

**Audit Committee – 27 June 2016**

**Annual Review of Effectiveness of the System Internal Control and the Draft Annual Governance Statement 2015/16**

**Summary of Report**

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

This review supports production of the AGS for 2015/16 and requires Audit Committee approval prior to publication alongside the post-audit Annual Statement of Accounts (SoA), in September 2016. CIPFA recommend that it is good practice for Audit Committee to receive the draft AGS before or during the audit of the accounts to enable Audit Committee to raise any points that they feel may need to be addressed prior to formal approval in September, as such the AGS is being provided in draft to this Committee alongside the pre-audit SoA.

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

**Recommendations:**

Audit Committee are requested to:

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



James T Walsh – Chief Finance Officer

## **Background**

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

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

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

Additionally, the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. This is reported in the Internal Audit Opinion 2015/16 report which is included elsewhere on tonight's agenda and has been used to inform the review of the effectiveness of the system of internal control and the production of the AGS.

## **Resource and Legal Considerations**

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

## **Performance Management and Risk Management Issues**

### Performance Management

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

officers within each directorate should promptly implement agreed internal and external audit actions within the timescales agreed.

### Risk Management

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

### **Equality Implications**

None relating directly to this report.

### **Consultation**

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

### **Governance**

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

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

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

### **Background Papers**

Audit and Accounts Regulations 2015

Internal Audit report and Opinion on the adequacies of the council's control environment

Various CIPFA Guidance, Local Code of Governance, Various council documents and reports

Various external and internal audit and inspection reports  
Grant Thornton Annual Audit Letter and various external audit reports

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## **Review of Effectiveness of Governance Arrangements**

Walsall Council (via Audit Committee) has a statutory responsibility for conducting a review of the effectiveness of its system of internal control in respect of 2015/16.

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

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

- The annual work programme of Audit Committee including receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor's opinion on value for money and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- Findings of the external auditor and other review agencies and inspectorates.
- The Internal Audit annual report and Opinion on the effectiveness of its risk management, control and governance processes.
- Cabinet, CMT and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and 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 such as the Corporate Risk Management Strategy and associated processes.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

The following sections set out the key areas of assurance and findings from work and activity undertaken during 2015/16 in these areas. These have been considered in the annual effectiveness reviews of the systems of internal control and internal audit and an overall conclusion is provided at the end of each section.

### **Effectiveness Review of the System of Internal Control**

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

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

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

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

In respect of the 2015/16 financial year, the following Internal Audit Opinion has been given;

*"Formed solely on the basis of the work undertaken by Internal Audit and its partner organization in 2015/16, and the positive action taken or intended to be taken by managers to implement agreed audit report actions, a significant level of assurance can be provided in relation to the overall adequacy and effectiveness of Walsall Council's framework of governance, risk management and control (the internal control environment).*

*Control weaknesses were identified during the 2015/16 financial year and were reported as such to relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on an assurance that accountable managers address findings within the agreed audit report action plans in the areas for which they are responsible.*

*The internal control environment can only provide reasonable and not absolute assurance regarding the achievement of the council's policies, aims and objectives. The opinion is based on work in the approved operational audit plan, including irregularity, consultancy and advisory work carried out in 2015/16.*

*All audit work is subject to agreed terms of reference, objectives and resources allocated by the Council for that purpose."*

### **Internal Audit 2015/16 Identified Control Weaknesses**

The AGS effectiveness review is also informed by work undertaken in 2015/16 to follow up on actions agreed to improve control weaknesses identified in the previous year's (2014/15) AGS.

During 2014/15, Internal Audit reviews were undertaken of the 12 fundamental financial systems all of which were found to be operating satisfactorily. During the

2015/16 review, again all fundamental financial systems were found to be operating satisfactorily, receiving a significant assurance opinion.

The AGS effectiveness review is also informed by internal audit work undertaken in 2015/16, the findings of these reviews and actions plans put in place by managers address control weaknesses.

Planned work:

During 2015/16, 124 audits were planned and 90 undertaken, excluding unplanned irregularity, consultancy and follow up work. Of these 90:

- 3 reviews (3%) received a full assurance opinion;
- 81 reviews (90%) received a significant assurance opinion;
- 6 reviews (7%) received a limited assurance opinion; and
- 0 reviews (0%) received a no assurance opinion.

Overall, 84 reviews (93%) were given significant assurance or above.

In addition to fundamental financial systems, audits were undertaken in 2015/16 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 most 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 opinion was given:

Directorate	Audits with a Limited Assurance Opinion
Children’s Services / Education	Christchurch
	Jane Lane
Economy & Environment	Solihull Framework for Integrated Facilities Management
Adult Social Care	Residential Charging
Change & Governance / ICT	ICT Risk Management
	Social Media

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

Follow up audits were also undertaken in 2015/16, and limited progress opinions reported for personal budgets (Adult Social Care) and asset management (Economy & Environment).

