

Audit Committee – 26 June 2017

Annual Review of Effectiveness of the System Internal Control and the Draft Annual Governance Statement 2016/17

Summary of Report

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

This review supports production of the AGS for 2016/17 and requires Audit Committee approval prior to publication alongside the post-audit Annual Statement of Accounts (SoA), in September 2017.

CIPFA advise that it is good practice for Audit Committee to receive the draft AGS before or during the audit of the accounts to enable Audit Committee to raise any points that they feel may need to be addressed prior to formal approval in September, as such the AGS is being provided in draft to this Committee alongside the pre-audit SoA.

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

Recommendations:

Audit Committee are requested to:

1. Receive, consider and approve the findings and recommendations arising from the annual effectiveness review of the system of internal control, as contained within this report.
2. Receive and review the attached draft Annual Governance Statement, for publication alongside the pre-audit Statement of Accounts.
3. Note that the final AGS will be presented to members for approval in September, alongside the post-audit Statement of Accounts.
4. Note that the final AGS will be updated as necessary for any changes or findings as a result of the audit of the AGS and Accounts over the summer period.



James T Walsh – Chief Finance Officer

Background

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

- 1) Must ensure that it has a sound system of internal control (Regulation 3) which:
 - (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) Ensures that the financial and operational management of the authority is effective; and
 - (c) Includes effective arrangements for the management of risk.
- 2) Conduct a review of the effectiveness of the system of internal control required by regulation 3;
- 3) The findings of this effectiveness review must be considered by a Committee of the council (Council have delegated this to Audit Committee);
- 4) The Council must prepare an annual governance statement;
- 5) The annual governance statement (AGS) must be approved by the council (Audit Committee).

The AGS must accompany the body's statement of accounts for that financial year.

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 2016/17 report, which is included elsewhere on tonight's agenda and has been used to inform the review of the effectiveness of the system of internal control and the production of the AGS.

Resource and Legal Considerations

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

Performance Management and Risk Management Issues

Performance Management

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

Risk Management

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

Equality Implications

None relating directly to this report.

Consultation

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

Governance

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

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

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

Background Papers

Audit and Accounts Regulations 2015

Internal Audit report and Opinion on the adequacies of the council's control environment
Various CIPFA Guidance, Local Code of Governance, Various council documents and reports

Various external and internal audit and inspection reports

Grant Thornton Annual Audit Letter and various external audit reports

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Review of Effectiveness of Governance Arrangements

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 2016/17.

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

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

- The annual work programme of Audit Committee including receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor's opinion on value for money and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- Findings of the external auditor and other review agencies and inspectorates.
- The Internal Audit annual report and Opinion on the effectiveness of its risk management, control and governance processes.
- Cabinet, CMT 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.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy and associated processes.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

The following sections set out the key areas of assurance and findings from work and activity undertaken during 2016/17 in these areas. These have been considered in the annual effectiveness review of the system of internal control.

Effectiveness Review of the System of Internal Control

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

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

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

The review of the effectiveness of the system of internal control is informed by the work of the Audit Committee and the work of Internal Audit, and 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 2016/17 financial year, the following Internal Audit Opinion has been given;

"On the basis of our audit work, we consider that the Council's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work, nine 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".

The internal control environment can only provide reasonable and not absolute assurance regarding the achievement of the council's policies, aims and objectives. The opinion is based on work in the approved operational audit plan, including irregularity, consultancy and advisory work carried out in 2016/17.

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".

Internal Audit 2016/17 Identified Control Weaknesses

The AGS effectiveness review is also informed by work undertaken in 2016/17 to follow up on actions agreed to improve control weaknesses identified in the previous year's (2015/16) AGS.

During 2015/16, Internal Audit reviews were undertaken of the core financial systems all of which were found to be operating satisfactorily, receiving a significant assurance (one – oracle financials - received a borderline significant).

The AGS effectiveness review is also informed by internal audit work undertaken in 2016/17, the findings of these reviews and actions plans put in place by managers address control weaknesses.

Planned work:

During 2016/17, 47 audits were undertaken, excluding unplanned irregularity, consultancy and follow up work. Of these:

- 2 reviews (4%) received a good assurance opinion;
- 30 reviews (64%) received a significant assurance opinion;
- 14 reviews (30%) received a limited assurance opinion; and
- 1 review (2%) received a no assurance opinion.

Overall, 32 reviews (68%) were given significant assurance or above.

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

In addition to fundamental financial systems, audits were undertaken in 2016/17 of other financial and non-financial systems and processes that contribute to the council's overall corporate governance arrangements.

