

Audit Committee - 25 June 2009

Statement of Accounts 2008/09 – Annual Governance Statement and Review of Effectiveness

Summary of report

This report contains the findings and recommendation of review the effectiveness of the annual governance framework, including the system of internal control and system of internal audit for review by Audit Committee. It also contains the Annual Governance Statement (AGS) for the 2008/09 Statement of Accounts (SoA) for review and approval, in accordance with the Accounts & Audit (Amendments) Regulations, 2006.

Recommendations:

1. To receive, consider and approve the findings and recommendations arising from the annual governance effectiveness review, including the review of the systems of internal audit (**Appendix 1, 2 and 3a, 3b**) and internal control (**Appendix 4 and 5a, 5b**).
2. To receive, consider and approve the Annual Governance Statement as set out in **Appendix 6**.



**Rory Borealis – Executive Director
(Resources)**
17 June 2009



James T Walsh – Chief Financial Officer
17 June 2009

Background

The Authority is responsible for ensuring that the financial management of the council is adequate and effective and that it has a sound system of governance, including internal control and financial control, which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. The council is required to obtain assurances that its governance framework and internal control system is operating effectively in all areas of corporate governance.

The council is further required to publish a statement formally acknowledging that it has maintained effective internal control, including effective internal financial control, during the course of the financial year. The statement should include financial management, arrangements for the management of risk, and include its corporate governance arrangements. In addition, the authority must conduct an annual review of the

effectiveness of its governance framework including its systems of internal control and internal audit.

The 2006 amendments to the Accounts & Audit Regulations 2003 require the authority in producing its 2008/09 AGS (which subsumes the statement on the system of internal control previously produced) and the SoA to consider the findings of the review of the system of internal control, and to review the effectiveness of the system of internal audit:

- Regulation 4 (responsibility for financial management) of the 2003 Regulations requires the findings of the review of the effectiveness of the system of internal control to be considered by a committee or relevant body, or by the members of the body meeting as a whole. This function is undertaken by the Audit Committee.
- Regulation 6 (internal audit) of the 2003 Regulations also requires relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the relevant body to consider the findings. This function is also undertaken by the Audit Committee as it has a role in monitoring internal audit but is independent from it.

Audit Committee are asked to consider the findings of the review of the effectiveness of the governance framework, including the system of internal control, along with the review of the effectiveness of the system of internal audit.

Resource and Legal Considerations

Council's must produce annual accounts in line with the Accounts and Audit Regulations 2003, as amended 2006 and in a timely fashion on an annual basis. The approved AGS will be part of the accounts presented at the Audit Committee meeting on 29 June 2009 for approval..

Performance Management and Risk Management Issues

Performance Management

Effective performance management is key to ensuring an effective system of internal control is maintained and promotes good service. 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, service plan, project and individual risk registers, risk assessment and project registers 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 timescale planned and proactively report progress to the Chief Internal Auditor.

Assurance statements were required from Executive Directors this year in respect of implementation of agreed audit actions. All statements have been returned and where significant issues identified, have been included in the AGS.

Risk Management

The 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. The AGS is required to be signed by the Chief Executive and Lead Member. In previous years the CFO also signed the AGS and has done so again this year as a significant proportion of the internal control

framework falls within his remit and to reflect accountabilities. The requirement falls on the authority and not, as previously, on an individual officer (CFO).

Equality implications

None relating directly to this report.

Consultation

The report is prepared in consultation with the Chief Finance Officer (CFO), the Chief Internal Auditor, the Monitoring Officer, the Leader of the Council and the Corporate Management Team (CMT).

Governance

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. The framework outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.

The 6 core principles of good governance are:

- 1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- 2) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- 3) Promoting the values for the authority 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 Members to be effective
- 6) Engaging with local people and other stakeholders to ensure robust public accountability.

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
- High-quality 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.

Review of Effectiveness of Governance Arrangements, including the System of Internal Audit and the System of Internal Control

Process

The preparation and assurance gathering process for the AGS is similar for that of the SIC. The key addition is the extent to which the organisation applies the six CIPFA/SOLACE core principles identified above.

Walsall has tested itself against the 6 core principles by:

- Reviewing our existing governance arrangements against the Framework.
- Developing over the 2008/09 year an up-to-date Local Code of Governance including arrangements for ensuring its ongoing application and effectiveness. This was presented to Audit Committee in April 2008 and to Standards Committee in June 2008 for approval.

The assurance gathering process is a well-established and structured link between the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered. It requires the identification of key controls that are deemed critical to the delivery of these objectives and expects a formal review and risk assessment for the management and delivery of these key controls.

A review of the governance framework, including the internal control environment and its' effectiveness was undertaken by the Deputy Chief Finance Officer, supported by the Chief Internal Auditor and Monitoring Officers, and in liaison with other senior managers and the corporate management team (CMT). The findings of this are set out in **section 4** of the AGS and in more detail in **Appendices 1 to 5** of this report.

A self-assessment document was produced by the Chief Internal Auditor in respect of the effectiveness of Internal Audit, assessed against the CIPFA Code of Internal Audit Practice. The self-assessment and supporting evidence was reviewed independently by the Deputy CFO and CFO. The self-assessment document is set out in **Appendix 1**, **Appendix 2** reports progress against action taken to address the recommendations from the 2006/07 and 2007/08 effectiveness review. The findings and recommendations of the review relating to 2008/09 are set out in **Appendix 3a and 3b**.

In addition, the CIPFA/SOLACE Governance framework guidance was used to review the existing internal control framework, evaluate assurances from a number of internal and external sources in order to identify internal control weaknesses and review the effectiveness of internal control, and produce the final AGS for consideration by Audit Committee. The process steps carried out and evidence used is presented at **Appendix 4** and **Appendices 5a and 5b**.

