

### 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 2021/22.

Audit Committee is able to monitor the effectiveness of the governance framework, 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 (AGS) 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, the External Auditor's Annual Report on value for money and the financial resilience of the council and the External Audit Opinion on the statement of accounts;
- A review of the AGS via key questions by Internal Audit during 2021/22 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 (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;
- 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 Risk Management Strategy, Strategic Risk Register, Corporate Performance Management Framework and Counter Fraud arrangements;
- The work of the executive directors, directors, heads of service 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;
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the AGS annually.

- The council's assessment of its compliance with the CIPFA Code of Financial Management and action plan progress to address areas for improvement.

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

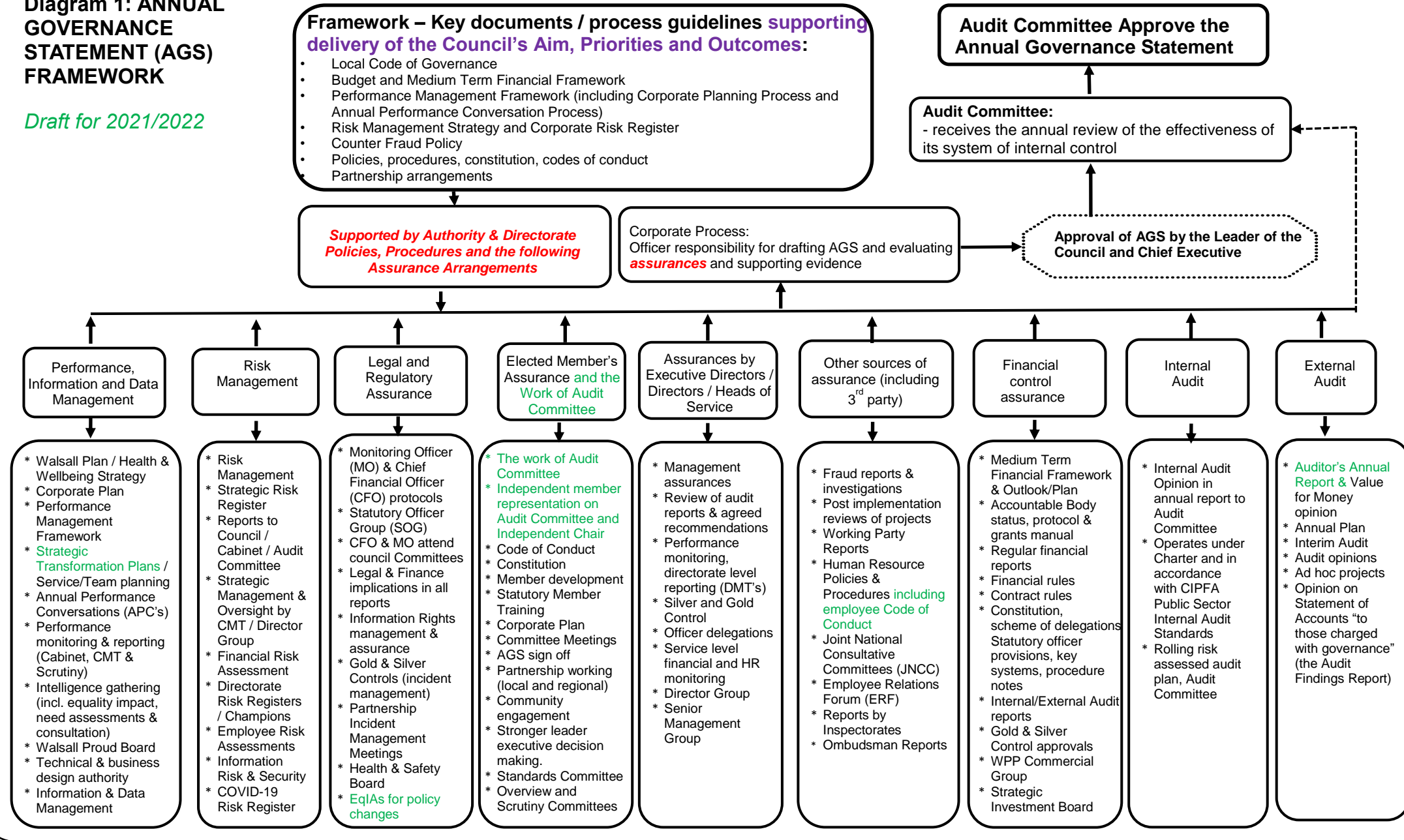
From March 2020, the council has played a major role in managing the national response to COVID-19, including the administration of business rate reliefs and grants, supporting households through the council tax reduction scheme, supporting the care market, supporting the vulnerable, and other initiatives. This continued into 2021/22, with an ongoing impact on the council and its governance arrangements, including:

- Impact on business as usual. Some services and facilities continued to be impacted in terms of visitor numbers and income losses – libraries, leisure centres, car parks etc;
- Continued support required to provide emergency assistance to vulnerable sections of our communities;
- Financial consequences, including the impact of loss of income on the council's financial position and the impact on delivery of some approved budget savings, but specifically cost pressures in relation to Children's and Adults Social Care in particular;
- Managing changes in the council's risk profile.

Diagram 1 outlines the various components that jointly inform the Annual Governance Statement. Changes for 2021/22 are shown in green.

**Diagram 1: ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK**

*Draft for 2021/2022*



Ongoing assurance on adequacy and effectiveness of controls over key risks

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

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.

### **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 2021/22 financial year, the following Internal Audit Opinion has been given;

*"On the basis of our audit work, our opinion on the framework of governance, risk management and control is **Moderate** in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.*

*Whilst weaknesses and exceptions were highlighted by our audit work, none of our reviews concluded with Unsatisfactory assurance. Of the 40 reviews for which an assurance opinion was provided, 7 provided substantial assurance, 24 moderate assurance and 10 limited assurance. We have raised 7 high priority recommendations, 127 medium priority recommendations and 80 low priority recommendations during the period. These matters have been discussed with management, to whom we have made several recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.*

*Our Follow up work confirmed that good progress has been made on implementing outstanding high priority recommendations, although some medium priority recommendations raised from prior years are yet to be fully implemented. This indicates risks identified in previous years are still potentially valid and could impact Walsall's overall control environment".*

### **Internal Audit Identified Control Weaknesses**

#### **1) Follow up of 2020/21 control weaknesses:**

The AGS effectiveness review is informed by work undertaken in 2021/22 to follow up on actions agreed to improve governance issues/control weaknesses identified in the previous year's (2020/21) AGS.

During 2020/21, Internal Audit reviews were undertaken on the core financial systems. 7 of the 8 fundamental financial systems audits were found to be operating satisfactorily, 4 receiving a 'substantial', 3 receiving a 'good' opinion; and 1 (Council Tax and NNDR) receiving a 'limited' assurance opinion.

In addition to fundamental financial systems, 36 audits were undertaken in 2020/21 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 80% of 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 (9):

<b>Audit</b>	<b>Adequacy of System Design</b>	<b>Effectiveness of Operating Controls</b>	<b>Priority 1 Recs</b>
Resilient Communities	Substantial	<b>Limited</b>	-
Procurement	Substantial	<b>Limited</b>	2
St Francis Catholic Primary School	Substantial	<b>Limited</b>	1
Whitehall Nursery & Infant School	Substantial	<b>Limited</b>	2
Castlefort Primary School	Substantial	<b>Limited</b>	2
Abbey Primary School	<b>Limited</b>	Substantial	1
Walsall Proud Programme - Governance	Substantial	<b>Limited</b>	-
Council Tax and NNDR	Substantial	<b>Limited</b>	1
Confidential Reporting (Whistleblowing)	<b>Limited</b>	<b>Limited</b>	-

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 2020/21 recommendations.