Internal audit's work identified that although in two thirds of audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited or no assurance opinion. The table below details the reviews where a limited assurance or no assurance opinion was given (15):

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
Economy & Environment	Active Living Centre (draft)	Substantial	Limited
	Town & District Centre Markets	Limited	Limited
	Asset Management	Limited	Limited
	CRC Energy Efficiency Scheme	Substantial	Limited
Change & Governance	Facilities Management	Limited	Limited
	Cyber Security (IT)	Limited	Limited
	IT Disaster Recovery Follow up	Limited Progress	
Children's Services	Troubled Families (Jan '17)	Limited	Substantial
	Pheasey Park Farm Children's Centre	Substantial	Limited
Adult Social Care	Residential Care	Substantial	Limited
	Deputyships & Appointeeships	Limited	Limited
	Support Planning, Resource Allocation, Personal Budgets and Direct Payments	Substantial	Limited
	Community Alarms & Telecare	No assurance	Limited
Schools	Little Bloxwich CE Primary	Substantial	Limited
	Abbey Primary	Limited	Substantial

Nine fundamental weaknesses were reported in the following audits; further detail on each is included in the Internal Audit Opinion Report to be presented to Audit Committee on 26th June 2017.

- Town & District Centre Markets (1)
- Troubled Families (1)
- Appointeeships & Deputyships (1)
- Community Alarms and Telecare (3)
- Active Living Centre (1)
- IT Disaster Recovery follow up (2)

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

In addition to planned audits, a small number of unplanned jobs, including investigation of suspected frauds and irregularities, were undertaken by the service during the year. While most cases were not material in the context of this opinion, two cases gave cause for concern this year and investigations are underway in both. Progress will be reported when appropriate, along with any actions to be addressed.

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

- All but one of the core financials systems audits received a substantial or good assurance audit rating, with no fundamental recommendations.
- All recommendations made by Internal Audit have been agreed and management action is being taken to address them.
- Internal Audit will follow up all limited/no assurance reports to ensure progress is made in implementing agreed recommendations and will report back to Audit Committee accordingly.
- The 9 fundamental recommendations are in six separate audit areas. Action is being taken to address these and these will be followed up.

Internal Audit Risk Management Work

Internal Audit continue to support the council in assessing and monitoring key strategic risks to the organisation. During 2016/17, a fundamental review of the Corporate Risk Register was undertaken. A workshop was held with the Corporate Management Team to ensure key strategic risks were reviewed and refreshed and an updated and a revised approach reported to Audit Committee. Work is ongoing to develop this further during 2017/18 and regular updates will be reported back to Audit Committee, in line with the 2017/18 Audit Committee work programme. Corporate risks continue to be reviewed and reported, along with action plan progress.

Internal Audit Review of AGS Compliance

Throughout the year, Internal Audit have supported the council in developing a framework to provide enhanced governance procedures. A set of Key Questions were agreed by management, and Internal Audit assisted managers in identifying the evidence needed to

support the statements made. In future years, management will continue to update the key questions, and the evidence trail, and this will be 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 obtaining sufficient audit evidence through document inspection, observation and discussions with management and staff in order that the council 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

Internal Audit performed follow-up work on 22 Key Questions within the Annual Governance Statement. The assessment of the current compliance status of a selection of Key Questions across all service lines is indicated in the table below. Internal Audit chose a sample of questions from 10 of the above lines on the Annual Governance Statement to confirm compliance and seek evidence where appropriate.

A selection was not chosen from Partnership Working or Performance Management as these areas are due for full audit review during 2017/18. A selection was also not chosen from Internal Audit.

Sample of Key Questions

Area	Key Question	Audit Follow Up Result	Evidence of Compliance
Information Management & Data Security	Are robust procedures in place to ensure electronic or hard copy data held or used by each service area is kept secure in accordance with the provisions of the DPA and not disclosed to unauthorised parties?	Supporting documentation, including the procedure for processing personal/sensitive personal data, intranet page specifically for data protection and the IG Policy Framework were scrutinised and found to be sufficient.	Compliant
Information Management & Data Security	Are agreed data sharing protocols used when sharing data with other organisations and do all documents requesting data from third parties include up to date fair processing notices?	The data sharing protocol was confirmed as being aimed to document the facilitation of sharing of information between the public, private and voluntary sectors so that members of the public receive the services they need.	Compliant

