(Draft) Annual Governance Statement 2015/16

1.   Scope of responsibility

This statement is given in respect of the 2015/16 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Walsall has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website or can be obtained from the Monitoring Officer or Chief Finance Officer. This statement explains how Walsall Council has complied with the Code and also meets the requirement of regulation 4(2) of the Accounts and Audit Regulations 2011.

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 2016 and up to the date of approval of the Statement of Accounts (September 2016).

3. The Governance Framework

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

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

1. Focusing on the purpose of Walsall Council and on outcomes for the community, and creating and implementing a vision for the local area.

2. Elected Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

3. Promoting Values for Walsall Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

5. Developing the capacity and capability of Elected Members and Officers to be effective.

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

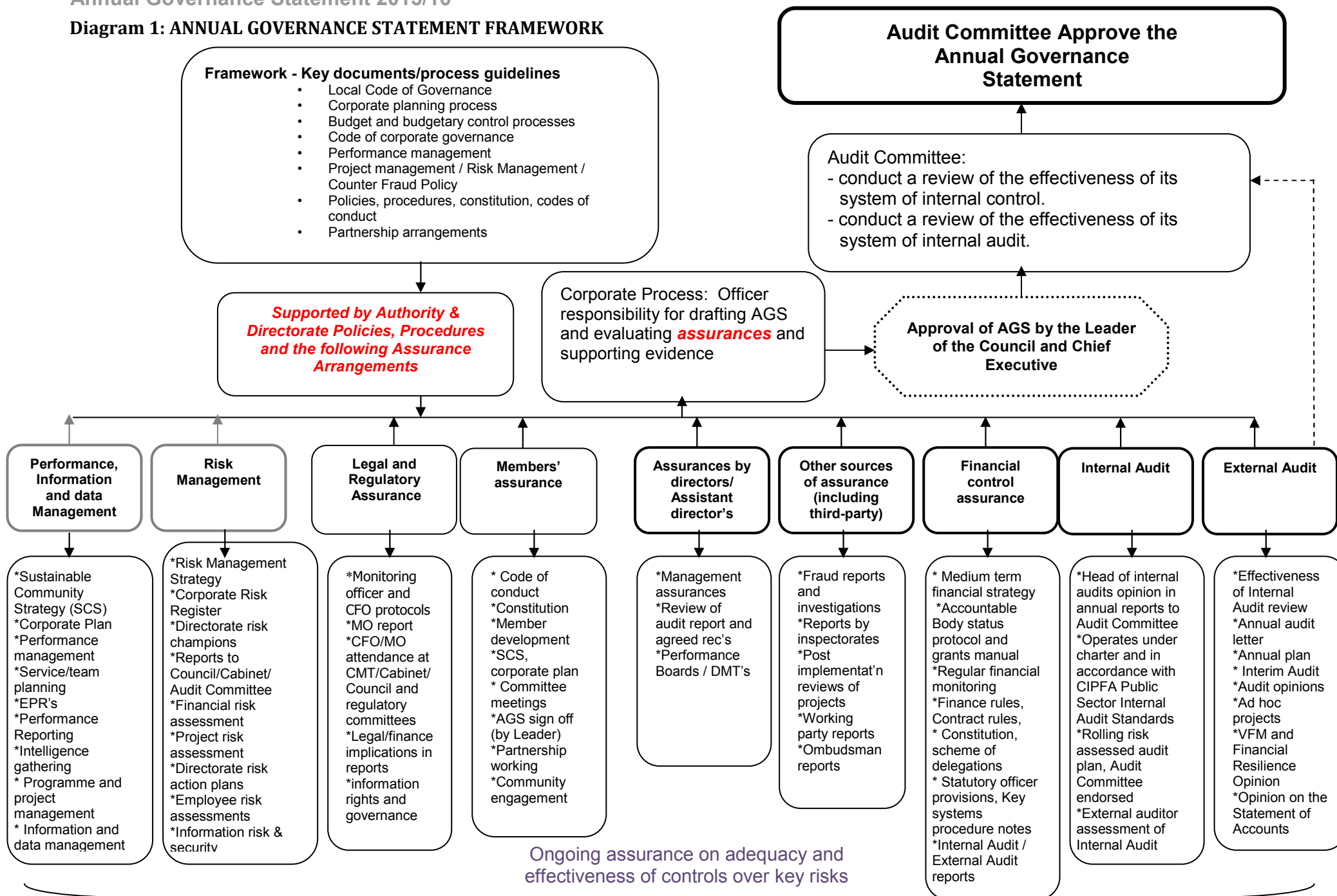The Local Code also sets out how the council will put these into practice, including by:

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

- Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- Performance management of the Authority and its reporting.
- Incorporating good governance arrangements in respect of partnerships and other group working.

The governance framework consists of management information, finance and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate employee performance review (EPR) framework, a comprehensive risk management strategy and process, an agreed Walsall Change Approach and a system of officer and member delegation and accountability and codes of conduct. Diagram 1 illustrates the overall governance framework which is discussed in more detail in this section.

Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Audit Committee Approve the Annual Governance Statement

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

Audit Committee:
- conduct a review of the effectiveness of its system of internal control.
- conduct a review of the effectiveness of its system of internal audit.