<b>Audit</b>	<b>Adequacy of System Design</b>	<b>Effectiveness of Operating Controls</b>	<b>Follow Up Date</b>	<b>Progress on Implementation of Recommendations</b>
Resilient Communities	Substantial	<b>Limited</b>	December 2021	2 medium - both implemented
Procurement	Substantial	<b>Limited</b>	Feb 2022	Superseded by recommendations raised in the Contract Management and Hub audit reports in 2021/22
St Francis Catholic Primary School	Substantial	<b>Limited</b>	October 2021	1 High, 5 Medium and 2 Low priority - all implemented
Whitehall Nursery & Infant School	Substantial	<b>Limited</b>	Mar 2021	2 High, 2 Medium and 1 Low priority - all implemented

<b>Audit</b>	<b>Adequacy of System Design</b>	<b>Effectiveness of Operating Controls</b>	<b>Follow Up Date</b>	<b>Progress on Implementation of Recommendations</b>
Castlefort Primary School	Substantial	<b>Limited</b>	Oct 2020	2 High, 3 Medium and 2 Low priority - all implemented
Abbey Primary School	<b>Limited</b>	Substantial	Oct 2020	1 High, 2 Medium and 3 Low priority - all implemented
Walsall Proud Programme - Governance	Substantial	<b>Limited</b>	Jun 2022	2 medium - implemented 2 medium - partially implemented
Council Tax and NNDR	Substantial	<b>Limited</b>	Feb 2022	Superseded by 2021/22 internal audit – risks raised in previous audit are being managed
Confidential Reporting (Whistleblowing)	<b>Limited</b>	<b>Limited</b>	Jun 2021	3 Medium and 1 Low priority - implemented

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

## 2). Planned work 2021/22:

The AGS effectiveness review is informed by internal audit work undertaken in 2021/22, the findings of these reviews and actions plans put in place by managers to address identified control weaknesses. During 2021/22, 40 internal audits were undertaken where internal audit provided a formal assurance level. Of these:

- 7 audits (17%) received a 'Substantial' assurance level (6, 14% for 2020/21);
- 24 audits (59%) received a 'Moderate' assurance level (29, 66% for 2020/21);
- 10 reviews (24%) received a 'Limited' assurance level (9, 20% for 2020/21) and
- No audits (0%) received an 'Unsatisfactory' assurance opinion (0 for 2020/21).

Overall, 31 reviews (76%) were given a 'Moderate' assurance or above (80% in 2020/21). All core financial systems were given a 'Moderate' or 'Substantial' assurance.

A total of 214 recommendations have been made.

- 7 (3%) were 'High Priority' recommendations – significant weaknesses in governance, risk management and control that if unresolved exposes the council to an unacceptable level of residual risk and upon which the organisation should take immediate action (9 or 6% in 2020/21);
- 127 (59%) recommendations were categorised as 'Medium Priority' recommendations - although not fundamental to the system, weaknesses that if unresolved expose the council to a high level of residual risk and for which remedial action should be prioritized and undertaken within an agreed timescale (88 or 59% in 2020/21);
- 80 (37%) were 'Low Priority' – where there is scope for improvement and where remedial action should be taken at the earliest opportunity and within an agreed timescale (53 or 35% in 2020/21).

All recommendations made during the year were accepted by management.

Internal audit's work identified that although in 76% of 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 10 reviews where a limited assurance level was given.

<b>Audit</b>	<b>Adequacy of System Design</b>	<b>Effectiveness of Operating Controls</b>	<b>High Priority Recs</b>
Business Continuity	Moderate	<b>Limited</b>	-
Walsall Proud - Hubs (draft)	Moderate	<b>Limited</b>	-
Contract Management	Moderate	<b>Limited</b>	1
Governance arrangements for monitoring Public Health expenditure	<b>Limited</b>	Moderate	1
Commissioning Strategy	Moderate	<b>Limited</b>	1
S106 Planning Obligations	<b>Limited</b>	<b>Limited</b>	3
Mary Elliot / Old Hall Federation	Moderate	<b>Limited</b>	-
New Invention Junior School	<b>Limited</b>	Moderate	1
Barcroft Primary School	<b>Limited</b>	<b>Limited</b>	-

The 7 'High Priority' 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 8 of the core financials systems audits received a 'Moderate' or 'Substantial' assurance audit rating;
- Recommendations made by Internal Audit have been agreed and management action is being taken to address them;
- The vast majority of recommendations arising from the previous years limited assurance findings have been implemented. There are no 'High Priority' recommendations to follow up in 2022;
- 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 7 2021/22 fundamental recommendations are in 5 separate audit areas and equate to a small proportion (3%) 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 2022/23.

### 3) Unplanned Work:

Two areas of unplanned work were referred to Internal Audit during 2021/22, one of which is currently under investigation, on which Audit Committee were briefed on during 2021/22. The other is closed, with recommendations to the service being produced.

### **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 of risk will ensure that the organisation's objectives, and resulting outcomes, are achieved.

The council has an established Risk Management Framework and Strategy, 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 directorate/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. The next comprehensive review of the Strategy is shortly to commence and will be reported to Audit Committee in September 2022.

Committee received reports on risk management at their September 2021 and February 2022 meetings. In November 2021, the Committee received and commented on a report on the development of an Assurance Map for the Strategic Risk Register (SRR); the process by which an organisation gathers the different levels of internal and external assurance that the council relies on in respect of its strategic risks. A progress update was provided in April 2022. The aim of the map is to assist in providing assurance to the Audit Committee and council that risks are being effectively managed. The map will continue to develop during 2022/23 with it being used to inform the AGS.

Key risks to the council for 2021/22, in addition to those related to COVID-19, continued to be (as for most councils): managing increasing demand pressures, specifically within Adult and Children's social care, including maintaining statutory service standards to support the most vulnerable in society and delivering key services in the event of significant business interruption, including services delivered by contractors and partners; economic uncertainty; delivery of approved savings and the budget plan and ensuring continued financial resilience; managing cyber-security, data protection, external political/legislative environment changes; delivery of climate change objectives; community cohesion and resilience planning; and partnership relationships with other sectors and our major suppliers delivering on shared objectives and therefore outcomes for the community. COVID-19 risks are incorporated into the SRR.

Risks continue to be actively managed. The practices outlined above in respect of strategic risks have also been adopted at directorate risk register level. Each directorate has an appointed risk champion as well as a Director who has risk as part of their portfolio.

Each quarter the directorate risk registers (DRR's) are reviewed, updated where appropriate and a summary of any amendments within the quarter is presented to Directors' Group, who in 2021/22 provided oversight of DRR's, to ensure:

- That both DRR's and the SRR take account of the council's current risks;
- Continuous improvement of directorate processes to support both the implementation of the Risk Management Strategy and how this interacts with the SRR;



- To ensure that the directorate and strategic registers remain appropriate, both within the current climate and against council priorities.

In addition, across the directorate registers the following attributes are considered by directors when reviewing whether or not to recommend the escalation of directorate risks to the SRR:

- The risk features in more than one DRR or has the potential to affect more than one area of / the whole of the council (indicating that wider strategic oversight is required);
- The risk is currently at an Amber or Red level (indicating that it presents a considerable risk to the council);
- There is a difference between the current score and target score (indicating that further work or controls are required / being put in place to better manage the risk to the council);
- The risk is not already covered by an existing strategic risk.

## **Internal Audit Review of AGS Compliance**

### Conclusion

In general, Internal Audit noted compliance with the Annual Governance Statements.