Area	Key Question	Audit Follow Up Result	Evidence of Compliance
Financial Controls	Are the action plans in place to address budget variances regularly reviewed to ensure their appropriateness?	This has been evidenced throughout internal audits completed during the year.	Compliant
Financial Controls	Is the system for delegation of financial authority regularly reviewed and updated as required?	The Scheme of Delegations to Committees and Officers are included in the Constitution. This is approved annually by Council. This was last approved on the 23 May 2016 where Part 3 (Responsibility for functions) had been confirmed as being amended. Minutes confirmed that these amendments had been 'resolved'.	Compliant
Financial Controls	Are procedures in place to ensure that all cash is collected and banked intact in a timely manner?	The 'General provisions for Cash Collection, Including Premises' procedure is located on the intranet. A separate procedure for banking is not currently available, however, the Head of Finance confirmed that this would be documented by the Treasury Management Team.	Compliant
Business Continuity	Are the business continuity arrangements regularly tested and found to be effective?	Further high level disaster recovery testing is planned in 2017/18. Supporting evidence was provided to demonstrate testing undertaken to date. A full internal audit review of business continuity is in progress at the time of this governance review.	Compliant
Business Continuity	Are there adequate and well communicated arrangements in place for computerised systems / records to ensure that these can be reconstituted in the event of a system failure?	Supporting evidence was reviewed along with the key officer response provided and deemed acceptable. A recent internal audit of disaster recovery will provide assurance in the area.	Compliant
ICT	Does each directorate comply fully with the Council's policies on e-mail, Intranet and Internet usage?	The document provided as evidence of the Council having an email and internet usage procedure refers to a procedure published in October 2009 and contacts include David Blacker (Chief Internal Auditor) and Steve Osbourne (Internal Audit) both of these members of staff have now left the authority and there is no evidence provided to suggest the procedure has been reviewed and remains fit for purpose.	In-Part Compliant
ICT	Are processes in place to ensure compliance with the IT Security Policy?	Changed this answer from 'yes' to 'in part' as the framework and procedures are in the process of being reviewed and updated. Section 1 in the Information Governance Framework. Section 5 and Section 7 of the email and internet usage procedure also relate to security (this document is in the process of being reviewed and updated).	In-Part Compliant
Programme & Project Management	Are corporate programme and project management procedures complied with?	There is a programme and Project Delivery intranet page, which provides information on the Walsall Change Approach and project/programme management templates. However, a comprehensive programme and project management procedure has not been established but is expected to be addressed as part of the	In-Part Compliant

Area	Key Question	Audit Follow Up Result	Evidence of Compliance
		Transformation Programme. A full audit of Programme and Project Management is included on the 2017/18 audit plan.	
Programme & Project Management	Are documented procedures in place for monitoring and controlling projects during their lifetime?	See above. As the Council does not currently have a clear project/programme management policy and this is being reviewed as part of the transformation programme, monitoring/controlling of projects and how this is completed is not documented in a procedure note. Standard templates are available on the Intranet to provide some structure to the management of projects.	In-Part Compliant
Member Relationship	Do all Member committees have clearly defined and approved terms of reference?	The Constitution is reviewed annually by Full Council. This was last presented on 23/05/16. Parts 3 and 4 were reviewed as part of this process. Terms of references are documented for each Committee.	Compliant
Member Relationship	Has a training programme to develop Members' skills been established for each committee?	A log of all training completed by Elected Members is maintained by HR. Democratic Services are responsible for arranging and delivering training to Members. Human Resources are currently supporting the Head of Legal and Democratic Services in developing a refreshed Elected Member Training Programme, which is due to be out during the Summer.	Compliant
Procurement / Contracts	Are all contracts recorded on the Council's (electronic) contracts register and is this regularly reviewed and updated?	This was answered as 'yes', however, given the future action plans and lack of centralised checking and monitoring of contract end dates currently in place it has been changed to 'In Part'. The supporting evidence provided was sufficient to evidence that a contract register is in place and maintained for contracts established through Procurement directly.	In-Part Compliant
Procurement / Contracts	Are all contracts over the pre-determined level sent to Legal services for signing and sealing in accordance with the Contract Rules and Financial Rules?	This was answered as 'yes', however, given that assurance cannot be provided across the Council and only for those contracts that Procurement are aware of this has been changed to 'In Part'.	In-Part Compliant
Human Resources	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?	A procedure for the monitoring of overtime has not been established as this would be undertaken by line managers as part of budget monitoring. From review of the other procedures and supporting information provided, this was sufficient.	Compliant
Human Resources	Are HR policies - current and new - communicated to all staff regularly?	There is evidence that HR policies are communicated and there are designated HR intranet pages.	Compliant

Area	Key Question	Audit Follow Up Result	Evidence of Compliance
Human Resources	Are managers aware of the requirement to link staff objectives to Council priorities and strategy?	Employee Performance Review (EPR) procedure noted as supporting evidence. The aim of the procedure is to support the fair and effective management of the employee performance review process.	Compliant
Risk Management	Is the Risk Management framework reviewed and updated on a regular basis?	The Council has a Corporate Risk Management Strategy in place, which was last updated in April 2016.	Compliant
Risk Management	Have quarterly meetings taken place within directorates to ensure good quality review on a regular basis?	Change and Governance do not have a current ORR. This was a conscious decision by the previous director and will be addressed in 2017/18. ORR's for E&E, ASC and Children's Services are reviewed regularly by Directorate Management Teams.	Compliant
Legal & Regulatory	Do staff within each directorate have access to the Council's Whistleblowing policy?	The version on the HR and Internal Audit intranet pages was last reviewed in February 2017.	Compliant
Legal & Regulatory	Are processes in place to ensure compliance with the requirements of the Health and Safety at Work legislation, the Council's Health and Safety management scheme, and appropriate health and safety guidance?	Health & Safety intranet pages were reviewed and appear sufficient to meet the compliance requirements of this question.	Compliant