Findings of the Effectiveness Reviews

The 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 and system of internal audit is satisfactory overall. The CFO signed off the draft AGS and the review of effectiveness prior to endorsement by CMT on 11 June 2009.

The 2008/09 AGS identifies no areas of significant internal control weakness, however it does identify a number of controls which require improvement (**Appendix 6, sections 4 and 5**), including:

- Contractor accounts. 16 accounts were reviewed and 10 were given a limited or no assurance rating opinion and considered to have been poorly managed. Suggestions for improvement have been agreed by managers.
- Performance against the target for implementation of Internal Audit agreed actions, which is set at 90%, was below 80% during the year. Improvements were made to the reporting and assurance framework during 2008/09, however performance remains below 80%. This is set out in more detail in the Appendices and AGS attached. Further action has been taken, including directly by CMT, to ensure performance improves during 2009/10.

Action plans are in place for these and progress on implementation of actions will be reported to Audit Committee through 2009/10.

Background Papers

Local Code of Governance

Statement of Recommended Practice (SORP) 2008

LAAP Bulletin 71

Audit and Accounts Regulations 2003, amended 2006.

CIPFA/SOLACE Delivering Good Governance in Local Government: Framework.

Various CIPFA Guidance.

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CIPFA Code of Practice – Characteristics of Effectiveness – 2008/09 UPDATE

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
<p>1) Understand its position to the organisation's other sources of assurance and plan its work accordingly.</p>	<p>Internal audit identifies other sources of assurance and takes this into account when preparing the internal audit plan.</p>	<p>Revised audit risk assessment methodology details the sources of assurance which are taken into account when reviewing the annual internal audit plan.</p> <p>The methodology, as detailed at appendix 1/A, states 'the audit plan is to be reviewed on an annual basis using this methodology; taking into account the organisation's assurance, risk management arrangements and monitoring mechanisms, and the organisation's changing priorities. Current year's audit results should also be taken into account'. In undertaking the above the following sources of assurance are considered:-</p> <ul style="list-style-type: none"> • Corporate plan / vision / vision priorities. • Directorate / service plans. • Corporate & directorate risk registers. • External audit reports / other inspection / regulator reports. • Cabinet / council meeting minutes and associated papers. • CAKE (cumulative audit knowledge and experience). <p>Each annual audit plan is discussed / consulted with the relevant ED / AD / DMT prior to the commencement of the audit year and any</p>	<p>A tick list of assurance sources which should be consulted in the annual review and revision of the audit plan is to be compiled and integrated as a control aid in the audit manual.</p> <p><u>2008/09 Update</u></p> <p>Status: Implemented.</p> <p>Assurance sources are detailed within the audit manual. See code evidence file – B (Ch 7); K1 (revised audit risk assessment methodology); and K3 (It's a Risky Business, CIPFA publication).</p>

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
		<p>amendments are made if necessary. See appendix 1/B.</p> <p>Benchmarking of audit / days with CIPFA benchmarking club is also undertaken. See appendix 1/C.</p>	
<p>2) Understand the whole organisation, its needs and objectives.</p>	<p>The audit plan demonstrates how audit work will provide assurance in relation to the authority's objectives. Individual audit assignments identify risks to the achievement of those objectives.</p>	<p>As 1.</p> <p>Each area of auditable activity is identified in the annually risk assessed audit plan – see appendix 2/A. The results of audits completed during the year are presented to audit committee within the opinion on the overall adequacy of the internal control environment (part of the AGS) – see appendix 2/B and 2/C, respectively.</p> <p>Individual audits are undertaken utilising the risk based approach to auditing – see appendix 2/D/1 (test records) and 2/D/2 (report).</p>	<p>As 1.</p> <p>From 2008/09, a specific allocation of days has been allocated to the audit of the sufficiency and effectiveness of controls in place to manage all directorate and corporate risks, as identified in the risk registers.</p> <p>Directorate management team meetings have taken place earlier in the year to discuss planned coverage and future year proposals etc.</p> <p><u>2008/09 Update</u></p> <p>Status: Implemented As 1.</p> <p>Risk register items have been specifically referenced within</p>

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
			the audit planning process. See code evidence file R1.
3) Be seen as a catalyst for change at the heart of the organisation.	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics. Individual assignments may be catalyst for change.	<p>Internal audit have demonstrated a strong supportive role in corporate developments. Examples are given below:</p> <ul style="list-style-type: none"> • Internal audit risk assessment model ensures that there is audit plan coverage of key developments and services across the council. 2008/09 coverage included: <ul style="list-style-type: none"> ➤ Corporate governance ➤ Strategic transformation ➤ Scrutiny ➤ Local Neighbourhood Partnerships ➤ Partnership framework ➤ Environmental management ➤ Strategic regeneration framework ➤ Equalities ➤ Customer consultation & engagement ➤ Education partnership ➤ IT strategy & governance ➤ Commissioning of care contracts <p>See appendix 3/A.</p> <ul style="list-style-type: none"> • Internal audit revised the council's financial and contract rules; and undertook 18 training sessions, training 459 officers in application of the new rules during 2006/07. See appendix 3/B. Further sessions will take place when the rules are updated as part of the new procurement guide. 	<p>A profile raising strategy should ensure directorate leadership teams are aware of the service offered by internal audit.</p> <p>All ad hoc / general advice to be recorded in the event of query and also to quantify / exemplify internal audit's performance in this area.</p> <p><u>2008/09 Update</u></p> <p>Status: Implemented</p> <p>Directorate management teams are made aware of the service offered by internal audit in this respect at meetings to discuss the audit plan and through the Audit Charter, which is reviewed annually. A new customer service standard has been prepared for internal audit and a range of information on the audit service is available</p>

