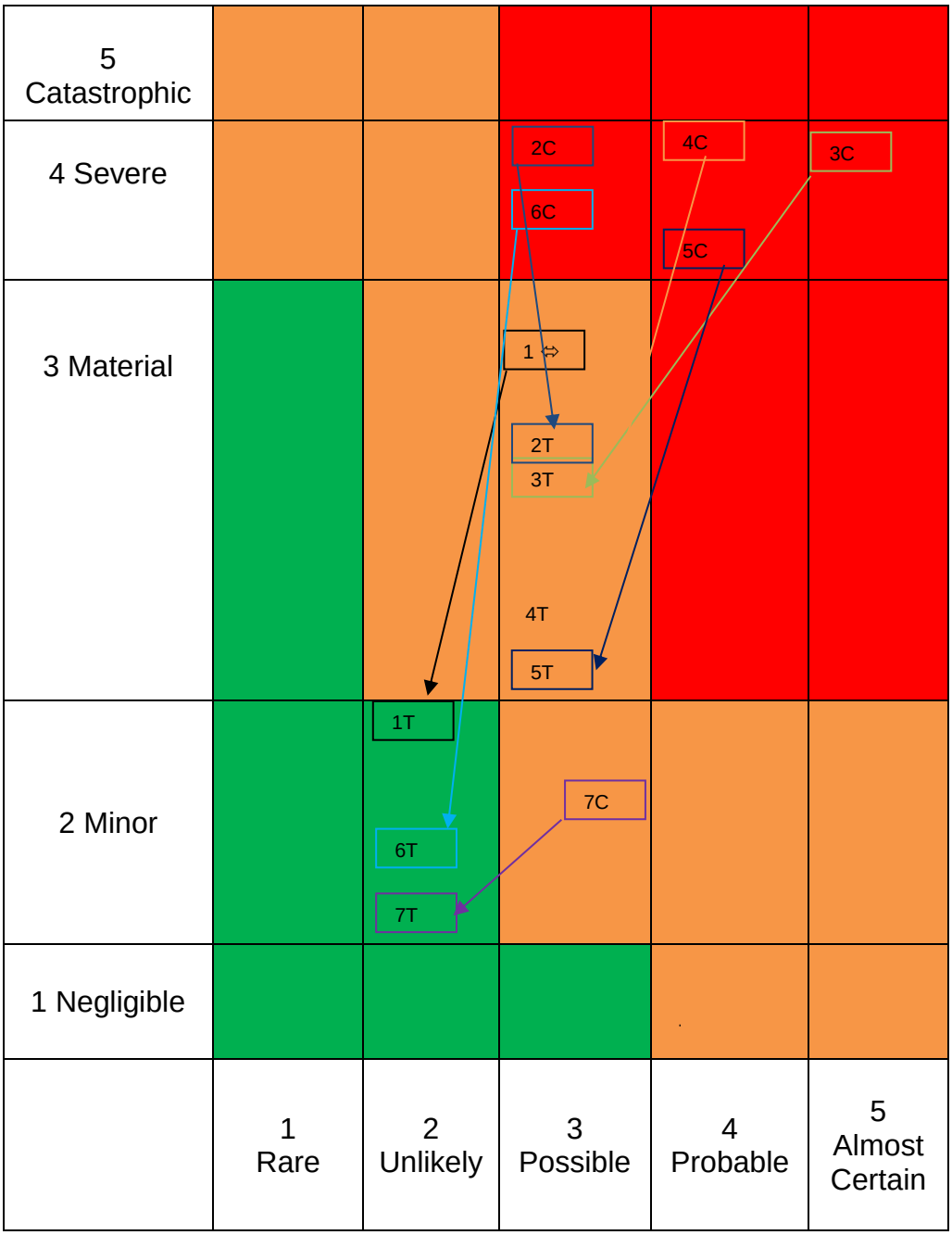
Current (C) – with the current controls/mitigations

Target (T) – the score that brings the rating to within appetite for the risk.