Conclusions:

- Of the 161 questions over the 13 AGS lines, 59% (94) were classed as fully compliant, 22% as partially compliant (36), requiring some further actions, and 19% as non-compliant (31). Main non-compliant areas relate to performance management (10) and partnership working (6), both of which are due for a full Internal Audit during 2017/18.
- Of the 22 key questions internal Audit chose to sample, in 16 cases there was evidence of full compliance and in six cases there was part compliance as further actions were required. There were no areas of non-compliance
- Survey responses received from key officers has been collated into a master copy which shows compliant, in-part compliance and non-compliant key questions in full.

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

- 81% of the areas covered were compliant or part-compliant.
- Where managers had self-assessed areas of non-compliance, future actions plans were identified.

Officers will continue to develop the framework and carry out follow ups, particularly around non-compliant areas.

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, it's opinion on VFM 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 receives and considers regular Internal Audit progress reports and summary reports of all internal audits receiving a 'no' or 'limited' assurance opinion. Where, on audit follow up a no or limited assurance audit report, no or limited progress is made by managers in addressing weaknesses identified, executive directors and their accountable managers are required to attend Audit Committee to provide necessary assurances. This was the case during 2016/17.

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

Regulatory Committee – Standards Committee and the Ethical Framework

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

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

To date no cases of member conduct have been reported for investigation.

As Lead Officer for the Standards Committee, the Monitoring Officer has a key role in promoting the council's Ethical Framework and high standards of conduct within the authority. This includes the maintenance of the Members and Officers Registers of Interests and Gifts and Hospitality.

The Monitoring Officer is responsible for establishing and maintaining a register of member's interests. This is held within the office of the Democratic Services Manager and is also accessible through the Council's website through CMIS. The register is updated following the Council's annual meeting each year and periodically thereafter as members advise of changes to their entries on the register. Members' gifts and hospitality is also recorded on the interest register. Regular reminders of the need to keep it up-to-date continue to be provided to all members.

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

The Constitution is a living document and as such is subject to regular review and update. In particular the Officer delegations are reviewed annually. Any changes to the constitution are reported to Annual Council, and the Constitution is amended accordingly. The proposed amendments/changes to the constitution are presented to Audit Committee prior to going to Council to ensure elected members are able to scrutinise and be consulted on any proposed changes. In 2014/15 the Head of Democratic Services carried out a comprehensive review of the Constitution in consultation with the Standards Committee and the changes were approved at Annual Council on 13th June 2014. In addition the council has reviewed the effectiveness of its scrutiny function assisted by an external report produced by Professor Steven Leach. A further update to the Constitution was undertaken in 2015/16 and approved by Council in June 2016, followed by a further update in May 2017.

Lawfulness and Maladministration

The Monitoring Officer is the Council's 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 council has complied with all of the recommendations issued by the Local Government Ombudsman.

Governance Issues identified in 2015/16 AGS

Some governance issues were identified in the 2015/16 AGS. The table below details the reviews where a limited assurance opinion was given. The table also provides an update on action taken to address the recommendations.

Directorate	Audits with a Limited Assurance Opinion	Number of recommendations			Progress on Implementation of Recommendations
		1/H	2/M	3/L	
Schools	Christchurch	25	10	1	All implemented
	Jane Lane	17	9	5	29 implemented, 1 no longer applicable, 1 outstanding (High – revised date 30.6.2017)
Economy & Environment	Solihull Framework for Integrated Facilities Management	10	1	0	8 implemented, 3 outstanding (all high – awaiting response to follow up in May 2017)
Adult Social Care	Residential Charging	20	10	0	21 implemented, 7 no longer applicable, 1 partially implemented (high – revised date 30.11.2017), 1 outstanding (high – revised date 30.6.2017)
Change & Governance / ICT	ICT Risk Management	3	3	0	4 implemented, 2 outstanding (1 high, 1 medium – revised date 31.7.2017)
	Social Media	4	6	1	9 implemented, 2 outstanding (1 high, 1 medium – revised date 30.6.2017)

Follow up audits were also undertaken in 2015/16, and limited progress opinions reported for personal budgets (Adult Social Care) and asset management (Economy & Environment). Both of these areas have been audited in 2016/17 and both have limited assurance reports. Early follow up will therefore be undertaken to check progress on implementation of recommendations.