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
		<ul style="list-style-type: none"> • Internal audit have and continue to play a key role in various directorate initiatives, such as Electronic Document Management Systems (EDMS), Care Services Efficiency Delivery (CSED) and community meals workshops, markets tendering procedure, WBSP constitution and accountable body agreement, purchase of train tickets, home care contract control, implementation of the new procurement guide, HRD portal - electronic certification and FMSiS (financial management standards in schools). Details of such examples are included in internal audit's irregularity and consultancy work schedules which are reported to audit committee quarterly – see appendix 3/B/1. • Much of internal audit's work is categorised as ad hoc advice e.g. responses to telephone queries / drop ins / meeting requests / email queries from managers regarding a range of issues, including procurement / contract process, application of controls and application of financial and contract rules to everyday issues. <p>All audits are generally catalysts for change. The outcome of each audit is an audit report, which may detail an action plan for managers to</p>	<p>on the intranet. See code evidence file Z2.</p> <p>All ad hoc / general advice is record centrally on the Audit Advice Database. This enables audit to quantify / exemplify performance in this area. See code evidence file Z1.</p>

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
		<p>implement agreed recommendations, as a response to any control weaknesses identified. Some examples:</p> <ul style="list-style-type: none"> • Planned audit work at Streets Corner Day Care Centre led to the identification of £13k theft of day care centre lunch monies by the manager. Audit's investigation led to a successful prosecution and recovery of the £13k misappropriation in full. See appendix 3/C. The controls required to prevent the fraud identified at Streets Corner, were communicated to like services to ensure the risk of re-occurrence of this fraud was mitigated. • Special investigations regarding internet / email misuse undertaken by internal audit identified weaknesses in the policy and procedure in this area at that time. This led to establishment of a revised policy / procedure (also utilising officer specialisms from within personnel, ISS and legal services). A revised policy / procedure was produced and approved in March 2007 and is being updated for 2009. See appendix 3/D. • Information governance work (IT audit) is being used as a catalyst for change corporately across the council. See appendix 3/E. 	

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
4) Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work.	<p>See 1,2 and 3.</p> <p>Also see the CIPFA publication, the excellent internal auditor; a good practice guide to skills and competencies (appendix 4/A), particularly section 2.3. This publication is utilised in all IPM reviews.</p>	<p>See 1,2 and 3.</p> <p>To ensure that the CIPFA publication, an excellent internal auditor: a good practice guide to skills and competencies, is utilised in all IPM reviews.</p> <p><u>2008/09 Update</u> Status: Implemented. The CIPFA publication, an excellent internal auditor: a good practice guide to skills and competencies, is utilised in all annual IPM reviews. See code evidence file P3.</p>

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
<p>5) Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.</p>	<p>Internal audit provides help and advice on request and supports specific projects identified in plan and on ad hoc basis.</p>	<p>See 1 and 3.</p> <p>Regarding working across external boundaries, the internal audit service has undertaken work which has involved liaison / cross working with the council's partners, for example, with:</p> <ul style="list-style-type: none"> • the health sector (tPCT); in the audits of the section 31 pooled budget; ICES pooled budget; including presenting audit findings to the PEG (pooled budget executive groups). See appendix 5/A; • SERCO. See appendix 5/B and 5/B/1 . • Walsall Borough Strategic Partnership (WBSP); in the audit of the WBSP and in producing the accountable body agreement and constitution. See appendix 5/C and 5/C/1. • Accountable body status audit work • Computer audit work in relation to new benefits package – northgate (and follow up) – see appendix 5/C/2. <p>Internal audit performed the audit needs assessment and were successful in winning the tender to provide internal audit services to the West Midlands Regional Assembly (WMRA), West Midlands Local Government Association (WMLGA) and West Midlands in Europe (WMIE) from 2006/07. As part of this role, the WMLGA, WMRA and WMIE recognise the benefits of utilising internal audit in their service</p>	<p>See 1 and 3.</p>

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
		improvements/ projects and have requested an additional allocation of audit days to 'advice and consultancy' – see appendix 5/D.	
6) Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.	When identifying risks and in formulating the plan changes on the national agenda are considered. The audit section maintains awareness of new developments in the services it audits, risk management and corporate governance and disseminates this knowledge to other parts of the local authority.	See 1 and 2. The internal audit section is also involved in the following to ensure awareness of the national / local agenda (forward looking) and impact: <ul style="list-style-type: none"> • Attendance at the CIPFA audit conference See appendix 6/A and 6/A/1. • The chief internal auditor attends the Midlands Audit Group (heads of internal auditors). See appendix 6/B. • The audit section has a presence on the West Midlands Fraud Group (inaugural meeting 12/4/07), where best practice in the investigation of fraud / irregularity is shared. See appendix 6/C. • The audit section has a presence on the computer auditors' group (last session 	See 1 and 2.

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
		<p>2/9/08) and the regional contract auditors' group (inaugural meeting 27/1/09) See appendix 6/D.</p> <ul style="list-style-type: none"> • Regular updates i.e. IDeA Knowledge / CIPFA publications are received, reviewed and acted upon by audit management team. See appendix 6/E. • The audit section attends the annual CIPFA in the Midlands Audit Training Seminars. See appendix 6F. • All staff have on-line access to CIPFA's technical information service and receive e-mail updates. See appendix 6G. • Staff have access to, and are engaged with, CIPFA's on-line audit discussion forum. See appendix 6H. 	
<p>7) Be innovative and challenging – shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy.</p>	<p>Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and encouraging managers to develop their own responses to the risks, rather than the audit recommendations. The aim of this is to encourage greater ownership of the control environment amongst</p>	<p>Internal audit has introduced a revised audit reporting approach from 2007/08; by focusing on risks and encouraging managers to develop their own responses to the risks, rather than the audit recommendations. The aim of this is to encourage greater ownership of the control environment amongst managers. An escalation policy is in place where no agreed action can be found.</p>	<p>To update the audit manual to incorporate the revised audit reporting approach; and to ensure successful implementation of this approach to all audits.</p> <p>Escalation policy to be drafted and agreed.</p> <p><u>2008/09 Update</u></p> <p>Status: Implemented The audit manual</p>