Of the 18 key questions have chosen to sample, there was evidence of full compliance for all 18.

### Scope and Objectives of Work

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 Internal Audit assisted managers in identifying the evidence needed to support the statements made. In 2021/22, 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 AGS 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:

- Legal & Regulatory
- Performance Management
- Project & Programme Management
- Digital & Technology Services (formerly known as ICT)
- Human Resources
- Member Relationships

### Findings

Internal Audit performed follow-up work on 18 key questions within the Annual Governance Statement. Their 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 six Service Lines on the Annual Governance Statement to confirm compliance and seek evidence where appropriate.

## Sample of Key Questions

Area	Reference	Key Question	Audit Follow Up Result	Evidence of Compliance
Legal & Regulatory	LR3	Are Members kept up to date with statutory requirements relevant to their role?	The main record of the council's statutory obligations are contained within Part 3 of the councils Constitution, detailing the responsibilities different functions have within the Council. The constitution is available as a public document on CMIS.	Compliant
Legal & Regulatory	LR8	Are Members informed of non-compliance issues that could lead to a successful challenge against the Council and the action taken to rectify the situation?	The council has a constituted Audit Committee that receives reports across all areas of the council in respect of non-compliance with internal controls. Non-compliance regarding statutory obligations require the council's Monitoring Officer to conduct investigations, there have been no instances of this.	Compliant
Legal & Regulatory	LR12	Have all identified instances of potential money laundering been reported promptly to the Money Laundering Reporting Officer (MLRO)?	There have been no reported instances of money laundering.	Compliant
Performance Management	PM5	Is underperformance managed effectively including the use of improvement plans?	Terms of references, agendas and meeting minutes for different Boards within the council depicts performance and targets being adequately discussed.	Compliant
Performance Management	PM11	Is performance reviewed at least quarterly at a senior and operational level?	Review of Corporate Plan Performance reports, located on CMIS, illustrates discussion regarding the progress towards achieving the 'Corporate Plan Markers of Success'.	Compliant
Performance Management	PM15	Does the Council's approach to performance management drive continuous improvement?	The Performance Management Framework, located on the council's intranet, contains an 'Improvement and Learning Cycle' which reflects the council's approach to monitoring performance and driving continuous improvement.	Compliant
Project & Programme Management	PPM2	Are all programmes and projects appropriately registered on the Council's programme management system?	Screenshots were obtained of all projects from both Programme Management Offices (PMO), Proud and DaTS, which are located on MS Project Online.	Compliant
Project & Programme Management	PPM4	Are all key projects mapped to the Council's key priorities?	Project briefs, within Proud PMO projects, contain a 'Proud Promises' section highlighting the council priorities they relate to.	Compliant

Area	Reference	Key Question	Audit Follow Up Result	Evidence of Compliance
Project & Programme Management	PPM7	Are all projects reviewed by the Programme Board on a regular basis?	Spotlight sessions are held highlighting specific workstreams with the Corporate Management Team (CMT). The Director of Transformation and Digital also attends three out of every four weekly CMT meetings providing updates regarding Proud PMO.	Compliant
Digital & Technology Services	IT3	Have all staff been made aware of the Council's IT acceptable usage and security policies and procedures?	The Email and Internet Usage Procedure, located on the Council's intranet, provides guidance to staff on becoming a user of the Council's email and internet services.	Compliant
Digital & Technology Services	IT4	Are processes in place to ensure compliance with the IT Security Policy?	Cyber Security Training and Information Governance Training is mandatory for staff to complete annually. Furthermore, the Code of Conduct provides a clear framework within which members are expected to conduct themselves, including compliance with multiple IT policies.	Compliant
Digital & Technology Services	IT7	Have there been any breaches against IT security policy during the past year? - if yes, please provide details.	It was confirmed with management, that there were no successful cyber breaches within the last 12 months. Screenshots of figures of malware and phishing attacks blocked were obtained, which are reported to CMT in their quarterly report.	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?	It was confirmed that the following procedures are in place: <ul style="list-style-type: none"> <li>Recruitment &amp; Retention Policy</li> <li>Induction Process</li> <li>Training and Development</li> <li>Sickness Absence Policy</li> </ul>	Compliant
Human Resources	HR11	Are procedures and monitoring arrangements in place to ensure that staff are not influenced by prejudice, bias or conflicts of interest (including the influence of gifts and hospitality)?	It was confirmed that the following procedures are in place: <ul style="list-style-type: none"> <li>Gift &amp; Hospitality Policy</li> <li>Confidential Reporting (Whistleblowing) Policy</li> </ul>	Compliant
Human Resources	HR18	Are consultants acquired and engaged in accordance with the Council's code of practice for the engagement of agency workers and consultants?	. It was confirmed that the following procedures are in place: Agency Guidance	Compliant

Area	Reference	Key Question	Audit Follow Up Result	Evidence of Compliance
Member Relationships	MR2	Are the roles of Members in these committees clearly defined?	Part 2 of the council's Constitution details the key roles, rights, and duties of all Councillors. Part 5 of the Constitution outlines principles and associated standards of behaviour Councillors are expected to follow. The constitution is available as a public document on CMIS.	Compliant
Member Relationships	MR4	Has a training programme to develop Members' skills been established for each committee?	The council issue a Member Learning and Development Programme to new Members, detailing different types of training they can undertake including induction, core skills and personal growth and development.	Compliant
Member Relationships	MR5	Are new Members effectively inducted and instructed as to their roles?	All new Members receive an induction and are issued New Members Packs, which include over 20 documents providing practical information and guidance, whilst also requiring relevant declarations.	Compliant

### **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, Grant Thornton (GT) has a broad role covering finance and governance matters. Work in 2021/22 included:

- a) The Audit Findings Report, published November 2021, in relation to the council's 2020/21 financial statements). The Audit report opinion was unqualified (issued 26 November) and stated that the accounts:
  - give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
  - have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
  - have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.
- b) In addition, Audit Committee and subsequently Council received the first Auditors' Annual Report for 2020/21, reporting on the council's value for money arrangements in relation to:
  - Financial sustainability;
  - Governance; and
  - Improving economy, efficiency and effectiveness.

For all three criteria no significant weaknesses were identified.

Summary Auditor judgements were provided for each key area as follows:

- Financial sustainability - *Summary Auditor Judgement - Overall, we are satisfied that the Council had appropriate arrangements in place to manage the risks it faces in relation to financial sustainability.*
- Governance - *Summary Auditor Judgement - We found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks;*
- Improving economy, efficiency and effectiveness - *Summary Auditor Judgement -*
  - *Walsall Council has a well-developed performance management framework which includes clear and succinct reporting to members.*
  - *The Council is proactive in using reports from government, regulators, or other bodies to conduct compliance reviews or lessons learned reporting in order to ensure 'best practice' where possible. This was evident from the review of the Croydon Public Interest Report and the Liverpool Best Value Report which the Council used to identify any potential areas of weakness in relation to governance procedures, and in the review of compliance with the CIPFA Financial Management Code in 2020/21. Our review of these exercises highlights a Council that is transparent and eager to embed best practice within its organisation.*
  - *We found no evidence of significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness.*

Grant Thornton were satisfied that the council has adequate arrangements in place, including:

- A good track record of sound financial management and financial planning;
- During a time of austerity and the pandemic, financial performance has remained strong, with a clear track record of delivering balanced budgets.
- The council's financial plans were very clearly aligned to corporate objectives and the achievement of the Proud Programme; with adequate oversight and input from the members via Scrutiny and Cabinet meetings;
- The council has good arrangements for making properly informed decisions, supported by appropriate evidence whilst also allowing for challenge and transparency;
- In respect of COVID-19, our auditors reported that the council has effectively planned and responded;
- An area of particularly good practice was identified in relation to stakeholder engagement, with the council actively seeking the view of the local community and other stakeholders through regular consultation.

