

# Annual Governance Statement 2021/22

## 1. Scope of responsibility

This statement is given in respect of the 2021/22 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

## 2. The purpose of the Governance Framework

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

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

The governance framework has been in place at Walsall Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

## 3. The Governance Framework

The key elements of the council's governance arrangements, including the system of internal control, are contained in the council's Local Code of Governance. The Code in force during 2021/22 is available at the following link [Code of Governance](#). The Local Code of Governance incorporates seven core principles of good governance:

- 1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- 2) Ensuring openness and comprehensive stakeholder engagement.

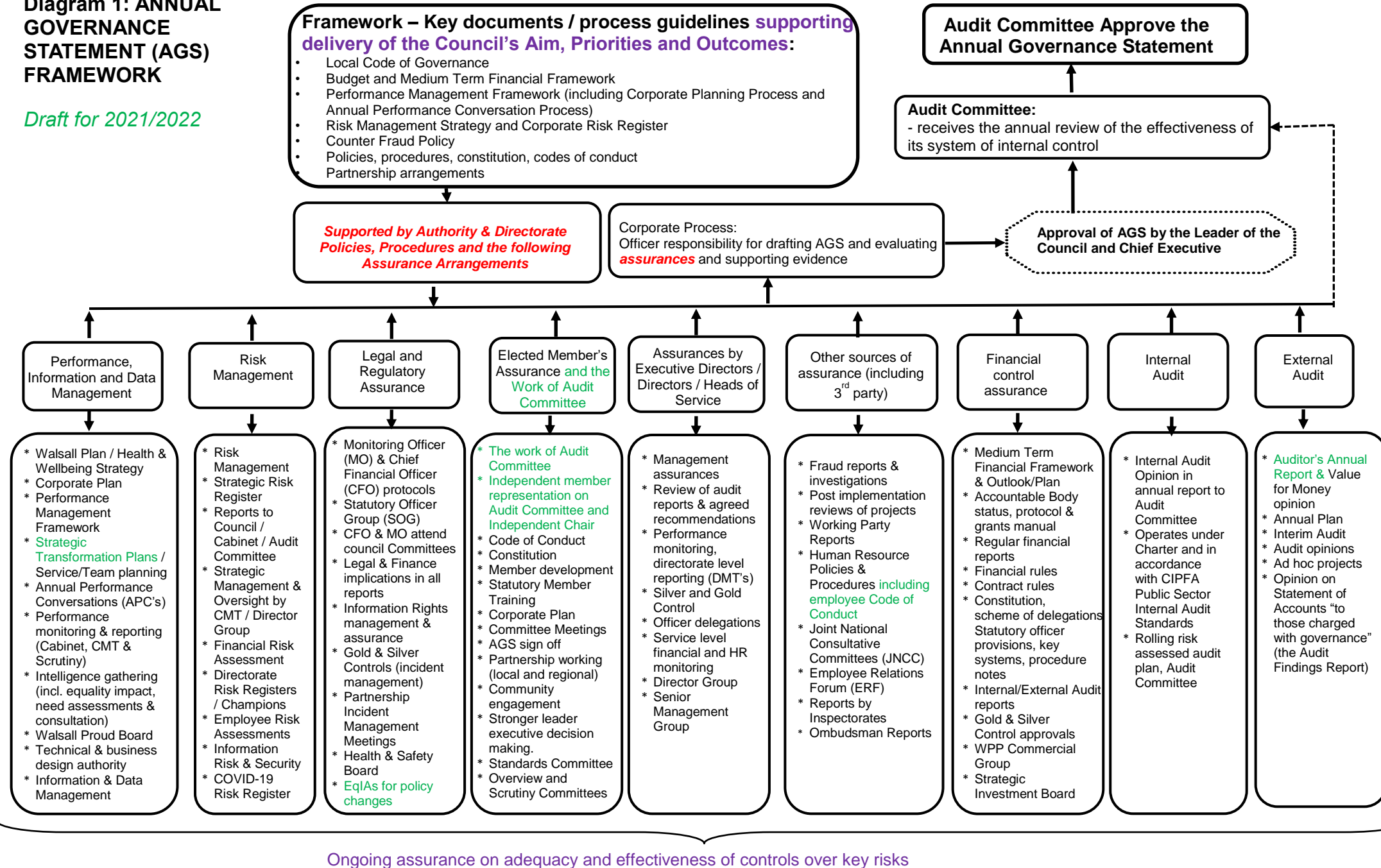
- 3) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- 4) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- 5) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- 6) Managing risks and performance through robust internal control and strong public financial management.
- 7) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The governance framework consists of the local Code of Governance supported by the strategies, corporate systems, policies, practices and processes, spanning the whole range of the council's activities. This includes management information, finance and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate annual performance conversation (APC) framework, a risk management strategy and process, and a system of officer and member delegation and accountability and codes of conduct. Diagram 1 illustrates the overall governance framework. Items shown in green text are additions for 2021/22. A review of the assurances in relation to the Strategic Risk Register commenced in 2021/22 and was [reported to Audit Committee](#) for their consideration in November 2021.