Characteristic of 'effectiveness'	CIPFA suggested evidence of achievement	Walsall Council evidence of achievement	Areas for development
	managers.		incorporates the revised audit reporting approach. This includes the procedure for non agreement of action plan findings. See code evidence B (Ch 10); also email to all audit staff dated 18/5/08 at L15.
8) Ensure the right resources are available – the skills mix, capacity, specialism and qualifications / experience requirements all change constantly.	This was explicitly addressed by a paper on resources to the audit committee on (date). Arrangements are in place to obtain specialist input on IT audit.	<p>The audit team and their qualifications are detailed at appendix 8/A. Fully qualified staff are also engaged in CIPFA's CPD scheme.</p> <p>IPM's are regularly undertaken in the section (see appendix 8/B) and any skills gaps are identified and acted upon at this point.</p> <p>The CIPFA publication, an excellent internal auditor: a good practice guide to skills and competencies is being utilised in all IPM reviews – see appendix 8C.</p>	See 4.

Review of the Effectiveness of Internal Audit: Summary of Progress with Report Recommendations Arising From the 2006/07 and 2007/08 Effectiveness Review

No	Recommendations	Action taken to March 2009
1	<p>Consideration needs to be given towards changing and developing the audit plan based on corporate risks refocusing the importance that management have in ensuring that proper controls are in place to manage that risk .</p>	<p>Implemented</p> <p>For 2007/08, 25 audit days have been allocated specifically to reviewing strategic and directorate risk registers, resulting in the issue of 5 directorate reports. An additional 89 audit days have been spent on auditable activity that directly link to the strategic and directorate risk registers.</p> <p>For 2008/09, risk has now been fully integrated into the audit planning process. The new audit risk model was endorsed by the Audit Committee on 3/12/07. There is a clear link between strategic and directorate risks and the audit plan. 440 audit days will be spent on auditable activity that directly links to the strategic and directorate risk registers. See code evidence H5 and R1.</p>
2	<p>Effectiveness can be improved by focussing on the outcomes of the audit plan rather than the successful completion. The so- what effect.</p>	<p>Implemented</p> <p>Redirection of audit plan towards the key strategic and directorate risks; SLT, council and cabinet priorities will enable a close alignment between audit plan (outcomes); and corporate aims and objectives. See H5, R1 and K1.</p> <p>Outcomes (progress of implementation of agreed actions arising from audits) are reported quarterly to Executive Directors to help ensure full implementation of improvement actions. See code evidence O1.</p>

No	Report Ref	Recommendations	Action taken
3		Embedding the evidence of performance review.	<p>Implemented – see 2.</p> <p>In addition, the performance management (VFM) programme was extended / enhanced for inclusion within all relevant audit programmes / scopes for 2008/09. See code evidence L16.</p>
4		Extending the monthly meetings with the CFO to cover all aspects of performance within the internal audit section, including PI's (as opposed to solely anti fraud and anti corruption work).	<p>Implemented</p> <p>New style meeting (extended / enhanced agenda) commenced with CFO. Regular updates to CFO enable progress briefing reports to be given to Portfolio Holder. See code evidence S6.</p>
5		An audit strategy should be drawn up an annually endorsed by Audit Committee. This should include the annual audit plan, internal audit charter and assurance from the chief internal auditor that he has sufficient resources need to carry out his function and he has sufficient skilled auditors.	Implemented - audit strategy benchmarking with other Councils showed similar content to that currently contained with the Audit Charter and the service plan and therefore a separate strategy document is not considered necessary. See code evidence O5.
6		Strengthen the visible linkages between the council's assurance and risk management and monitoring arrangements with the annual audit plan.	Implemented – see 1 above
7		For services provided by a partnership, internal audit should widen its remit to give greater assurance to the client services that the assurances received by the partnership are a fair and true reflection.	<p>Implemented</p> <p>New partnership framework audit for 2008/09 with an allocation of 20.5 audit days –see code evidence R1.</p> <p>All partnerships including within strategic and directorate risk registers are included and prioritised within the audit plan. Examples include, education partnership, WBSP, voluntary sector, LNP's, New Deal, PFI's, tPCT, CDRP, Supporting People, European funding and Housing 21. See code evidence R1.</p>

No	Report Ref	Recommendations	Action taken
8		Consideration needs to be given to enhancing and strengthening the skills necessary to detect fraud in an increasingly complex technological environment.	<p>Implemented</p> <p>5 senior auditors have now been trained in the advanced certificate in fraud and investigative practice. Further roll out of this training is to be considered. See code evidence J14.</p> <p>Computer audit provision provided via audit partners with appropriate experience and qualifications (including CPD). See code evidence I3 and I4.</p>
9		All cases of fraud and corruption should be reported to the chief internal auditor. Currently they are passed only after an initial management investigation has taken place.	<p>Implemented</p> <p>Anti fraud and anti corruption policy has been updated. See code evidence E1.</p> <p>Disciplinary policy updated (1 July 2008)and issued with disciplinary workbook and investigations toolkit.</p>
10		A time bar should be placed on staff auditing areas where they previously undertaken an operational role.	<p>Implemented</p> <p>Audit charter updated and approved. See code evidence A and H5.</p>
11		Consideration should be given to rotating staff on regular annually audited areas.	Implemented – see 10 above
12		Consideration given to reviewing customer satisfaction survey, potentially replacing it with a follow up interview by IA to see how the comments/recommendations fitted into and showed understanding of the organisations aims, objectives, risks and governance arrangements.	<p>ACTION - Telephone survey to be conducted with relevant client if written survey not returned within 21 days.</p> <p>RESPONSIBILITY - RN / CB / ALL</p> <p>TIMESCALE – July 2009</p>
13		Developing a clear skill for internal auditors that meets their ongoing CPD which in itself should be a reflection of the needs of the organisation. Clearer recording of the training plan for each auditor and training received, based upon a gap analysis should be actioned.	Implemented - IPM arrangements enhanced with reference to the CIPFA skills matrix - 'The Excellent Auditor'. Now embedded during 2008 annual IPM reviews. See code evidence P3.