Eight improvement recommendations for the council to consider were made across the three criteria as set out below, with management responses and action taken to date.

#### *Key Criteria Area - Financial Sustainability*

*Recommendation 1* - Further enhance training for members on the importance of an adequate reserves level for long-term financial sustainability.

*Management Comment* - Briefings are provided to Members on the Budget including the S25 Statement. Training on S25. Statement and adequacy of reserves will be made available prior to approval of the budget by Council in February and annually thereafter.

*Update:* Briefings were held and briefing materials made available to all Members. To be included in annual member training/briefings for 2022/23 and thereafter.

*Recommendation 2* - Develop a Forward Plan of future consultations.

*Management Comment* - A forward plan will be considered, initially to cover the medium term to align with the Council Plan and Medium Term Financial Outlook.

*Update:* Engagement Officers are being recruited to form part of the new Policy & Strategy Hub team which will expand our capacity to deliver consultations. The forward plan is proposed to be delivered by the end of the summer.

*Recommendation 3* - Continue to undertake regular reviews of Proud Programme savings delivery and the need to amend or re-profile savings targets.

*Management comment* – The Proud savings are reviewed regularly and will continue to be so. Savings are risk rated and actions to address Amber or Red risks are reported to CMT and Proud Board on a monthly basis and to Cabinet and Scrutiny on a least a quarterly basis. Where savings are Red and require re-profiling, alternative mitigating actions are required in year to ensure delivery of a balanced budget.

*Update:* Proud savings continue to be reviewed. Actions to address Amber and Red risks were taken in 2021/22 including identification of mitigating actions and re-profiling of some savings to 2022/23 and 2023/24.

#### Key Criteria Area - Governance

*Recommendation 4* - We recommend that the Council reviews and update the fraud risk register as appropriate and ensure regular monitoring of fraud risks is embedded into the governance structure.

*Management comment* – Work on the Response Plan is in train and progress is due to be reported to Audit Committee in February 2022.

*Update:* Response Plan progress reported to Audit Committee in February 2022. Directorate fraud risk assessment workshops have commenced. Further update to be reported to Audit Committee in 2022/23.

*Recommendation 5* – Develop a more formal and structured programme of training for Audit Committee members.

*Management comment* – This is agreed and, as and stated above, action is being taken to address this.

*Update:* 121 sessions offered to all members in 2021/22. 121 sessions being held with individual members in June 2022 and formal Induction arranged for 16 June for the Committee. A proposed training programme is to be reported to 27 June Audit Committee for consideration.

*Recommendation 6* – Develop formal succession planning for Audit Committee members.

*Management comment* – The need for succession planning is recognised and during 2020/21 a further appointment of an Independent Member to the Audit Committee was made, leaving one vacancy. A succession plan will be developed.

*Update:* Recruitment to 1 vacant independent member post to be undertaken in 2022. Discussions held with group leaders to seek to provide balance between new members and consistency of membership.

*Key Criteria Area - Improving economy, efficiency and effectiveness*

*Recommendation 7* – Introduce integrated reporting for financial and performance management

*Management comment* – The reporting of financial performance and non-financial performance will be aligned where practicable.

*Update:* Hub Heads of Service for Policy and Strategy and Business Insights have now been appointed and progress can now be made.

*Recommendation 8* - Review the scope for use of benchmarking against other local authorities (where information is available) as part of quarterly or annual reporting.

*Management comment* – The reporting of benchmarking data will be reviewed to determine where it will add most value and will be incorporated into our financial and performance frameworks.

*Update:* Hub Heads of Service for Policy and Strategy and Business Insights have now been appointed and progress can now be made.

Progress in relation to these will be reported to Audit Committee in 2022/23.

- c) The results of the Interim Audit work in relation to the 2021/22 accounts – no issues were found as part of this review that GT wished to bring to the attention of the Committee.
- d) At the time of writing this AGS, GT's work in relation to 2021/22 (namely the Audit Findings Report in relation to the audit of the Statement of Accounts, and the Auditors' Annual Report) is about to commence. The final AGS is expected to be approved and published by September and 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. Since 2009 Internal Audit is governed by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) and the governance framework used in the United Kingdom's public sector is the Public Sector internal Audit Standards (PSIAS) which have been in place since 2013. Both the IPPF and the PSIAS require internal audit services to undertake periodic self-assessments. 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 during May and June 2019 the outcomes of this were reported in December 2019.

The conclusion of that external assessor was:

*“From the evidence reviewed as part of the external quality assessment, we have not identified any significant areas of non-compliance with the international professional practice framework for internal audit, nor the public sector internal audit standards, that would affect the overall scope or operation of the Mazars Risk Assurance Services. We have identified some areas where compliance with the standards could be enhanced, and these are set out in the summary of findings in section five of this report. None of the compliance matters identified are significant in nature and they have not had an adverse effect on the overall conformance with the standards*

*On this basis it is our opinion 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”.*

### **The Work of the Audit Committee**

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 risk management framework and internal control environment. It provides an independent review of governance, risk management, performance 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, the external auditor’s Interim Audit (where applicable), it’s opinion on value for money and the financial resilience of the council and the external audit opinion on the Statement of Accounts and the Auditors Annual Report. The [Auditors Annual Report](#) for 2020/2021 was presented to Audit Committee and Council in February 2022.

Audit Committee has received and considered regular Internal Audit progress reports and summary reports of all internal audits receiving a ‘Limited’ or ‘Unsatisfactory’ assurance opinion. Where, on audit follow up of a ‘Limited’ or ‘Unsatisfactory’ 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.

The Audit Committee last considered the [self-assessment of its effectiveness](#) using the CIPFA Good Practice checklist in November 2020. Whilst the Committee was satisfied it was meeting its objectives it recognised that further developments could be explored to strengthen existing good practice and to this end a report on [engagement and participation](#) was presented to the Committee in April 2021. Recommendations in this report delivered during 2021/2022 included:



- Implementation of a revised Audit Committee report template and report guidelines document to align with the Council's ways of thinking framework (May 2021);
- Introduction into the role and function of Audit Committee training for members (July 2021);
- One to one meetings with Audit Committee members to discuss skills and training arrangements have been offered and arranged as required;
- Training for Audit Committee members on the Statement of Accounts (September 2021);
- Fraud training (February 2022);
- Accounting Policies training (April 2022);
- Briefings offered to all elected members on Treasury Management and the role of the Section 151 officer.

In addition to what has been delivered an audit guide / skills analysis is in development and further member training is being undertaken considered. The next self-assessment of effectiveness will be undertaken during 2022/23.

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. In addition to the Auditors Annual Report 2020/21, our external auditors have reported to Audit Committee on this, including on management's responses to the audit risk assessment. This report, along with the Indicative 2021/22 Audit Plan and Auditors Annual Report, were considered and endorsed by [Audit Committee on 22 February 2022](#). The risk assessment covers:

- Financial Statements 2021/22;
- Value for Money 2021/22;
- General enquiries of management;
- Fraud risk assessment;
- Impact of laws and regulations;
- Going concern considerations;
- Related parties;
- Accounting estimates.