Direction of Travel (Trend):
⇩ Risk score reduced ⇔ no change to risk score ⇧ risk score increased

Risk appetite level – Risks above this level will need particular resources and focus

Risk Matrix



I M P A C T

Risk acceptance level (activity below which attracts minimum effort and resources)

L I K E L I H O O D

Risk Ratings: 1 – 4 = low risk (Green) / 4 – 10 = medium risk (Amber) / 12 – 25 – high risk Red)

Likelihood and Impact guide.

Likelihood			Impact		
Score 1-5	% chance	Time Frequency	Score 1-5	Disruption to Services and/or Residents affected or aware	Budget
1 Rare	< 10%	Rare occurrence	1 Negligible	Minor disruption to services *Up to 5%*	>1%
2 Unlikely	10 - 30%	Once in 5 years	2 Minor	1-2 weeks *Up to 10%*	>5%
3 Possible	30-60%	Once 2 years	3 Material	Up to one month *Up to 25%*	5-10%
4 Probable	60-90%	Once a year	4 Severe	1 – 3 month *Up to 50%*	10-20%
5 Almost Certain	> 90%	within 6 months	5 Catastrophic	Over 3 month *Over 50%*	20%

Agenda Item No. 19

Audit Committee – 27 July 2020

One Source Programme Update

1. Purpose of the report

1.1 To provide an update on the status of the One Source Programme.

2. Recommendations

2.1 That Audit Committee note that:-

- The Human Resources, Finance and Procurement parts of the One Source project went live on 8th July, 2020 as planned.
- Following three months of parallel running, the Payroll element of One Source is scheduled to 'go live' in October.

3. Background

One Source Programme Scope

3.1 One Source is the name of the council's change programme to introduce new ways of working and streamline processes. These aims will be delivered by improving and developing self service capability for employees, managers and suppliers to the Council.

3.2 To support the business change required to deliver this project, and the Council's Proud promises, the Council is implementing a new Information Technology (IT) system known as an Enterprise Resource Planning application (ERP). Walsall's choice of ERP is Oracle's Fusion product. This is a modern system consolidating a number of existing IT systems together, through a single cloud-based product. This brings together finance, procurement, Human Resources and payroll processing activity and consolidates information relating to these key council assets together in one system.

3.3 One Source will deliver a number of benefits such as:-

- **One System, One Login, One Source**: everything in one place with a single login — from payslips and personal records to recruitment and financial tasks.
- **Minimal paper forms:** digitising major elements of finance, HR, payroll and procurement processes will offer a better user experience for staff and managers, use digital processes which we are all familiar with in our everyday lives. This will in turn save time in processing and approving transactions and enhance our compliance and security.
- **Empowering our staff:** a user-friendly way to access a range of HR and payroll self-service activities such as updating personal details, one stop shop for information about employees learning history and performance, as well making booking training and submitting expenses much easier.

3.4 Bringing key council resources data together into a single system enables timely and accurate reporting. One Source also provides greater resilience and availability as it is a 'cloud based' solution, no longer reliant on the council's on site data centre. Staff can access the system at any time to suit them and be assured that the information they access is up to date and accurate rather than waiting for on-site updates. This clearly has added advantages now during Covid-19 as staff are working away from the office but can still process requests and transactions.

Programme Position as at 13th July 2019

3.5 Following the update given to the Audit Committee in February 2020, One Source has been implemented, tested and gone live as planned. The agreed modules of Human Resources, Finance and Procurement were available to transactional teams to begin using on Wednesday 8th July. The system was then released to all staff on Thursday 9th July. As part of the design for the roll out of further functionality:

- Health & Safely module goes live in September
- an increased range of Manager Self Service options become available in October
- The Payroll module is planned to Go-Live in October, following a period of 3 months parallel running.
- Talent Management goes live in January 2021 in readiness for the Council's Annual Performance Conversations

3.6 The Rollout of this programme has been seamless with minimal issues, indicating a very successful implementation. What was not envisaged was the impact of Covid-19 and the impact of moving the whole of the delivery team to a virtual home working resource, not seeing each other physically in the office in the lead up to the go live. This required agile planning and re-profiling of the change activity was testament to a professional and committed team working well together. Training was delivered on line via Show and Tell sessions using MS Teams and How To videos produced for staff to be able to dip into the various elements of the system with an easy to understand set of instructions. As not all employees have a Council log on to access systems, ingenuity was applied to enable access to One Source support information via external access to the intranet. The addition of a well-tested Support function has also lead to a positive user experience for Council employees using the new system for the first time.