No	Report Ref	Recommendations	Action taken
14		The Internal Audit service has redirected its strategy and this need to be endorsed by Audit Committee. Key within this will be defining the relationship between corporate risk and the audit function.	Implemented – see 1 above

Additional Action

No	Report Ref	Recommendations	Action taken
1		Establishment of a protocol between external (Grant Thornton) and internal audit	Implemented – agreed with Grant Thornton May 2009 that ongoing informal meetings would be satisfactory to manage ongoing relationships.

Number 12 is Amber as not yet completed.

Review of Effectiveness of the System of Internal Audit

Process

- 1) Self-assessment by Internal Audit
- 2) Independent Officer Review of self-assessment
- 3) Independent Officer Review of Internal Audit against the CIPFA Code of Practice Checklist and evidence presented to support that review
- 4) Effectiveness of Audit Committee (in its work related to Internal Audit)
- 5) External Audit review of Internal Audit, to the extent of placing reliance on their work – Audit Commission Review of Internal Audit Report (2006/7 and 2007/8) and Grant Thornton Interim Audit Report (Draft 2009).
- 6) Internal Audit satisfaction and performance levels

Need for Review

To ensure that the annual report of the CIA may be relied upon as a key source of evidence for the AGS.

To provide assurance that the delivery of the internal audit service is to the required standard to produce the required outcome i.e. a reliable assurance on internal control and the management of risks in the authority.

Outcomes

1. The key findings from the 2007/08 internal audit effectiveness review have been reviewed and all but 1 found to be fully implemented. The remaining one is in progress and requires full implementation.
2. Evidence supporting the CIPFA code of practice checklist was identified and reviewed and found to be consistent with the requirements of the Code.
3. The external audit reviews of audit concluded that external audit could place reliance on the work of internal audit. Some recommendations have been made which this review endorses.
4. Audit Committee scrutinised the accounts and asked detailed questions prior to approval.
5. Audit Committee receive refresher training on areas within their remit, including financial and risk management, their role and role of audit. They received briefings on the new AGS and received and approved the new Walsall Local Code of Governance.
6. Audit Committee undertook a self-assessment in October 2008, resulting in an action plan which is being addressed. The results showed that the council substantially complies with CIPFA recommended good practice.
7. The Audit Committee includes members with relevant financial experience.
8. The annual audit plan, both draft and final, is presented to Audit Committee for consideration and endorsement

9. Audit Committee receive an annual review of internal audit and internal control effectiveness.
10. Quarterly reports on internal audit performance are presented to Audit Committee. Audit Committee review actions and choose 2/3 specific audits reports for detailed scrutiny and receive further detail for their consideration.
11. Audit Committee have a work programme that covers the remit of their roles and responsibilities and this is reviewed and improved annually. They receive training/briefings on their role.
12. Meetings of Audit Committee in 2008/09 (CMIS) provided good examples of scrutiny and member questioning of the audit approach in relation to the council's performance in actioning agreed audit recommendations as this was deemed to be an issue where action was needed, and in scrutinising the council's annual statement of accounts.
13. The CIA annual report has been reviewed and found to be consistent with:
 - a) senior finance and monitoring officer knowledge of the authority,
 - b) performance and risk management reports
 - c) external audit report findings and
 - d) external inspections
14. IA has delivered 95% of its internal audit plan and all areas covering key financial systems, therefore the audit plan has covered all areas of high risk in terms of internal control.
15. Whilst returns of customer satisfaction questionnaires are not as high as hoped, satisfaction rates for 2008/09 where questionnaires were returned is high.
16. UOR 2008 – Walsall scored a 3 in KLOE 4.2 relevant to internal controls. This identified 2 specific areas of weakness where reports stated limited assurance could be given that internal controls were operating effectively – the payroll system and grant claims. Neither were in relation to the work of internal audit.
17. Audit Committee received a six month update on the effectiveness of controls, introduced for the first time in 2008/09, to provide fuller assurance prior to year end.

The review of the self-assessment for 2008/09 found that the system of internal audit is operating effectively overall and there are no key areas of significant weakness on governance/controls. There were a number of areas for improvements which are contained in Appendix 3b

The evidence highlighted above supports this review and is available for review. The detailed evidence supporting the CIPFA Code checklist are contained in 2 lever arch files which can be located in Internal Audit.

Recommendation of the Review of the Effectiveness of the System of Internal Audit 2008/09

Key recommendation

Outstanding Actions from 2007/08 AGS: Implementation of Recommendations

The target for implementation of Internal Audit's recommendations is set at 90%. Performance against this target has been below 80% during the last 2 years. Internal Audit has identified instances where recommendations claimed, by service management, to be implemented are, in fact, outstanding. This limits the effectiveness of the Audit Committee's monitoring of the internal control environment.