The work of Internal and External Audit informs the assurance work the Audit Committee undertakes. During 2021/2022, 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 High Priority recommendations;
- Reviewing the Strategic Risk Register;
- Approving accounting policies, oversight and approval of the 2020/21 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, audit risk assessment and Auditors Annual Report;
- 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;

- Updates on [Counter Fraud and Corruption Arrangements](#);
- Reviewing the updated [Anti-Money Laundering Policy](#);
- Reviewing the [Assurance Map](#) that informs the SRR, involving the collation of information from different levels of internal and external assurance to provide Audit Committee with assurance regarding how effectively the organisations are being managed;
- Reviewing the refreshed Corporate Performance Management Framework and Markers of Success used to monitor delivery of the Corporate Plan 2021/2022;
- Update on the [Redmond Review](#) regarding Oversight of Local Audit and the Transparency of Local Authority Financial Reporting;
- Review of the Scheme of Delegations to Officers.

### **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 25 June 2012. These processes were reviewed and changes to the Code and Arrangements were approved at Annual Council on 20 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 2020/21, a reported in the 2020/21 Effectiveness Review, the council received one complaint which required a formal standards investigation to be undertaken. This has now concluded; The MO met with the relevant parties and a local resolution was agreed.

During 2021/22 the council received seven complaints, none of which required a formal standards investigation.

[LGA Model Code of Conduct](#). An outcome of this was the establishment of a small working group to work with the Monitoring Officer to consider whether the council should adopt the LGA model Code of Conduct in whole or in part. The elected member working group decided not to implement the LGA Model Code of Conduct in its entirety but to combine the best features of the model code with the council's existing code of conduct. A report was presented to [Standards Committee in July 2021](#) recommending a refreshed Member Code of Conduct be approved.

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 by the Director of Governance and is also accessible through the council's website via [CMIS](#) in details for each Councillor. 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 5.5.3 of the refreshed [Code of Conduct](#) for council employees, presented to Personnel Committee in January 2022.

### **Constitution and Codes of Conduct**

The Constitution is a living document and as such is subject to regular review and update. In particular Officers' delegations are reviewed annually. Any changes to the Constitution are reported to Annual Council, and the Constitution is amended accordingly. [Changes to the Constitution for 2021/2022](#) were reported to Council in May 2021, with a further update approved by Council in May 2022 following presentation to Audit Committee in April 2022.

The Constitution also sets out Codes of Conduct for members and officers, setting out appropriate standards of conduct and expectations around ethics and behaviours. The 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 and are regularly refreshed and presented to Personnel Committee for approval before implementation. This ensures the council has appropriate, up to date policies and procedures as part of our internal controls. For example, in 2021/2022 Personnel Committee received and approved, amongst others, the [Code of Conduct for Employees / Workers](#), [Menopause Policy](#) and the [Confidential Reporting \(Whistleblowing\) Policy](#).

The council continues to invest 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**

Throughout 2020/2021 the council utilised 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 that came into force on 4 April 2020. This ensured greater openness and transparency in decision-making and allowed for scrutiny of executive decisions. Following a ruling by the High Court that virtual meetings were not permissible post 6 May 2021 there was a return to physical meetings of council committees and the Government's guidance [COVID-19: Guidance for the safe use of council buildings](#) was followed until it was withdrawn in July 2021. For full transparency and to minimise the ongoing risk coronavirus presented throughout 2021/2022 the council has continued to utilise the live streaming of Committees.

The Constitution 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 the Director of Governance has delegated authority to make minor and / or necessary amendments to the Constitution as and when required to ensure that the Council can react to an emergency situation as it develops.

It is evident that COVID-19 has created a situation where many services needed to be delivered in a different way to protect the health and wellbeing of customers and staff. Changes to service delivery continued to be made on a risk basis during 2021/2022, for example the prioritisation of those at highest safeguarding risk for ongoing face to face contact. The council has continued to utilise technology as much as possible to provide greater opportunities for customers to access services digitally whilst also maintaining customer contact via telephony and other platforms such as MS Teams. The changes to delivery have been considered in the context of the effectiveness of internal controls and there are no serious concerns regarding the adequacy of systems. The loss of some face to face customer contact and other changes to service delivery has led to an increased frequency of customer and staff consultation and engagement which is being used to inform future ways of working ([Reset Action Plan](#)) as reported to Cabinet in June 2021. This has also led to a number of strategies being developed and approved during 2021/2022 for example the [Digital Strategy](#) and [Customer Experience Strategy](#) that connect the council's direction and ambition to delivery in the context of the internal controls in these areas.

### **Overview and Scrutiny**

The council's Overview and Scrutiny Committees review performance and the delivery of corporate priorities across all services. The role of good governance and scrutiny is critical to public trust and confidence in decision making and the council continually reviews its scrutiny process and considers best practice. Following a [report to the Scrutiny Overview Committee in April 2021](#) a member survey was conducted to capture views on how to improve further the scrutiny process. An outcome from this was the development of a [scrutiny recommendation tracker](#). Although working groups have continued to be suspended because of the ongoing pandemic the Scrutiny Overview Committee has continually monitored the council's response to the pandemic, and receive performance monitoring information and feedback from all Overview and Scrutiny Committees.

### **Legal and Regulatory Assurance**

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

- the organisations compliance with laws and regulations and the arrangements in place to prevent and detect non-compliance;

- How the Audit Committee is provided with assurance that all relevant laws and regulations have been complied with;
- Changes to the Local Authority's regulatory environment that may have a significant impact on the Local Authority's financial statements;
- The arrangements in place to identify, evaluate and account for litigation or claims and any actual or potential litigation or claims that would affect the financial statements.

Monitoring Officer (MO) and Chief Finance Officer (CFO) Protocols are in place and the 3 Statutory Officers (MO, CFO, and Head of Paid Service) meet quarterly on governance matters. There are no matters that the group wish to bring to the attention of Audit Committee that have a significant impact on the system of internal control.

The MO has undertaken a risk assessment in 2021 to consider the findings of the Best Value Inspection Report published in regarding governance and practice in areas inspected relating to Liverpool City Council and concluded that the necessary safeguards are in place.

Each year the Local Government and Social Care Ombudsman (LGSCO) 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/walsall-metropolitan-borough-council/statistics> and locally is submitted to the council's Standards Committee for consideration. The Annual Review letter for the year ending 31 March 2021 was reported to [Standards Committee in October 2021](#).

The Ombudsman's annual report for 2020/21 confirmed that the authority had complied with 100% of the recommendations issued by the LGSCO in the cases where they recommended a remedy. The number of complaint investigations both received and determined fell due to the impact of COVID-19 on investigation activity, and this trend appears to have continued in 2021/2022 based on our internal records. The 2021/2022 LGSCO annual report due to be published on 20 July 2022 is expected to confirm this anticipated drop in numbers. It is also expected that the council has complied in a timely way with any actions recommended by the Ombudsman in cases determined during 2021/2022. Early indications in the first 2 months of 2022/2023 point to an increase in LGSCO activity and in complaints received, which will be kept under review.

### **Financial and Control Assurance**

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 framework (MTFF) and a rolling four year medium term financial plan (MTFP) 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 MTFF, MTFP and scheme of delegations are reviewed annually, with the last update of the MTFF approved in October 2021. 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 2021/21 with an underspend against budget of £1.49m and with its general reserves intact.

External Audit review the council's arrangements for delivering economy, efficiency and effectiveness in its use of resources (VFM conclusion) and audit the annual Statement of Accounts. Their conclusions in relation to the 2020/21 financial year are set out above under 'External Audit assurance'. Work in relation to the 2021/22 accounts is underway.

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 (interim) and S151 Officer was responsible during 2021/22 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 2021/22.

A COVID-19 financial register and financial risk register were established in April 2020 and has been used to monitor and report on actual costs and risks to CMT and Cabinet throughout 2021/22. All additional COVID-19 costs have been reported and approved through either Silver, Gold Control, or Cabinet, dependent on the value of the spend. Controls in relation to COVID-19 spend are in place and working effectively.