In addition to planned audit reviews, a number of unplanned assurance work took place, comprising of;

- advisory and consultancy related services which are carried out to improve services and to add value, including the impact of proposed policy initiatives, programmes and projects as well as emerging risks.
- prevention, detection and investigation of fraud and corruption; and other irregularity.

A number of unplanned jobs, including investigation of suspected frauds and irregularities, were undertaken by the service during the year, 3 being notified through the whistle blowing procedure. 9 irregularity reports were issued. While most cases were not material in the context of this opinion, one case gave cause for concern this year and has been reported to Audit Committee (see separate report on the agenda - Internal Audit Opinion 2015/16).

### **Regulatory Committee – the Audit Committee**

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

Audit Committee has a regulatory role in terms of receiving reports on the effectiveness of the system of internal control and the annual work programme of the Audit Committee includes receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on VFM and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.

Audit Committee receives and considers Internal Audit six monthly progress reports and summary reports of all internal audits receiving a 'no' or 'limited' assurance opinion. Where, on audit follow up a no or limited assurance audit report, no or limited progress is made by managers in addressing weaknesses identified, executive directors and their accountable managers are required to attend Audit Committee to provide necessary assurances. This was the case during 2015/16.

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

### **Regulatory Committee – Standards Committee and the Ethical Framework**

The functions of the Standards Committee are determined by statute and the Constitution. Standards Committee have a role in ensuring and promoting good ethical conduct. The Constitution clearly sets out the role of officers and members,



including the three statutory posts of the Chief Finance Officer (S151 officer), Head of Paid Service and Monitoring Officer.

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

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

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

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

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

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

### **Lawfulness and Maladministration**

The Monitoring Officer is the Councils lead adviser on issues of lawfulness and the Councils 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.

As reported in the 2014/15 audit risk assessment there has been an instance of non-compliance in respect of Appointeeships in Adult Social Care. Further work has taken place during 2015/16 to put in place processes to prevent any further issues of non-compliance, with the outcome of this work expected to conclude in 2016/17.

The council has complied with all of the recommendations issued by the Local Government Ombudsman.

### **Governance Issues identified in 2014/15 AGS**

Some governance issues were identified in the 2014/15 AGS, of most significance was the result of the OFSTED inspection of the Council's school improvement service which took place in June 2014 whereby they concluded that arrangements were ineffective. Actions were put in place to address the findings and a re-inspection took place in March 2016 which concluded that there has been improvement since the previous inspection and the service is no longer ineffective. The inspection acknowledged there is still a great deal to be done and as such, OFSTED will continue to monitor the local authority's arrangements for school improvement.

### **External Audit Assurance**

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

In relation to Internal Audit, Grant Thornton's (our external auditors at this point in time) report dated July 2015, presented to 20 July 2015 Audit Committee, concluded the following:

"We have concluded that Internal Audit's responsibilities are appropriate and they have appropriate status within the authority. Internal Audit has adopted appropriate methods for undertaking their work and their plan includes coverage of internal controls, including financial, and consideration of governance issues. They report their findings effectively and are able to report independently to Audit Committee. Our review of Internal Audit work has not identified any weaknesses which impact on our assessment of the control environment".

External Audit no longer undertake a formal review of the Internal Audit function, they review the work of Internal Audit however to inform their annual risk assessments. For future years, assurance will be provided through the 5 yearly external assessment of Internal Audit's Quality Assurance and Improvement Programme (QAIP). The QAIP covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated. As stated above, Mazars are due to be assessed in summer 2016.

The Council's independent external auditor has a broad role covering finance and governance matters. Grant Thornton was our appointed auditors for the 2014/15 financial year and Ernst Young are our appointed auditors in relation to the 2015/16 financial year and onwards. The auditors work in 2015/16 included:

- a) The Annual Report to Those Charged with Governance, published September 2015 (Grant Thornton), which provided an unqualified opinion of the 2014/15 accounts and a formal conclusion that the council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the VFM conclusion). A small number of recommendations were made which were discussed and agreed with the CFO.
- b) Value for Money report (Grant Thornton), reported to Audit Committee in September 2015, covering whether the council has put in place proper arrangements for securing financial resilience. The review covers key indicators of financial performance, our approach to strategic financial planning, financial governance and financial control. Grant Thornton's overall conclusion in respect of both securing financial resilience, and challenging economy, efficiency and effectiveness was consistent with prior years, in that, whilst the Council faces some significant challenges during 2014/15 and beyond, our current arrangements are adequate.
- c) Grant Thornton's Annual Audit Letter 2014/15 reported to the Committee on 9 November 2015. This summarises the key issues arising from the work that the external auditors have carried out at Walsall during 2014/15. The report made four recommendations:
  - The MTFO – *“Members and Officers will need to confirm the detailed savings plan as part of the 2016/17 budget process, if the Council is to continue to be financially resilient”.*
  - Looked After Children – *“This is an area that continues to present risk to delivery of the budget and must be kept under review by Members”.*
  - Adult Social Care Demand Pressures – *“As recommended for LAC, both action plans and budget need to be kept under review by Members”.*
  - Children - Educational attainment – *“Members should receive assurance that adequate progress is being made against the improvement strategy and that milestones are being met. Members should be satisfied that enough is being done to improve the educational attainment of children in the Borough”.*
- d) At the time of writing this draft AGS, EY's work in relation to 2015/16 (namely the Annual Report to Those Charged with Governance, the audit of the Statement of Accounts, and the VFM report) had not yet commenced. The final AGS to be approved and published in September will provide feedback on that work in relation to the impact on the internal control environment and the AGS.
- e) The results of the Interim Audit work of Ernst Young in relation to the 2015/16 accounts – no issues have been found as part of this review that EY wished to bring to the attention of the Committee.

### **Other Inspectorates**

The Office of the Public Guardian (OPG) inspected the council's arrangements for deputyships in September 2014. The result was a largely critical report, detailing a lack of ownership, compliance issues on client files and lack of coordinated approach in joint visits / reviews. An internal audit was undertaken in April 2015 in advance of a

planned OPG re-inspection, which highlighted areas which needed strengthening. The OPG compliance team performed a re-inspection in June 2015 and their report was received in September 2015. The Public Guardian advised that he was reassured and encouraged by the tangible improvements that have been highlighted in this report, that he intended to de-escalate matters, and that the supervision team would resume responsibility for the normal day to day supervision of Walsall Council's deputyship activities. A further assurance visit is to be made in twelve months time to re-assess how well the improvement measures the council has put in place are working.

## **Financial and Risk Management**

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

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

The council's medium term financial strategy, finance rules and scheme of delegations are regularly updated to ensure sound financial planning processes are in place. The council has a strong track record of delivering savings and out-turning within/close to the approved budget. Treasury management activities are operated in accordance with the statutory Code of Practice.

In 2015/16, Audit Committee made a number of suggested improvements to the Risk Management Strategy.

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

Chief Executive, and has direct and unfettered access to members, including Cabinet and Audit Committee.

## **Performance Management**

The draft Corporate Plan 2016-2020 and Purpose - Reducing Inequalities; Maximising Potential - explains what we are doing as a council and what we are trying to achieve. Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. Where required, specific performance boards 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 refreshed 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.

## **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. The Corporate Management Team receive updates on the information risks through quarterly update of the Corporate Risk Register, where there is a specific risk relating to Data Control – Information, ICT and Cyber Risk. There are also designated officers who carry out the roles of Senior Information Risk Owner (SIRO), Caldicott Guardian and Data Protection Officer.

The development and revision of procedures as part of the Information Governance Policy framework is prioritised based upon the most significant impact and likelihood of a breach of the relevant legislation. During 2015/16 procedures have continued to be reviewed, developed and added to the policy framework and work has begun to develop an information risk management tool for Information Asset Owners.

Following a restructure and refocus of some members of Change and Governance, work has commenced on developing an Assurance Framework which will be an

intrinsic part of overall governance arrangements for the Council. This Assurance Framework will seek to consider various assurance activities in a collective way to provide an overall rating of assurance for CMT.

### Handling Breaches of the Data Protection Act (DPA)

During 2015/16 there were 50 breaches reported to the Information Governance team compared to 70 the previous year. These breaches were categorised from Level 1 (minor breach) through to Level 4 (major serious breach), there were no breaches at level 3 or 4, meaning that they did not involve large amounts of personal or sensitive personal data nor did they affect large numbers of individuals. The learning from the breaches assessed at level 2 has highlighted that the main causes are similar in nature across the Council and are sometimes repeated, largely due to human error. This has been specifically addressed by amending the content of the mandatory training for all staff to include information relating to data breaches.

The Council's data breach procedure now includes the requirements of the Guidance for Reporting, Managing and Investigating Information Governance and Cyber Security Serious Incidents Requiring Investigation, published by the Health and Social Care Information Council (HSCIC), and a total of 9 data breaches are recorded as involving adult social care / health data. 1 of these, was assessed as a Level 2 data breach using the alternative assessment criteria set out by the HSCIC. This resulted in the breach being automatically reported to the Information Commissioner's Office (ICO). The ICO has since confirmed that due to the fact that this incident only affected one individual, the likelihood of harm was minimal and corrective action taken by the Council was appropriate, no further action was required.