External Audit Assurance

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

The council's independent External Auditor has a broad role covering finance and governance matters. Ernst Young are our appointed auditors in relation to the 2016/17 financial year and onwards. The auditors work in 2016/17 included:

- a) The Annual Report to Those Charged with Governance, published September 2016, which provided an unqualified opinion of the 2015/16 accounts and a formal conclusion that the council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the VFM conclusion). A small number of recommendations were made which were discussed and agreed with the CFO.
- b) The results of the Interim Audit work of Ernst Young in relation to the 2016/17 accounts – no issues have been found as part of this review that EY wished to bring to the attention of the Committee.

- c) At the time of writing this draft AGS, EY's work in relation to 2016/17 (namely the Annual Report to Those Charged with Governance, the audit of the Statement of Accounts, and the VFM conclusion) had not yet commenced. The final AGS to be approved and published in September will provide feedback on that work in relation to the 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 assessments. For future years, assurance will be 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.

Other Inspectorates

The Information Commissioner undertook a data protection audit in November 2016. The purpose of the audit was to provide the Information Commissioner the council with an independent assurance of the extent to which the council, within the scope of the agreed audit, is complying with the Data Protection Act (DPA). The audit focussed on the following areas:

- a) Records management (manual and electronic) – The processes in place for managing both manual and electronic records containing personal data. This will include controls in place to monitor the creation, maintenance, storage, movement, retention and destruction of personal data records.
- b) Subject access requests - The procedures in operation for recognising and responding to individuals' requests for access to their personal data.
- c) Data sharing - The design and operation of controls to ensure the sharing of personal data complies with the principles of the Data Protection Act 1998 and the good practice recommendations set out in the Information Commissioner's Data Sharing Code of Practice.

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

The issues were:

- The process for reporting information risk to the SIRO is unclear.
- Privacy Impact Assessments have not been routinely carried out for significant changes to data handling process, or for data sharing agreements.
- The council’s compliance for subject access requests (SAR) is 61.3% which is much lower than the at least 90% the ICO would expect.
- There is no specific training plan to follow for new subject access request handlers, which may result in inconsistency of approach to dealing with subject access requests.
- Although all of the Assurance Team have received SAR training, only two members of staff are experienced enough to handle subject access requests, which is likely contributing to the council’s low SAR compliance rate.

An Action Plan has been developed with expected completion of all recommendations by February 2018. A report on this is due to be presented to Audit Committee on 26 June 2017.

Financial and Risk Management

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

External audit review the councils arrangements for delivering economy, efficiency and effectiveness in its use of resources (VFM conclusion) and audit the annuals statement of accounts. Their conclusions are set out above under “external audit assurance”.

The council’s medium term financial strategy, finance rules and scheme of delegations are regularly updated to ensure sound financial planning processes are in place. 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 Code of Practice.

Since 2011/12, the AGS is required to contain a statement on whether the authority’s financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the *Application Note to Delivering Good Governance in Local Government: A Framework*. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complies with all but one. This relates to Principle 1, in that *“the CFO is a key member of the Leadership*

Team reporting directly to the Chief Executive with status at least equivalent to other members of the team". The Statement also states that if this is not the case then the reasons should be explained publicly in the AGS and an explanation of how the actual arrangements deliver the same impact. In Walsall the CFO reports to the Executive Director Change & Governance, who reports to the Chief Executive. The CFO attends the Leadership Team (the corporate management team), has access to all confidential papers/matters, has direct and unfettered access to and meets frequently with the Chief Executive, and has direct and unfettered access to members, including Cabinet and Audit Committee.

Performance Management

The Corporate Plan 2017-2020 and Purpose - Reducing Inequalities; Maximising Potential - explains what we are doing as a council and what we are trying to achieve. Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances.

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

The corporate performance management framework has been designed to demonstrate progress against the Corporate Plan along with wider outcome measures deemed strategically important. This involves developing report styles to suit the measures being reported on and an increased focus on delivery of activity to address the priority issue. This approach presents a challenge around building momentum with reports as there is a need to refresh reporting content when the Corporate Plan is refreshed. However, it also provides an opportunity to reshape the format of reports to better meet the needs of the audience. The majority of measures used to track delivery of corporate priorities are reported to a number of performance groups as the corporate priorities align with the priorities of the wider Walsall Plan."

Information Governance

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

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

The development and revision of procedures as part of the Information Governance Policy framework is prioritised based upon the most significant impact and likelihood of a breach

of the relevant legislation. During 2016/17 procedures have continued to be reviewed, developed and added to the policy framework and work has begun to develop an information risk management tool for Information Asset Owners.

Handling Breaches of the Data Protection Act (DPA)

During 2016/17 there were 85 incidents reported as data breaches to the Information Governance team compared to 50 the previous year (70 in 2014/5). These breaches were categorised from Level 1 (minor breach) through to Level 4 (major serious breach), as set out below. This confirms that there is still a high level of awareness in regard to data breaches and that staff are actively reporting.