During 2021, the council reviewed and reported on its compliance with the CIPFA Code of Financial Management (the 'Code'). The Code is designed to support good practice in financial management and to assist local authorities in demonstrating financial resilience and sustainability. Whilst this does not have legislative backing, CIPFA is seeking for it to apply to all local authorities - "Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration".

The approach taken is intended to be one of self-regulation, with reliance on the local exercise of professional judgement, rather than prescription of the financial management processes needed. The Code is based on a series of principles supported by specific Standards which are considered necessary to provide a strong foundation to:

- Financially manage the short, medium and long-term finances of a local authority;
- Manage financial resilience to meet unforeseen demands on services;
- Manage unexpected shocks in financial circumstances.

The Code sets out 6 principles of good financial management, which CIPFA recommends all financial management practices should comply with. To enable us to test our conformity with these principles, the Code translates them into 17 Financial Management Standards. In summary, these include the following areas:

- The responsibilities of the CFO and leadership team;
- Governance and financial management style;
- Long to medium-term financial management;
- The annual budget;
- Stakeholder engagement and business plans;
- Monitoring financial performance;
- External financial reporting.

The outcome from this assessment, that the council is substantially compliant, with a number of areas for improvement, along with an action plan to address these improvement areas was reported to the Corporate Management Team (CMT) on 27 June 2021 and to Cabinet in July. The Medium Term Financial Framework was updated to reflect compliance with the Code and approved by Cabinet in October 2021.

One specific part compliant gap and a number of areas for improvement were identified and these are summarised below under the relevant Standard, along with updates:

*Standard A: The leadership team is able to demonstrate that the services provided by the authority provide value for money. Actions agreed to be considered include:*

- During the development of the Corporate Plan, include explicit statement on value for money arrangements.
- An explicit statement within the council's governance structure concerning the collective responsibility of the leadership team for delivering value for money could be considered.
- Communicating more widely examples of good practice, for example through providing information on the web site as to how we are working to deliver value for money and to improve service economy, efficiency, effectiveness and equity.
- Value for money to form part of staff induction and annual performance conversations.

*Progress Update: Value for money is explicitly stated as a marker of success within our key areas of focus within the Council Plan 2022-2025.*

*Standard C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.*

- CMT to annually review their performance in this area to ensure this can be fully evidenced.

*Progress Update: Being scheduled.*

*Standard D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)*

- The Council's Local Code of Governance to be reviewed and updated.

*Progress Update: Update commenced.*

*Standard E: The Financial Management (FM) Style of the authority supports financial sustainability*

- CMT to consider the merit of seeking an external view of its financial style and consider timing of this.

*Progress Update: Not yet commenced. Peer Review being prioritised.*

*Standard F: The authority has carried out a credible and transparent Financial Resilience Assessment. Actions agreed include:*

- Formalising the financial resilience assessment and report to CMT and Cabinet as part of the budget process;
- Extend resilience testing to a broader range of alternative scenarios to aid planning;
- Acknowledge that the Asset Management Strategy (including office accommodation requirements and estates planning) will inform the resilience assessment;
- Developing a longer term financial strategy informed by the financial resilience assessment, once the time is right for this, given the uncertain times in relation to the pandemic impact and funding; CMT agreed to assess the timing of when and what further work would add value in longer term financial planning and agreed to take recommendations from finance later in the year as there was consensus regarding the uncertainty and likely inaccuracy of the position the further ahead we try to plan given the current circumstances regarding COVID-19 and funding. Please also refer to Standard G below.

*Progress Update: Medium term financial framework updated. Budget Statement on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves (S25 Report) updated, including use of sensitivity analysis and modelling to inform reserve levels. Further work on resilience assessment planned.*

*Standard G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members. This requires a long term financial strategy and long term strategic plan.*

The council is technically non-compliant with this Standard. However, the Code indicates that for some authorities, the planning horizon of the medium-term financial plan may represent the limit to which the authority can realistically plan for the future. In such circumstances, the long-term financial strategy and the medium-term financial plan might well be one and the same thing. The development of a longer-term financial strategy is, however, encouraged. CMT have agreed that for current purposes, due to the continuing impact of the pandemic, it is content that a medium term plan is considered appropriate, given the current levels of uncertainty about continuing impact, work on Reset and a lack of Government confirmation as to whether we will receive a further one year or multi-year settlement and awaited information on future funding including in relation to adult social care. A longer term financial plan will be considered alongside the 2022/23 budget setting process and the 2022/23+ Corporate Plan.

*Progress Update: Medium term plan continues to be currently considered adequate. Further review as part of 2023/24+ budget setting and medium term financial framework update.*

*Standard I: The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans. The development of a medium term Corporate Plan during is planned for 2021/22 which is critical to the integration of sustainable financial and service planning.*

*Progress Update: Council Plan 2022-25 developed and approved, supported by medium term financial plan.*

*Standard K: The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial*



reserves (S25 Report). An area for consideration identified in the 'lessons learnt from the Croydon Report in the Public Interest' related to the opportunity to increase member challenge of the S25 report and levels of reserves through additional training for Members.

*Progress Update: Briefings were held and briefing materials made available to all Members. To be included in annual member training/briefings for 2022/23 and thereafter*

*Standard L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget. The authority will consider its engagement planning with key stakeholders in relation to the medium to longer term.*

*Progress Update: See Standard G for long term. The council engages with key stakeholders as part of annual budget setting and development of the medium term financial plan, as evidenced by the External Auditors judgement. Further opportunities to be sought in relation to medium term financial planning, aligned to the Council Plan.*

*Standard M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. A business case template has been introduced to support capital investment decisions approved by the strategic investment board and to support Cabinet report approvals. This does include the ability to input multiple options to be assessed and for the optimum one to be recommended. A separate formal project options appraisal methodology does not currently exist for all significant investment decisions. An assessment of what additional value this could add to the business case template will be conducted as to how this standard can be fully met.*

*Progress Update: In place for capital investment. Business case in development for Change projects and programmes.*

*Standard N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.*

- Consideration will be given to the reporting of performance of key delivery partnerships.
- Performance and financial data could more usefully be presented together.

*Progress Update: Hub Heads of Service for Policy and Strategy and Business Insights have now been appointed and progress can now be made.*

*Standard O: The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability. An action to review current indicators reported was agreed.*

*Progress Update: Key Indicators (Prudential and balance sheet) are reported in Corporate Financial Performance reports to CMT and Cabinet.*

There are no matters of significant concern in relation to the system of internal control or its effectiveness to bring to the Committee's attention.

## **Performance Information and Data Management**

### **Corporate Plan and Performance**

The planned review and refresh of the Corporate Plan 2018-2021 was impacted by COVID-19 as updates to the needs assessment were delayed. The [Corporate Plan 2021/22](#), a one year refresh of the previous plan, was presented to Cabinet and then Council in February 2021.

Responsibility for managing performance lies with individuals at all levels in the organisation and the refreshed [Corporate Performance Management Framework](#), presented to Audit Committee in April 2021, aligned with the Corporate Plan 2021/2022 and continues to focus on empowering staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. A further report was presented to Audit Committee in June 2021 detailing the performance measures being used to track the '[20 Markers of Success](#)' detailed in the Corporate Plan 2021/22.

The main objectives of the Corporate Performance Management Framework are to set out the broad performance management principles for how we approach our work and underlining the performance management responsibilities of everyone working for the council, secures effective and sustainable improvements for the benefit of our residents. The framework closely aligns with the council's Aim, Priorities and Outcomes.