3.7 The corrective measures raised by Audit Committee previously have been executed as planned. This has resulted in the controlled delivery of the main phase of the One Source Programme. Previous risks around Resourcing, Changes to Design and Complex supplier arrangements have been effectively managed through the rigorous Governance process implemented in October 2019.

3.8 Key factors to the successful delivery of One Source include:

- Resourcing has been sufficient to deliver to the agreed programme plan, roles and responsibilities have been continually enforced ensuring ownership of deliverables has been clear.

- A New Governance Framework has worked extremely well with the One Source Steering group becoming the gateway for all programme decisions and required change requests, this has ensured consistency with design principles and clarity for all stakeholders.

- Supplier Management has been greatly improved, through the reinforcing of roles/responsibilities and appropriate representation at the business stakeholder meetings.

4. Financial

4.1 The original budget was £4,159,853. Cabinet approved the elongation of the project and the budget was increased by £2,971,903 taking the total budget to £7,131,756. We are robustly monitoring the spend against the revised budget and currently forecasting to come in within budget.

5. Procurement

5.1 Procurement processes have been followed with advice and guidance from the Procurement Manager. Up to the delivery of a live and operational system in October 2020, the programme has access to the technical partners appointed to design and deliver the solution. From the end of October the system moves into 'business as usual status' and requires a formal support and maintenance partner to ensure that the solution remains fully operational and that necessary updates and patches are applied. A procurement exercise is currently underway to appoint an ongoing support and maintenance service provider.

6. Legal

6.1 All contracts relating to this project have been in a form agreed by Legal Services. Contract management monitoring is managed jointly by the Programme and Procurement

7. Risk Management

7.1 Risk management has followed the Council's approved method for reporting and managing risks within the governance for the One Source Programme, via regular reporting to Steering Group and the Executive Director for Resources and Transformation as the Programme Sponsor.

7.2 The programme has endured some issues along the way as well as having to go live through a pandemic. Senior management have recognised this significant feat and have requested a lessons learnt report to be produced to help the Council in the future to recognise the positive actions and also the areas for improvement when developing an appropriate programme structure for success.

8. People

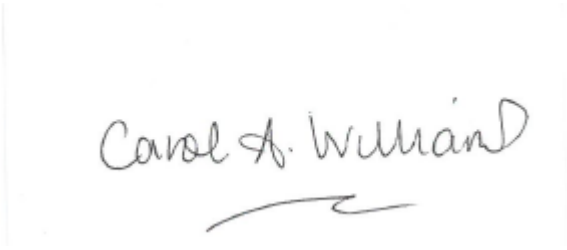
8.1 A key element of the success of the One Source programme is the adoption of a standard change management process throughout the council. Business Change activity was an integral part of the One Source programme and has applied a methodology which has also been used to introduce the success implementation of MS O365 into the council. Because the One Source system is designed to be available to all employees it has been developed so that staff who do not have a council computer or log on can access the system via their personal email address using a smart phone. This is the first opportunity the council has made to capture personal email addresses for traditionally 'hard to reach' staff and with their permission will enable the council to provide better communications to these colleagues going forward.

8.2 Supported by experts from one of the supplier partners, the One Source Change team has worked with the respective Business Change managers to ensure that the communications messages to staff and the training and awareness delivery was timely and relevant. Due to Covid-19 this work has been responsive and agile to deliver a high level of awareness during these unprecedented times. An example of the business change and communications plan can be found in Appendix A.

9. Consultation

9.1 This report has been compiled through consultation with senior officers within the council and key One Source stakeholders for Finance, Procurement, HR and Payroll.

9.2 The revised Programme Plan for One Source has been developed and ratified by the four key suppliers to the programme – Evosys, Oracle, Egress and Socitm.