All services excluding Social Care / Health data

Level	No. of Breaches
0 – no breach found	4
Level 1	47
Level 2	19
Level 3	2
Level 4	0
Total	72

The learning from the breaches has highlighted an increase in the number of data breaches being reported and recurring themes of small amounts of data being ‘disclosed in error’ or ‘lost paperwork’ across a range of services and circumstances. This has been addressed by reviewing the content of the mandatory training and increasing the frequency that training is completed to every 12 months.

The council’s data breach procedure includes the requirements of the Guidance for Reporting, Managing and Investigating Information Governance and Cyber Security Serious Incidents Requiring Investigation, published by the Health and Social Care Information Council (HSCIC), and a total of 13 data breaches were reported as involving adult social care / health data with 4 of these incidents resulting in an assessment of, no breach found and 1 assessed as reportable to the HSCIC and ICO.

Social Care / Health data

Level	No of breaches
No breach found	4
Level 1	8
Level 2	1
Total	13

Information Asset Owners and Information Custodians continue to maintain and update the register of information assets held in offices, off- site storage locations, systems such as IT applications and document storage systems. When a breach occurs the register enables the appropriate Asset Owner to be alerted and any immediate actions implemented. It will assist with the plotting of data flows within and outside of the Council in order to identify and mitigate risk.

Protecting Information Training and Awareness

As part of the council's information governance training needs analysis review, a decision was made and agreed by FIGA to enhance the content of the mandatory training. The updates to the courses reflect the ever changing technological advances, social media, high risk areas as well as the planned changes to data protection law; principally GDPR. The frequency of the course is now annually and we have listened to feedback and redesigned the course so that staff and elected members are now only required to complete ONE level.

This revised course Responsible for Information Training is being tested and will be launched in June 2017.

As at March 2017 in excess of 90% of staff had successfully completed the appropriate level of training within in the last two years and all new starters now completing the course as part of the Corporate Induction. Alternative formats have been developed for employees who do not use ICT equipment, as well as the option to have the course delivered face to face where necessary.

Data Protection (DPA), Freedom of Information (FOI) and Environmental Information Regulation Access Requests (EIR)

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

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

The Information Commissioner's Office carried out an audit of the council's compliance with the DPA in November 2016. Further detail of this is included above under "Other Inspectorates" and in a separate report to be presented to Audit Committee on 26th June 2017. Actions to address compliance are included within this report.

Data Protection Reform

The Data Protection Act will be replaced by the General Data Protection Regulations in May 2018 and these bring a number of changes to the law. Over the coming months officers will be using the register of information assets to plot and review data flows and review and update practice in a number of areas to help ensure that information held is robust and ready for implementation.

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 and;

- c) The work of Audit Committee reviewing specific reports which have been awarded no or limited assurance for detailed scrutiny, ensuring the committee is able to be assured that operational and control issues are being dealt with appropriately and that managers' agreed actions are being implemented. The committee are able to seek explanation from managers failing to progress agreed actions.
- d) The preparation and presentation of an Annual Report to Council of Audit Committee's work, assisting it to discharge the committee duty to provide independent assurance on the adequacy of the council's risk management framework and the internal control and reporting environment.
- e) The regular review of Internal Audit work by the CFO including meetings with Internal Audit.

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

Annual Governance Statement 2016/17 (DRAFT)

1. Scope of responsibility

This statement is given in respect of the 2016/17 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. A copy of the code is on our website or can be obtained from the Monitoring Officer or Chief Finance Officer. This statement explains how Walsall Council has complied with the Code and also meets the requirement of the Accounts and Audit Regulations 2015.

2. The purpose of the Governance Framework

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

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

The governance framework has been in place at Walsall Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts (September 2017).

3. The Governance Framework

The key elements of the council's governance arrangements, including the system of internal control, are documented in the council's Local Code of Governance available at the following link http://cms.walsall.gov.uk/local_code_of_governance_2014.pdf

The Local Code of Governance incorporates 6 key principles of good governance:

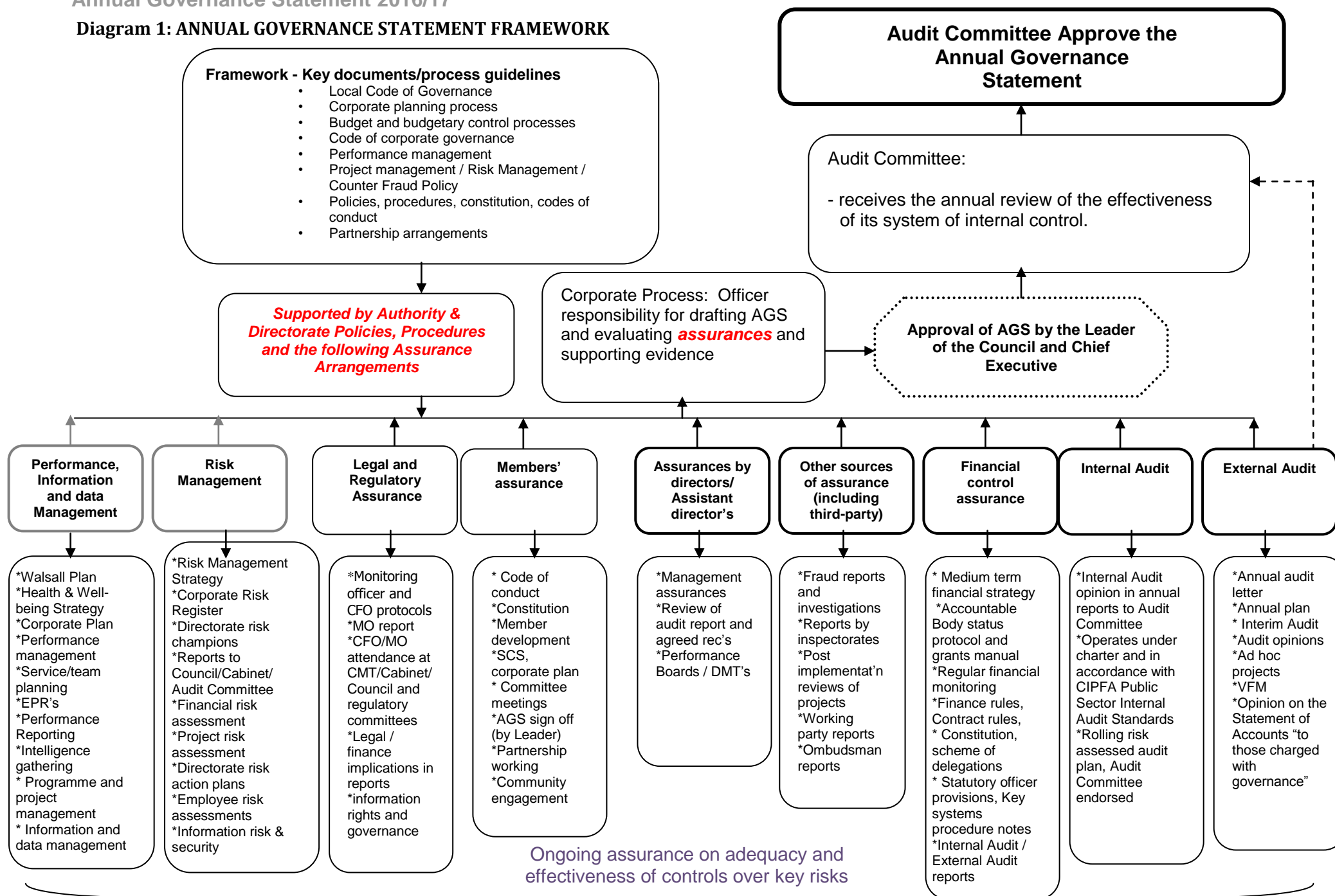
1. Focusing on the purpose of Walsall Council and on outcomes for the community, and creating and implementing a vision for the local area.
2. Elected Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting Values for Walsall Council and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

The Local Code also sets out how the council will put these into practice, including by:

- Identifying and communicating the authority's purpose and intended outcomes for citizens and service users, reviewing the vision and its implications for the authority's governance arrangements.
- Establishing and monitoring the achievement of the Authority's objectives, including measuring the quality of services for users and customers.
- Establishing clear channels of communication with the community and stakeholders, ensuring accountability and open consultation.
- The facilitation of policy and decision making.
- Complying with established policies, procedures, laws and regulations, including how risk assessment is embedded in the activity of the Authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties.
- Ensuring the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010).
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions of the council.
- Promoting values for the Authority and developing, communicating and embedding codes of conduct and defining standards of behaviour.
- Developing and maintaining an effective Audit Committee
- Identifying and supporting development needs of members and senior officers.
- Ensuring effective financial management of the Authority and its reporting.
- Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- Performance management of the Authority and its reporting.
- Incorporating good governance arrangements in respect of partnerships and other group working.

The governance framework consists of management information, finance and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate employee performance review (EPR) framework, a comprehensive risk management strategy and process, an agreed Walsall Change Approach 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 this section.

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), setting out ambition, objectives and priorities of the council and key partners, developed following consultation with the community and stakeholders – supported by a revised corporate plan – linked to service planning via the Walsall Change Approach.
- An agreed approach to change (Walsall Change Approach) under which change management activity is delivered.
- An information governance framework.
- A comprehensive risk management strategy and framework, operating at both strategic and operational levels.
- An approved Constitution, including finance and contract rules, a scheme of delegation and decision-making processes of the Council.
- 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.
- Human resources and other policies and procedures, including codes of conduct (member and officer), whistle blowing policy and a counter-fraud and anti-corruption policy and strategy.
- A comprehensive financial strategy, including budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- Clear measures of financial performance linked to the corporate plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the council.
- A risk assessed Internal Audit plan that is planned in advance which and covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the council.
- Member and officer development strategy and individual development planning processes.