[The Council Plan 2022-25](#) was developed in a consultative and iterative approach with Services, Directors and Executive Director's over several months to ensure that corporate performance measures from the previous year, and strategies and ambitions for the service were considered in the drafting of the Outcomes, Priorities and Markers of Success. Following agreement with appropriate Directors all Outcomes, Priorities and Markers of Success were signed off by Executive Director's. Alongside, there was continuous dialogue with CMT on the development of the plan through its iterative drafts. The plan was approved by Cabinet in February 2022 before also being reviewed by Council.

Following the development of the Council Plan 2022-25 the [Performance Management Framework](#) was also refreshed and presented to Audit Committee in April 2022. In addition to the framework continuing to align with the development and refresh of the council's overarching plan the effectiveness of the framework will be reviewed as part of the ongoing assurance mapping work reported to Audit Committee twice yearly.

Quarterly performance monitoring to Cabinet has been in place since 2018 and reports during 2021/2022 utilised a refreshed basket of markers of success and performance measures. Reports for 2021/2022 are available on CMIS:

[Quarter One Sept 2021](#)

[Quarter Two Dec 2021](#)

[Quarter Three Apr 2022](#)

[Quarter Four June 2022](#)

The Quarter 4 report also provides an annual summary of the overall performance of the 2021/22 Corporate Plan Markers of Success and Key Achievements for the year. The report also identified those areas where the performance target was not met (9%) and the reasons and where appropriate, actions to address this.

In relation to 2021/22 performance:

- For context, the 2021/22 Corporate Plan was published on 01 April 2021 as a one-year refresher to the 2018/21 publication due to the impact of COVID-19 on resources and capacity;
- The refreshed version presented Walsall's intention to continue to focus on the five (5) EPICC<sup>1</sup> priorities, which were first introduced in the 2018/21 publication;
- These priorities were underpinned by 10 outcomes (two outcomes per priority) and in 2021/22 each outcome was aligned with two Markers of Success;
- These 20 Markers of Success have been the tools to measure performance throughout 2021/22, which has informed the Council, Walsall residents and businesses as well as provided data and/or information to review and monitor throughout the year. Each Marker of Success (MoS) had an agreed baseline;
- Overall performance has improved significantly from Q1 to Q4 as detailed below. Further information is provided in the 22 June Cabinet report. Where performance was classed as White, indicators have been put under review.

Performance	Qtr 4		Qtr 1	Qtr 2	Qtr 3
Green	<b>62%</b>	MoS met / exceeded target	39%	50%	59%
Amber	<b>17%</b>	MoS close to achieving target	45%	42%	29%
Red	<b>9%</b>	MoS did not achieve target	12%	8%	9%
White	<b>12%</b>	Data/information not available	3%	0%	3%

Where required, specific performance meetings, 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. For example, the Director Group has continued to meet and their role has developed. The group maintain oversight of performance monitoring of corporate priorities and is the lead on the development of the strategic transformation budget planning process which enables services to consider outcomes, performance and structures to determine appropriate transformation models that support business planning and budget setting.

During 2021/2022 the development of the Business Insight and Policy and Strategy functionality of the hub has progressed. The aim is to provide intelligence and performance clinics and deep dives to support improvement and a learning culture. Recruitment is currently underway and it is anticipated that the hub will be live late 2022.

The quarterly performance monitoring reporting cycle is scheduled to continue in 2022/2023 and beyond. In addition to quarterly monitoring reports, key achievements delivered against priorities will be included in an Annual Report to Cabinet going forwards.

Walsall Proud Board received monthly reports on performance in relation to Proud and delivery of the 3 Proud Promises of:

- Improve outcomes and customer experience
- Improve employee satisfaction and engagement
- Improve service efficiency and performance

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<sup>1</sup> Economic growth, People, Internal focus, Children, Communities

On 16 March 2022, Cabinet received a report, [The next stages of Proud transformation and change](#) that covered:

- The successfully implemented 'ways of thinking' and 'ways of working';
- The approach that was taken to delivering the Proud programme;
- The benefits achieved so far against the three Proud promises and the investment made;
- The range of estimated benefit opportunities still to be achieved in the context of the new Council plan and the medium-term financial plan; The areas of work that are still in progress and how these will be taken forward; and
- The approach to delivering future transformation and change and how the Council is supporting and enabling continuous improvement.

The report summarised that excellent progress has been made in delivering the programme and associated benefits over the last three years, despite having to deal with the demands of a global pandemic, and outlined a number of key achievements in relation to Proud Promises and future milestones for delivery. Key achievements included:

- Over the last three years of transformation, customer satisfaction has risen from 67% to 73%. The future milestone target is 77% by April 2023.
- Levels of employee engagement are up from 57% (2017) to 61% as demonstrated in the latest employee survey (November 2021), which gathered the views of over 1300 employees. The future milestone target is 67% by April 2024.
- From 2019/20 £57.4m of savings have been defined, of which £54.7m have been included in the council's medium term financial plan (MTFP). This accounts for £2.7m of benefits proposals that Cabinet decided not to implement. A further £12.8m of savings are to be identified to support the MTFP.

Effective governance arrangements have been key to the successful delivery of the Walsall Proud Programme and the achievement of its associated benefits. A robust governance structure was introduced to support the strategic consideration and approval of business change activity, including business cases outlining new organisational structures and new technology solutions supporting new ways of working.

The Walsall Proud Programme Management Office (WPPMO) is responsible for the governance of all change activity and have an established governance forums to provide oversight at specific points during the implementation of change. The learning and adaptations to service delivery due to COVID-19 has informed changes to the delivery of key Proud workstreams and will ultimately enable changes that suit the post-pandemic environment. The Proud Promise to improve outcomes and customer experience, improve employee satisfaction and engagement and improve service efficiency and performance fully aligns and is integral to the Corporate Plan (now Council Plan), the corporate priorities and outcomes. The governance structures within WPPMO will continue to ensure there is no change without informed decision making and provide a framework against which service improvements can be implemented. The WPPMO itself provides transformation expertise in the form of programme, project, business analysis and change management arrangements that have planning, performance management and risk management embedded and is developing to become a centre of excellence for transformation and change.

## Subject Access Requests and Freedom of Information

Performance reporting internally includes the ongoing management of performance in the handling of subject access requests (SARs) and Freedom of Information (Fol) requests with monitoring reports being presented to the Forum for Information Governance and Assurance (FIGA) and to Statutory Officers.

SAR compliance is summarised for each quarter in the table below, comparing 2021/22 to 2020/21.

Year 2021/22			
Quarter	SAR's Due Out	SAR's Out in Time	% Compliance 2020/21 (2019/20)
Q1 (01/04/21 - 30/06/21)	36	30	83% (63%)
Q2 (01/07/21 - 30/09/2021)	24	20	83% (75%)
Q3 (01/10/21 - 31/12/21)	35	19	54% (76%)
Q4 (01/01/22 - 31/03/22)	28	14	50.00 % (73%)
<b>2020/21 TOTAL</b>	<b>123</b>	<b>83</b>	<b>67% (73%)</b>

Performance in the first two quarters shows a marked improvement compared to the same period in the previous year. Unfortunately, this improvement was not sustained during the latter part of the year due to a reduction in capacity following a key officer leaving the service. The service is currently recruiting to replace this role.

The compliance for responding to Fol requests improved in comparison to performance in 2020/21 for the first half of the year. Similar to SARs though performance declined with the reduction of capacity when a key officer left. This was mitigated slightly with the recruitment of a part time officer focussing on Fol's. This has meant that overall, for the year performance improved.