Audit committee, in approving the Annual Governance Statement (AGS) at its meeting on the 23 June 2008, and the Leader, in signing off the statement, expressed concern at the level of achievement by managers in implementing agreed audit report actions. This resulted in a report to the corporate management team (CMT) and audit committee agreeing a number of actions including:

- Agreed audit report actions to be fully implemented to a level of 100% for 3* actions (high priority) and 95% for 1* and 2* actions (low to medium priority);
- For AGS and assurance purposes, internal audit will arrange to formally follow up 3* agreed actions immediately the timescale for implementation has passed;
- Failure to implement agreed actions will result in EDs and ADs attending the Audit Committee to provide explanation;
- Where an EDs/ADs failure to implement continues, the Chief Executive will be called to the Audit Committee to provide explanation;
- The implementation of agreed actions to form part of managers', ADs and EDs IPM meetings (target setting and progress);
- Ensure that implementation of agreed audit actions is included within directorate risk registers until target levels of 95% (1* & 2* actions) and 100% (3* actions) are consistently achieved;
- Directorate schedules to be signed by EDs/ADs and returned to internal audit on a quarterly basis. This will continue to signify that they are satisfied for AGS purposes that they and their managers are taking appropriate steps to implement agreed audit report actions

Whilst monitoring is undertaken and reported at a senior level, and service management have been called on several occasions to Audit Committee concerning late or non-implementation, performance in 2008/09 remains below target.

**Review of Internal Control and Annual Governance Statement 2008/09 Assurance
Gathering Process (using CIPFA/SOLACE published guidance)**

Objective 1 - Establishing principal statutory obligations and organisational objectives

Step 1: In support of objective 1: A mechanism is established to identify principal statutory obligations	
Examples of Assurance:	Walsall evidence:
1. Responsibilities for statutory obligations are formally established	<p>Inspection of:</p> <ul style="list-style-type: none"> • Walsall Constitution (recording individual officer and member responsibilities), including scheme of delegations, which was revised in 2006/07. Delegations were further revised and approved in May 2009. • Code of Conduct for members (and officers) • Minutes of delegations to officers and committees available – council, cabinet, scrutiny, standards committee, audit committee • Terms of reference of relevant committees are in Constitution and approved by Council • CFO, Monitoring officer and other key officer job descriptions set out responsibilities • Structure charts exist.
2. Record held of statutory obligations	<ul style="list-style-type: none"> • Accessible record of statutory obligations (e.g. finance, HR and legal library in place). • Constitution and scheme of delegations • Central register of members and officers interest • Central gifts and hospitality registers in place and maintained
3. Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative changes exist and are used	<ul style="list-style-type: none"> • Appointment of suitably qualified and experienced officers, selected against accurate and specific job descriptions and person specifications identifying specific competencies and qualifications. • Corporate and specific induction. • Ongoing professional training and development. • All reports to members and officers contain sections on legal, financial, HR and other implications of policy, issue, etc. • Awareness training for legislative and other changes – DDA, Age discrimination, etc. • Statutory officers posts attend CMT, Council, • Senior finance attendee at directorate management teams. • Forthcoming legislative changes reported as part of budget. • Monitoring officer/CFO receive correspondence from Government offices and professional bodies. • Statutory officers are part of recognised professional networks, bodies etc.

<p>4. Effective action is taken where areas of non-compliance are found in either mechanism or legislation.</p>	<p>Evidence to demonstrate that action has been taken to overcome identified areas of non-compliance includes:</p> <ul style="list-style-type: none"> • Internal /external audit reports to Audit Committee and progress reports • Financial monitoring reports to officers and members on progress on delivering corrective action plans in response to service overspends.
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Step 2: In support of objective 1: A mechanism is in place to establish corporate objectives	
Examples of Assurance:	Walsall evidence:
<p>1. Consultation with stakeholders on priorities and objectives</p>	<p>Comprehensive Internal and/or external consultation exercises have been analysed and published; budget consultation reports, staff survey results and actions, community plan, forums, citizens panel. See CA 2008 and AAIL April 2009.</p>
<p>2. The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).</p>	<p>Authority's approved and published strategic plan takes account of all consultation and local and national priorities: See corporate plan and sustainable community strategy (SCS), corporate budget plan and associated documents. Corporate Assessment 2008 (CA) indicates this is a strength of the authority.</p>
<p>3. Priorities and objectives are aligned to principal statutory obligations and relate to available funding</p>	<ul style="list-style-type: none"> • Corporate priorities and objectives are clearly set out in the corporate plan and SCS • Corporate plan linked to corporate budget plan and medium term financial strategy • Corporate budget process identifies new legislative requirements and funding thereof.
<p>4. Objectives are reflected in departmental plans and are clearly matched with associated budgets</p>	<ul style="list-style-type: none"> • Corporate plan links to service and team plans and individual PDPs • Directorate, AD, service and teams plans produced in accordance with approved guidelines. • Directorate and service plans clearly reflect corporate objectives and match approved funding. • Annual report produced on the outcome of departmental and/or service plans. • CA 2008 and AAIL highlights this as a strength and that priorities focus investment and resource allocation.
<p>5. The authority's objectives are clearly communicated to staff and to all stakeholders</p>	<ul style="list-style-type: none"> • Clear evidence of consultation with stakeholders (e.g. budget and other consultation). • Sustainable Community strategy in place, approved following extensive consultation • Objectives cascaded via corporate plan and corporate budget plan through service and team plans and individual IPMs. • Corporate plan on website and intranet site. • CA 2008 and AAIL stated communication is a strength.