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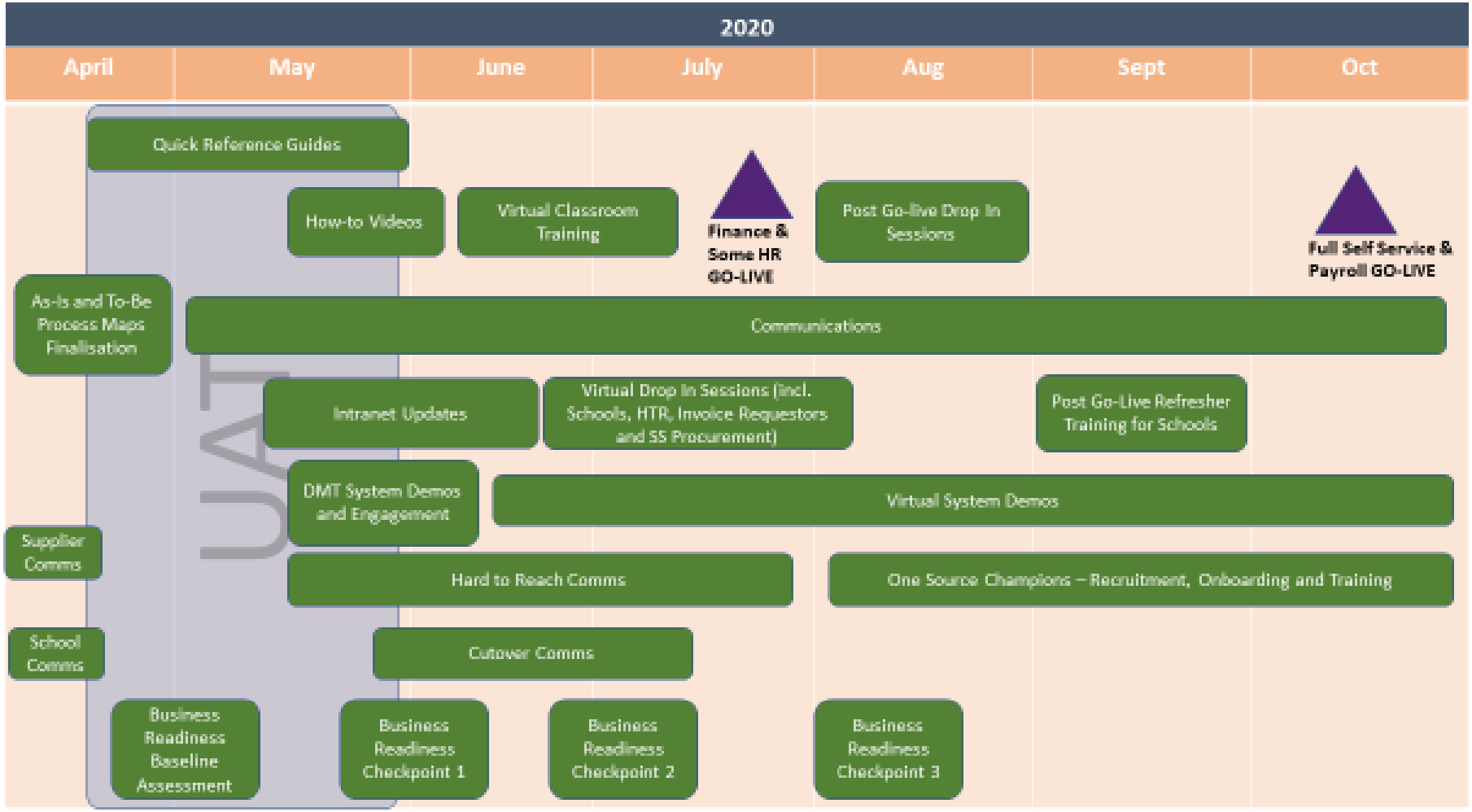
Date: 14th July 2020

Appendix A
Organisation Structure for One Source Programme Delivery

Walsall Council One Source – Key Business Change Activities