Year 2021/22			
Quarter	FOI/EIRs Due Out	FOI/EIRs Out in Time	% Compliance 2020/21 (2020/21)
Q1 (01/04/21 - 30/06/21)	163	143	88% (81%)
Q2 (01/07/21 - 30/09/2021)	133	116	87% (78%)
Q3 (01/10/21 - 31/12/21)	173	145	84%(85%)
Q4 (01/01/22 -31/03/22)	126	104	83% (86%)
<b>2020/21 TOTAL</b>	<b>595</b>	<b>508</b>	<b>85% (83%)</b>

## 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 2021/22

During 2021/22 there were 144 incidents reported as data breaches to the Information Governance team compared to 127 in the previous year. These breaches were categorised from grade 0-1 (internal action required) through to grade 2 (reportable externally), as set out below.

The additional pressures of remote working during the pandemic and the support provided for all services areas in relation to data protection alongside the updated training and awareness made available and mandated for all staff, confirms that there remains a high level of awareness in regard to understanding our duties and responsibilities across all service areas to report data breaches immediately.

The increased in reporting figures against the previous year is noted as a direct impact of the increased availability of data sharing technology and the discovery of new ways of working during the pandemic.

The Information Governance team continue to ensure that the council meets its obligations for accountability by issuing regular reports for all data protection incidents to 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/area.

Directorate/Area 2020/21	Total	Directorate/Area 2021/22	Total
Adult Social Care	21	Adult Social Care	34
Children's Services	73	Children's and Families	75
Economy and Environment	5	Economy and Environment	10
Elected members	1	Elected Member	2
Resources and Transformation	27	Resource and Transformation	21
External 3rd Party	0	External 3rd party	2
<b>Grand Total</b>	<b>127</b>	<b>Grand Total</b>	<b>144</b>

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

Data Category	Total
Customer/ Service user information only	111
Staff information only	13
Staff/Client and or Business data	20
<b>Grand Total</b>	<b>144</b>

#### *Lessons learnt:*

As part of duties and obligations under the data protection regulations the council has to ensure that it has taken appropriate steps to reduce incidents by the sharing of lessons

learnt and taking the actions required to reduce the potential for further incidents of a repetitive nature. There are recurring themes of data being 'disclosed in error' via electronic means, such as by email, across a range of services and circumstances. This continues to be addressed by ensuring appropriate guidance, news updates, organisational and technical controls are in place alongside the mandatory Information Governance training to further reduce the potential for such incidents.

*Serious incident reporting:*

The council has reported 0 serious data breaches during this period and all internally reported incidents were fully investigated and appropriately closed within a 21 day period.

*Data Protection Incident improvement actions:*

Over the reporting period the IG team have implemented an improved 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, where all incidents must be managed within a 21 day period.

We have also introduced a fully digital incident management solution that ensures appropriate timelines and triggers are in place for the external reporting of any potential serious incidents within the 72hr legally required period. This ensures the council continues to maintain and uphold 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.

Regular update reports on any developments, guidance or improvements through lessons learnt are also presented to FIGA to ensure that this senior management board are aware of any data protection changes in the organisation and can take appropriate action as required.

*Data Protection and Information Security Training and Awareness:*

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

In this period the organisation has now implemented a cyber-security team which has also released a separate and dedicated cyber and network data security training module to ensure everyone is aware of their duties and responsibilities with regards to network and information security. All staff are mandated to complete the appropriate training modules on an annual basis from the 1<sup>st</sup> of April to the 31<sup>st</sup> of March of every financial year.

For further assurance the council completes the NHS Digital "Data Security and Protection" (DSP) Toolkit, which 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 with access to information have undertaken data protection training and that its systems and processes have data protection and privacy embedded throughout their processing activities. The council is pleased to report that a compliance figure of 95% of all staff trained for this financial year was achieved by the end of March 2022. This provides

the council with the 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.

## **Other Sources of Assurance**

### **Inspectorates / External Reviews**

During 2021/2022, there were a number of external inspections and reviews of the council and council services. In 2021/2022 the council participated in the Adult Social Care Pause and Learn independent review approach developed by the West Midlands Association of Directors of Adult Social Services in England (ADASS) in response to COVID-19. Although not a formal inspection the findings were reported to the [Social Care and Health Overview and Scrutiny Committee](#) in December 2021 with a follow up report planned for July / August 2022.

The Care Quality Commission (CQC) is the independent regulator for Health and Adult Social Care in England. Under Adult Social Care reforms all councils will be subject to CQC inspections from April 2023 onwards.

Ofsted introduced the Inspecting Local Authority Children's Services (ILACS) framework in 2018 to replace the previous Special Education Needs (SEN) and Single Inspection Framework (SIF) frameworks. In October 2021, [Walsall was inspected by Ofsted](#) under the ILACS framework and were judged by Ofsted to be 'good' overall, 'requires improvement' for children in need of help and protection, 'good' for children in care and 'good' for leadership. Ofsted found that:

*"An ambitious and stable senior leadership team is dedicated to the delivery of the Walsall Right 4 Children transformation programme, launched in September 2018. Since the previous inspection in 2017, outcomes for children and their families have been improving and children's services are now good. There has been deliberate corporate investment in children's services, to create a skilled and stable workforce. As a result, some exceptional practice from social workers helps children's experiences improve and supports families to make positive changes to their lives."*

The council's high level improvement plan was submitted to Ofsted in March 2022 and will be reported to overview and scrutiny during 2022/2023 to review progress.

Her Majesty's Inspectorate of Probation (HMIP) conducted an inspection of [Youth Justice Services in 2019](#) and reported an overall rating of 'requires improvement'. This judgement was subject to an independent review commissioned by the Walsall Youth Justice Service Performance and Partnership Board. The findings of the review were [reported to Children's Services Overview and Scrutiny Committee](#) on 31 January 2022.

There were no significant internal controls issues arising from the above that impact the AGS.

### **HR Management and Development**

The council has a comprehensive set of employment policies and procedures that ensure governance and compliance and support the council to deliver its Corporate Plan priorities. All key employment policies are approved by Members at Personnel Committee and reviewed on a three yearly cycle following staff and trade union engagement at elected



forums, such as the Employee Relations Forum (corporate decisions/consultations) and Joint National Consultative Committees (for directorate based decisions/consultation). The council has a Code of Conduct for employees that provides a clear framework and guidance for all employees of the council and which outlines acceptable standards of behaviour and aims to support the council's shared vision, purpose, values and behaviours. Statutory compliance is maintained through various outputs including the pay policy statement, gender pay gap reporting, the transparency code and trade union time reporting.

Completed policy reviews during 2021/2022 have included confidential reporting, flexi time and time off in lieu, reimbursement of personal expenses, sickness absence, injury allowance, code of conduct for employees and workers and the launch of a new menopause policy alongside guidance updates on sickness absence, domestic abuse and IR35 worker status.

The Learning and Development team have refreshed Annual Performance Conversation (APC) guidance in line with the implementation of One Source and the recording of objectives in real time on the system. During 2021/2022 this was progressed further to enable the whole appraisal to be completed on line, providing managers and employees with better oversight and monitoring of the delivery of individual objectives against team and organisational priorities.

In addition the Learning and Development team continue to support the development and implementation of both the Director Group and the Senior Management Group (SMG). The Director Group supports the Corporate Management Team in the delivery of strategic objectives and SMG enables cascading, sharing and learning together and from one another across services and directorates. SMG is able to respond to requests for support, problem solving / tackling difficult issues, sharing ideas / concerns and celebrating successes and best practice, with credible guest speakers being engaged as appropriate.

2021/2022 has also seen a focus on developing HR business partners across the organisation to act as the 'connector or bridge', linking Enabling Support Services and business units or Directorates to ensure that the technical expertise they have to offer is placed within the real and current concerns of the business in order to create value. This is a further development of organisational leadership.

## **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 S151 Officers nominee, 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.