Step 3: In support of objective 1: Effective corporate governance arrangements are embedded within the authority	
Examples of assurance:	Walsall evidence:
1. Code of corporate governance established	<ul style="list-style-type: none"> • This is not mandatory, but best practice. Walsall has adopted a Local Code Governance which was presented to Audit Committee for consideration and approved in April 2008. This was then approved by Standards Committee in June and by full Council in July. • Walsall also has a comprehensive internal control framework, which covers corporate governance issues, as highlighted by the CIA annual report, the CA 2008 and UoR auditors judgement 2008.
2. Review and monitoring arrangements in place	<ul style="list-style-type: none"> • There are clear arrangements for continuously monitoring compliance with the internal control framework e.g. reports on compliance are submitted to the audit committee, internal and external audit also monitor compliance via their work plans, assurance statements from directors, financial monitoring and performance reports. • Effectiveness review of internal control and internal audit in place. • Internal/external audit reports on adequacy of internal control arrangements. • External audit reports on adequacy of financial governance. • Annual audit and inspection letter and UoR score. • CA 2008
3. Committee charged with governance responsibilities	<ul style="list-style-type: none"> • Audit committee terms of reference and roles and responsibilities set out in Constitution • Terms of reference are comprehensive and cover all appropriate aspects of corporate governance and approved by Council. • Minutes from audit committee.
4. Governance training provided to key officers and all members	<ul style="list-style-type: none"> • Induction courses for key new officers and all new members. • Briefings/training on standards/ethics • Member development steering group, member development strategy and individual plans in place • Ongoing awareness training is provided as appropriate to key staff and members.
5. Staff, public and other stakeholder awareness of corporate governance	<ul style="list-style-type: none"> • The annual governance statement is published and is accessible to all staff, the public and other stakeholders via CMIS. • All staff receive code of conduct and copy of HR policies and financial procedures. • Whistleblowing policy (re-publicised in 2007/08) • All managers received training on absence management, HR legislation, DDA requirements Once approved by Council, Local Code of Governance awareness sessions to be established. • Constitution widely available. • Finance and contract rules widely publicised. • Revisions of HR policies go through TU consultation prior to implementation

Step 4: In support of objective 1: Performance management arrangements are in place	
Examples of assurance:	Walsall evidence:
1. Comprehensive and effective performance management systems operate routinely	<ul style="list-style-type: none"> • CIPFF contains a clearly defined performance management framework that identifies performance measures, responsibility for achieving each performance measure, collation of data, approval of the performance measures, reporting and frequency, how data quality is assured (data quality assurance policy), how poor performance is addressed • Annual report identifies year-on-year comparison of achievement against performance targets • Benchmarking results, including directorate and service benchmarking results. • Evidence of corrective action planning • Evidence of improvement in performance • CPA score of 3 and 3 for VFM. • Data quality audit score of 3 in 2008 • UoR judgement and CA 2008 highlight performance framework as a strength • DOT improving well • AAIL published April 2009 highlights improved performance
2. Key performance indicators are established and monitored	<ul style="list-style-type: none"> • Beacon index reported quarterly to cabinet. • (KPIs, including BVPI's established and included in directorate and service plans. • Robust monitoring system implemented. • Regular reports on progress on delivering approved PIs, traffic light system of monitoring and corrective action planning in place. • CMT and directorate performance boards in place.
3. The authority knows how well it is performing against its planned outcomes	<ul style="list-style-type: none"> • Regular reports to members on the delivery of national, authority and directorate PI's. • Comprehensive Performance Assessment (CPA) score of 3 for VFM. • Regular budget monitoring reports (capital and revenue) presented. • National comparative performance – spend per head, VFM profiles used. • Improvement n PIS compares favourably with other authorities nationally (CA 2008). • Annual report produced.
4. Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes	<ul style="list-style-type: none"> • Monitoring reports are regularly presented to the appropriate committee. • The reports include performance results, a clear indication of below target, on target and at, or above, target results, highlighting areas where corrective action is necessary. • Targets are set over the medium term. • Committee reports on below par performance include action plans to improve performance • Performance targets in subsequent corporate and departmental and/or service business plans are revised in the light of actual performance • Continuous improvement is strived for by increasing the difficulty of performance targets when they have been met over a period (e.g. year-on-year movements on KPI results) • Pis/performance supports budget and investment decision making i.e. Adult social care is high cost in some areas, but requires some investment to drive improvement

5. The authority continuously improves its performance management	<ul style="list-style-type: none"> • The performance management systems are reviewed and updated to take account of changes in organisational structure, and other factors i.e. review of service planning guidance • Performance management arrangements are reviewed to assimilate new techniques and/or technology e.g. PMIS • AAIL April 2009
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Step 1 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles	
Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	
The code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance
1. develop and promote the authority's purpose and vision	Sustainable community strategy which was subject to comprehensive consultation, focuses on key objectives and priorities, which are then reflected in the corporate plan and budget process. Accountable agreements LAA CA 2008, AAIL April 2009
2. review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	Sustainable Community Strategy (SCS) in place Partnership meetings Partnership project board is implementing improvements to partnership governance.
3. ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	SCS Partnership protocol is now in place Local Governance Code once embedded will support this. CA 2008 reports that most partnerships working effectively, the authority needs to work better with the voluntary and community sector.
4. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance (not police service)	Annual statement of accounts and summary of accounts produced and published Annual report 2005/06, 2006/07 and 2007/08 produced and published. 2008/09 plan being produced now.
5. decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	This information is reflected in the authority's: Corporate plan Medium term plan Customer service standards Data quality report Beacon Index Customer consultation and satisfaction surveys Reviews of complaints
6. put in place effective arrangements to identify and deal with failure in service delivery	First stop shop and Complaints procedure "Tell us" and reporting. Member protocol and complaints procedure also now in place. Performance management boards and Beacon index corrective action plans, LNPs.
7. decide how value for money is to be measured and make sure that the	The results are reflected in authority's performance plans and in reviewing the work of the authority

<p>authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.</p>	<p>UoR score of 3 for VFM. CA 2008 states Walsall has good arrangements for improving VFM, is aware of high cost services and has a strategy to bring council tax in line with comparators The authority has a climate change strategy. AAIL published April 2009 states council s good at VFM</p>
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Step 2 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles	
Members and officers working together to achieve a common purpose with clearly defined functions and roles	
The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that maybe used to demonstrate compliance
<p>1. set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice (this is not relevant for the police service)</p>	<p>Constitution, scheme of delegations, statutory officer responsibilities set out, roles of officers and members set out, as are committee roles. Record of decisions and supporting materials are kept CMIS</p>
<p>2. set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers</p>	<p>As above, plus Conditions of employment and structure charts</p>
<p>3. determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required</p>	<p>Constitution sets out these requirements Scheme of officer delegations (Revised May 2009) Statutory officer provisions set out of S151/monitoring officer/Head of paid service Statutory officers meetings quarterly</p>
<p>4. make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management⁶</p>	<p>CEO is head of paid service. Job descriptions/employee specifications and structure charts indicate respective roles and responsibilities CMT have weekly meeting with a set rolling agenda planner covering strategic, governance and significant operational issues, including risk, performance and financial management. Performance and Financial management system sets out accountabilities Scheme of delegation sets out key responsibilities and delegations</p>

⁶ In the police service the Chief Executive or equivalent is responsible for the operational management of the Police authority; the Chief Constable is responsible for the operational management of the Force.