Work to refresh the Local Code of Governance has commenced during 2021/22 and a plan to implement during 2022/23 developed. This includes reviewing induction training and engagement with the Senior Manager Group and Director Group to ensure the refreshed Code is fully understood and embedded.

# Diagram 1: ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK

Draft for 2021/2022



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

In particular, the system includes the following key elements:

- A Partnership Plan (Walsall Plan – the Health and Wellbeing Strategy for the Borough), setting out ambition, objectives and priorities of the council and key partners, developed following consultation with the community and stakeholders – supported by our refreshed [Council Plan 2022/25](#). A revised Partnership Plan is due to go to July 2022 Cabinet.
- A robust financial framework, incorporating a comprehensive medium term financial strategy and plan, budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- An information governance framework incorporating appropriate policies, procedures, standards and guidance that ensures robust controls are in place for compliance of our legal obligations under the UK Data Protection Regulations.
- A comprehensive risk management strategy and internal control framework, operating at both strategic and operational levels.
- An approved Constitution, including finance and contract rules, a scheme of delegations and decision-making processes of the council, ensuring sound decision making and compliance with regulations and the law.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance.
- Comprehensive policies and procedures, including codes of conduct (member and officer ethics and behaviours), refreshed in 2021/22, a counter-fraud and corruption policy and [whistle blowing policy](#), refreshed in 2021/22.
- Clear measures of financial performance linked to the Council Plan 2022-2025.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT), Directors Group and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the council.
- A risk assessed Internal Audit plan that is planned in advance which and covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the council.
- Member and officer development strategy and individual development planning processes.

- Comprehensive communication and consultation arrangements both internally and externally.

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

Responsibility for managing performance lies with individuals at all levels in the organisation and the current approach continues to aim to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. The council's Performance Management Framework has been reviewed and refreshed to fully align with the Corporate Planning process. The [refreshed framework](#) was presented to Audit Committee on 28 April 2022.

The Walsall Proud Programme Management Office (WPPMO) is responsible for the governance of all change activity and have an established various governance forums to provide oversight at specific points during the implementation of change.

The council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules which set out the control environment in which the council operates. The Constitution was reviewed and updated in May 2019. 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 council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. A revised Risk Management Strategy was approved by Audit Committee in January 2019, and a revised Strategic Risk Register (SRR) implemented. Updates on the SRR were presented to Audit Committee in September 2021 and February 2022. During 2021/22, the Committee received and commented on a report (November 2021) on the development of an Assurance Map for the 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

Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves. A COVID-19 financial register and risk register was established in April 2020 and this has been used to monitor and report on actual costs and risks to CMT and Cabinet throughout both 2020/21 and 2021/22.

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

The Executive Director, Resources and Transformation (interim) and S151 Officer / Chief Finance Officer (CFO) 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. The AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2016)*. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complied with all of these during 2021/22.

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

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

The Audit Committee receives summary reports of audits receiving a 'Limited' or 'Unsatisfactory' assurance opinion and audit recommendations and actions and seeks to ensure that control weaknesses where identified are addressed. The Committee has a key function in respect of the system of internal control and its effectiveness and the work of the Committee includes the review of the Annual Governance Statement and its formal approval each year.

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

#### **4. Review of Effectiveness**

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

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

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on

internal controls, risk management, 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.

In respect of the system of internal control, a review of the following areas has been undertaken and will be reported to Audit Committee on 27 June 2022 as part of the annual review of effectiveness, to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2021/22 in:
  - Reviewing at each meeting 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 Opinion on the statement of accounts, 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 Strategic Risk Register, involving the collation of information from different levels of internal and external assurance to provide Audit Committee with assurance regarding how effectively the organisation is 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.
- Internal Audit's evaluation of the effectiveness of the council's risk management, control and governance processes; identified control weaknesses and the Annual Opinion. The Annual Opinion is as follows in respect of the 2021/22 financial year:

*“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”.*

- Progress in addressing governance issues and control weaknesses identified in the 2020/21 AGS and progress in addressing these;
- The work of Internal Audit to assess the extent to which compliance with the AGS framework has been met by the council;
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013;
- Regular reporting to and scrutiny by Audit Committee of Strategic Risks;
- The work of other regulatory Committees – Standards;
- The work of Inspectorates and the council's response and actions plans to address findings;
- The work of External Audit;
- Financial and performance reporting, including in relation to financial and budgetary control, risk, information governance and data protection arrangements, and other supporting evidence.



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

## **5. Significant Governance Issues**

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

There are no significant governance issues to report.

Some internal control weaknesses have been identified, which were reported to Audit Committee throughout 2021/22 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control report to Audit Committee on 27 June 2022. Actions are in place to address these.

A number of areas for improvement were identified as part of the review against the CIPFA Code of Financial Management and the Auditors Annual Report in respect of value for money arrangements. These will continue to be addressed during 2022 and onwards and any impact in relation to governance will be incorporated into the Governance Framework. There were no significant governance matters to bring to the attention of the Audit Committee arising from these reviews.

Dr Helen Paterson

Chief Executive

Date: 27 June 2022

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Councillor Mike Bird

Leader of the Council

Date: 27 June 2022

In approving this statement, the views and assurances of the statutory officers and Executive Directors have been sought and appropriate evidence obtained to support it.