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

### Protecting Information Training and Awareness

The requirement for all staff to complete the Protecting Information training, based on the Cabinet Office On-Line Protecting Information training Level has been re-issued to staff following agreement at CMT for staff to complete at least every 2 years. Level 1 of the training has been updated to include information relating to data breaches and risks associated with cloud computing and is mandatory for employees and elected members. Level 2 is required for supervisors and areas where people are dealing with high levels of sensitive personal information and level 3 for staff in key Information Governance roles. Alternative formats have been developed for employees who do not use ICT equipment.

Staff have been steadily re-doing the training and since Jan 2016 25% of staff enrolled have successfully completed the revised Level 1 Protecting Information Training for a second time, with all new starters now completing the course as part of the Corporate Induction. Completion rates for Level 2 since Jan currently stand at 10% of staff enrolled. The training is still available in accessible and simplified formats as well as the option to be delivered face to face where access to IT facilities is not possible.

Training remains a high priority for employees who join the organisation or change their job role. To support the training, which is seen as one element of maintaining information governance awareness there are regular updates in Core Brief on the Intranet, on Pay Slips and through support from Information Champions and Information Asset Owners.

Bespoke training has been delivered to 96 Information Asset Owners and Custodians. Newly appointed Information Asset Owners and Information Asset Custodians last received training in May 2016.

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

The table below shows an analysis by calendar year of the numbers of requests received by the council:

<b>Request Breakdown</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016 – to date</b>
FOI/EIR	800	842	990	1277	1230	289
DPA	62	64	243	224	206	43
Combined Requests *			3	11	19	0
<b>Total</b>	<b>862</b>	<b>906</b>	<b>1233</b>	<b>1512</b>	<b>1436</b>	<b>332</b>

*NB. Combined requests are those which contain questions that were considered under more than one piece of legislation i.e. both the FOI Act and the Data Protection Act.*

The number of requests has fallen slightly but the size of requests and complexity has continued to grow for both FOI/EIR and DPA, with many of the requests under Freedom of Information emanating from the media. Recent requests consistently comprise of complex multiple enquiries within a single request and the same request being sent to all councils within the West Midlands or even nationally. The team is working consistently to ensure that where requests are particularly large they are refused under the relevant exemption under the FOI Act.

The council continues to review the way it manages and handles FOI requests and low level requests are now being directly responded to by some services and preparatory work being done to roll this out widely across the council for both FOI and to include Data Protection requests where appropriate.

The Information Commissioner’s Office has confirmed that it plans to carry out an audit of the council’s compliance with the DPA in Nov 2016. They have provided the

council with some key requirements and measures which will be used to prepare for the audit as well as continuing to improve the way we manage and use data as part of daily service provision.

### Information Assurance and Data Sharing Agreements

As part of the integration of the Public Health function into the council in April 2013, approval was given by Connecting for Health to enable Public Health to access health data held by the NHS once the function became part of the local authority. The Public Health team, now fully integrated into the Council, has maintained a satisfactory level of compliance with the Information Governance toolkit, the latest submission being made March 2016.

The Walsall Partnership Information Sharing Agreement has recently been reviewed alongside a further agreement to support the work of MASH (Multi – Agency Safeguarding Hub) to which all partners are signed up to. A separate agreement exists with the council and Department for Work and Pensions. This provides an overarching agreement and level of confidence that partner organisations are working together and have confidence in how they can share information to improve services to residents and businesses in the borough.

A number of additional information sharing arrangements and agreements have been established and information Asset Owners are consistently working with the Information Governance team to ensure that these are compliant.

### **Other Supporting Evidence**

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

- a) Quality assurance controls put in place by Internal Audit and managers, in managing and delivering the Internal Audit service in accordance with the Public Sector Internal Audit Standards and including such areas as discussion/agreement of the risk based audit plan and each individual audit review;
- b) The role of the Audit Committee in endorsing Internal Audit's work plan and in their regular review and scrutiny of audit performance and;
- c) The work of Audit Committee reviewing specific reports which have been awarded no or limited assurance for detailed scrutiny, ensuring the committee is able to be assured that operational and control issues are being dealt with appropriately and that managers' agreed actions are being implemented. The committee are able to seek explanation from managers failing to progress agreed actions.
- d) The preparation and presentation of an Annual Report to Council of Audit Committee's work, assisting it to discharge the committee duty to provide independent assurance on the adequacy of the council's risk management framework and the internal control and reporting environment.
- e) The regular review of Internal Audit work by the CFO including meetings with the Head of Internal Audit;



**Based on the work of Audit Committee, internal and external audit assurances, the work and findings External Audit, progress in addressing the significant governance issue identified in the 2014/15 Statement, the system of Internal Control is assessed as satisfactory overall. Some improvements have been identified as set out in this report and the Annual Governance Statement attached.**