- Comprehensive communication and consultation arrangements both internally and externally.

There are a number of key elements of the governance framework and internal control environment which assist the council in monitoring and managing the achievement of its objectives. These are included in the council's published overarching strategies and plans including; the sustainable community strategy; the corporate plan; medium term financial strategy, corporate budget plan, capital strategy, risk management strategy; treasury management strategy; change management approach, and directorate strategy and planning documents. These documents set out the council's priorities.

The Corporate Plan 2017-20120 explains what we are doing as a council and what we are trying to achieve. Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. Where required, specific performance boards continue to meet; in some areas focus has been on the development of information sharing to inform action being taken on an area basis and corporately information is received by strategic leaders.

The corporate performance management framework has been designed to demonstrate progress against the corporate plan along with wider outcome measures deemed strategically important. This involves developing report styles to suit the measures being reported on and an increased focus on delivery of activity to address the priority issue.

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 strategic and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. Strategic risks are identified, evaluated, incorporated into a corporate risk register and reported regularly to senior management, CMT and Audit Committee. This includes actions to mitigate risks, as appropriate, for each key strategic risk.

Each directorate has identified directorate risks and work continues to ensure that the actions arising from these take proper account of the balance of risk and resources to ensure that appropriate and proportionate action is put in place. 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. Individual posts are risk assessed within the council and are subject to review. Risk workshops are held to ensure managers and those involved in the assessment and management of risk are appropriately trained.

The council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract

and finance rules, which set out the control environment in which the council operates. The Constitution was reviewed and updated during 2016/17; and again in May 2017.

Since 2011/12, the AGS has been required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the *Application Note to Delivering Good Governance in Local Government: A Framework*. The Statement sets out five principles, which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complies with all but one. This relates to Principle 1, in that "*the CFO is a key member of the Leadership Team reporting directly to the Chief Executive with status at least equivalent to other members of the team*". The Statement also states that if this is not the case then the reasons should be explained publicly in the AGS and an explanation of how the actual arrangements deliver the same impact. In Walsall, the CFO reports to the Executive Director Change & Governance, who reports to the Chief Executive. The CFO attends the Leadership Team (the corporate management team), has access to all confidential papers/matters, has direct and unfettered access to and meets frequently with the Chief Executive, and has direct and unfettered access to members, including Cabinet and Audit Committee.

Arrangements for the provision of Internal Audit are contained within the council's Constitution. The council, via its statutory Chief Finance Officer (CFO) must ensure that there is an adequate and effective Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2011.

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

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

4. Review of Effectiveness

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

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

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the External Auditor's Interim Audit, it's opinion on Value for Money and the financial

resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.

- A review of AGS via key questions by Internal Audit during 2016/17 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The Monitoring Officer and Chief Finance Officer annual responses to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- Improvements recommended by Audit Committee on the framework for reporting. For example, Audit Committee made a number of suggested improvements to the corporate risk management strategy and the corporate risk register considered by Audit Committee in April 2016.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

In respect of the system of internal control, a review of the following areas has been undertaken and reported to Audit Committee on 26th June 2017 to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2016/17 in:
 - receiving no and unlimited audit reports.
 - reviewing strategies under their remit.
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013.
- 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 the council's external auditors, Ernst Young.
- Governance Issues and control weaknesses identified in the 2015/16 AGS and progress in addressing these.
- The annual report of Internal Audit on the overall adequacies of the internal control environment, including 2016/17 identified control weaknesses.
- The work of regulatory Committees – Standards and Audit.
- The work of Inspectorates.
- Financial and performance reporting, including in relation to risk, performance, information governance and data protection arrangements, and other supporting evidence.

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

5. Significant Governance Issues

Officers who drafted this Annual Governance Statement, evaluated assurances and supporting evidence, have concluded that the effectiveness of the governance framework, in respect of the system of internal control is satisfactory overall, and there are no significant governance issues to report. Identified control weaknesses have been reported within the report on the review of effectiveness and actions are in place to address these.

Identified control weaknesses were reported separately to Audit Committee on 26th June 2017 as part of the report on the Annual Review of Effectiveness of the System of Internal Control and actions are in place to address these.

The Annual Review of Effectiveness report can be accessed using the link below – the relevant report is item 15.

<https://cmispublic.walsall.gov.uk/cmisis/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2526/Committee/374/Default.aspx>

.....
Paul Sheehan
Chief Executive

Date: xx September 2017

.....
Councillor Sean Coughlan
Leader of the Council

Date: xx September 2017

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.