Supported by Authority & Directorate Policies, Procedures and the following Assurance Arrangements

Corporate Process: Officer responsibility for drafting AGS and evaluating *assurances* and supporting evidence

Approval of AGS by the Leader of the Council and Chief Executive

Performance, Information and data Management	**Risk Management**	**Legal and Regulatory Assurance**	**Members' assurance**	**Assurances by directors/ Assistant director's**	**Other sources of assurance (including third-party)**	**Financial control assurance**	**Internal Audit**	**External Audit**
*Sustainable Community Strategy (SCS) *Corporate Plan *Performance management *Service/team planning *EPR's *Performance Reporting *Intelligence gathering * Programme and project management * Information and data management	*Risk Management Strategy *Corporate Risk Register *Directorate risk champions *Reports to Council/Cabinet/ Audit Committee *Financial risk assessment *Project risk assessment *Directorate risk action plans *Employee risk assessments *Information risk & security	*Monitoring officer and CFO protocols *MO report *CFO/MO attendance at CMT/Cabinet/ Council and regulatory committees *Legal/finance implications in reports *information rights and governance	* Code of conduct *Constitution *Member development *SCS, corporate plan * Committee meetings *AGS sign off (by Leader) *Partnership working *Community engagement	*Management assurances *Review of audit report and agreed rec's *Performance Boards / DMT's	*Fraud reports and investigations *Reports by inspectorates *Post implementat'n reviews of projects *Working party reports *Ombudsman reports	* Medium term financial strategy *Accountable Body status protocol and grants manual *Regular financial monitoring *Finance rules, Contract rules, * Constitution, scheme of delegations * Statutory officer provisions, Key systems procedure notes *Internal Audit / External Audit reports	*Head of internal audits opinion in annual reports to Audit Committee *Operates under charter and in accordance with CIPFA Public Sector Internal Audit Standards *Rolling risk assessed audit plan, Audit Committee endorsed *External auditor assessment of Internal Audit	*Effectiveness of Internal Audit review *Annual audit letter *Annual plan * Interim Audit *Audit opinions *Ad hoc projects *VFM and Financial Resilience Opinion *Opinion on the Statement of Accounts

Ongoing assurance on adequacy and effectiveness of controls over key risks

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

In particular, the system includes the following key elements:

- A sustainable community strategy, setting out ambition, objectives and priorities of the council and key partners, developed following consultation with the community and stakeholders – supported by a revised corporate plan – linked to service planning via the Walsall Change Approach.
- An agreed approach to change (Walsall Change Approach) under which change management activity is delivered.
- An information governance framework.
- A comprehensive risk management strategy and framework, operating at both strategic and operational levels.
- An approved Constitution, including finance and contract rules, a scheme of delegation and decision making processes of the Council.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance.
- Human resources and other policies and procedures, including codes of conduct (member and officer), whistle blowing policy and an anti-fraud and anti-corruption policy and strategy.
- A comprehensive financial strategy, including budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- Clear measures of financial performance linked to the corporate plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the council.
- A risk assessed Internal Audit programme which is planned in advance to cover all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed by the S151 Officer.
- An independent external audit function which reports on the financial and governance arrangements of the council.

- Member and officer development strategy and individual development planning processes.
- Comprehensive communication and consultation arrangements both internally and externally.

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

The Corporate Plan 2016-20120 explains what we are doing as a council and what we are trying to achieve. Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. Where required, specific performance boards continue to meet; in some areas focus has been on the development of information sharing to inform action being taken on an area basis and corporately information is received by strategic leaders. The opportunity has been taken to streamline and remove duplication in reporting arrangements.

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

The Council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both strategic and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. Strategic risks are identified, evaluated, incorporated into a corporate risk register and reported regularly to senior management, CMT and Audit Committee. This includes actions to mitigate risks, as appropriate, for each key strategic risk. Audit Committee chose to review the following risks in detail during 2015/16:

Risk Number 9 – Failure to manage institutional and individual change – January 2016
Risk number 18 – Phoenix 10 – September 2015, February and April 2016.

Audit Committee also reviewed and endorsed the revised Corporate Risk Management Strategy in April 2016.

Each directorate has identified directorate risks and work continues to ensure that the actions arising from these take proper account of the balance of risk and

resources to ensure that appropriate and proportionate action is put in place. Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves. Individual posts are risk assessed within the council and are subject to review. Risk workshops are held to ensure managers and those involved in the assessment and management of risk are appropriately trained.

Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves. Individual posts are risk assessed within the council and are subject to review. Risk workshops are held to ensure managers and those involved in the assessment and management of risk are appropriately trained.

The council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules, which set out the control environment in which the council operates. The Constitution was reviewed and updated during 2015/16.

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

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

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

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

4.   Review of Effectiveness

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

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

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on VFM and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- The Head of Internal Audit's annual report.
- Findings of the external auditor and other review agencies and inspectorates.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receive regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- Improvements recommended by Audit Committee on the framework for reporting. For example, in 2015/16, Audit Committee made a number of suggested improvements to the corporate risk management strategy and corporate risk register considered by Audit Committee in April 2016.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

In respect of the system of internal control, a review of the following areas has been undertaken and reported to Audit Committee in June 2016 to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2015/16 in:
  - receiving no and unlimited audit reports,
  - reviewing strategies under their remit,

- fully complying with the CIPFA "A Toolkit for Local Authority Audit Committees"
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013.
- The work of the council's external auditors, Grant Thornton (2014/15) and Ernst Young in relation to the 2015/16 financial year.
- Governance Issues and control weaknesses identified in the 2014/15 AGS and progress in addressing these
- The annual report of Internal Audit on the overall adequacies of the internal control environment.
- Internal Audit 2015/16 identified control weaknesses
- The work of regulatory Committees – Standards and Audit
- The work of External Audit and Inspectorates
- Financial and risk performance reporting
- Information Governance and data protection arrangements
- Other Supporting Evidence

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

5. Significant Governance Issues

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

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Paul Sheehan
Chief Executive

Date: xx September 2016

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Councillor Sean Coughlan
Leader of the Council – April to June 2015 and June 2016 to date

Date: xx September 2016

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Councillor Mike Bird
Leader of the Council – June 2015 to June 2016

Date: xx September 2016

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.