	Terms of employment and conditions.
5. develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained ⁷	New chief executive and leader have unwritten protocol in place – each aware of and understand and respect respective roles
6. make a senior officer (usually the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	Section 151 responsibilities set out in S112/114 Local Gov't Finance Act 1988 Statutory provision CFO (S151 officer) attends CMT. Constitution and scheme of delegations Appropriate procedures, protocols in place. Capital and medium term and treasury management strategies set out overall financial management arrangements. MO and CFO required to be consulted on all committee reports
7. make a senior officer (other than the Responsible Financial Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with	Monitoring officer is AD legal and constitutional services MO attends CMT. Constitution and scheme of delegations Appropriate procedures, protocols in place. MO and CFO required to be consulted on all committee reports
8. develop protocols to ensure effective communication between members and officers in their respective roles	Member/officer protocol Informal Cabinet/CMT meetings take place monthly. Regular briefings with portfolio holders
9. set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable)	Pay and conditions policies and practices Officers Members Allowance
10. ensure that effective mechanisms exist to monitor service delivery	Quarterly service plan reviews and performance reported to CMT Performance Boards in place receiving reports on service delivery performance Reporting to CMT & Cabinet – Beacon Index
11. ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	SCS developed following comprehensive consultation Corporate plan and service plans support SCS. Briefings on SCS undertaken to scrutiny and officers prior to adoption. Comprehensive consultation on policy changes (i.e. bin service), budget consultation.
12. when working in partnership ensure that members are clear about their roles and responsibilities both individually and	Protocols for partnership working are being developed

⁷ The Authority Chair, Chief Executive, Treasurer and Chief Constable in the police service.

<p>collectively in relation to the partnership and to the authority</p>	<p>For some partnerships there is:</p> <ul style="list-style-type: none"> • a clear statement of the partnership principles and objectives • clarity of each partner's role within the partnership • definition of roles of partnership board members • line management responsibilities for staff who support the partnership • a statement of funding sources for joint projects and clear accountability for proper financial administration • a protocol for dispute resolution within the partnership <p>A partnership working group produced a partnership toolkit which will ensure a consistent approach, including governance issues. This requires embedding.</p>
<p>13. when working in partnership: - ensure that there is clarity about the legal status of the partnership - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.</p>	<p>For some partnerships there is:</p> <ul style="list-style-type: none"> • a clear statement of the partnership principles and objectives • clarity of each partner's role within the partnership • definition of roles of partnership board members • line management responsibilities for staff who support the partnership • a statement of funding sources for joint projects and clear accountability for proper financial administration • a protocol for dispute resolution within the partnership <p>Accountability agreements are in place for major partnerships. A partnership working group produced a partnership toolkit which will ensure a consistent approach, including governance issues. This requires embedding.</p>

<p>Step 3 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles</p>	
<p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	
<p>The local code should reflect the requirements for local authorities to:</p>	<p>Source documents/good practice/other means that may be used to demonstrate compliance</p>
<p>1. ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</p>	<p>CA 2008 identifies positive working relationships and climate of respect between officers and members Regular portfolio meetings held Reports to standards committee</p>
<p>2. ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of</p>	<p>Member Code of Conduct Officer Code of Conduct in place. Performance management system and performance appraisal/supervision in place. Complaints procedures including members complaints process in place Antifraud and corruption policy in place</p>

conduct and protocols	Member/officer protocol in place Monitoring officer role in monitoring this Standards committee report on complaints against members.
3. put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice ⁸	Financial and contract procedure rules in place. Codes of conduct in place Constitution and scheme of delegations Register of interests exist. Monitoring officer/CFO presence at CMT, Council, Cabinet, Audit Committee and Standards Board and where decision making powers. Whistleblowing and other HR procedures in place and recently updated.
4. develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	Codes of conduct exist Values set out in the corporate plan and consulted on via management/leadership forum and other means.
5. put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Codes of conduct comply with relevant guidance. Ethical training provided to members. HR procedures in place which comply with good practice. Contracts have ethical section Standards committee report - October 2007
6. develop and maintain an effective standards committee	Terms of reference in place, regular meetings held Training for the committee provided. Monitoring officer is lead officer
7. use the organisations shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	Decision making practices are transparent. Scrutiny have a right of call-in
8. in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	Protocols for some partnership working in place. This is being further developed by a corporate partnership group.

Step 4 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles	
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	
The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance
1. develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is	Scrutiny is supported by robust evidence and data analysis although acknowledged that scrutiny is variable, there are good examples of working. Standards Committee receive reports from the ombudsman, annual report on ombudsman's activity. Minutes of meetings

⁸ In the police service "employees" includes the Chief Constable and staff under the direction and control of the Chief Constable.

responsible.	Audit Committee review of AGS and SoA: minutes
2. develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Decision making records held and available on council website/CMIS along with reports and agendas CMT minutes and performance board minutes published Records/minutes of corporate working groups and partnership meetings.
3. put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Members Code of Conduct Training received Reminder on agendas re register of interest Register of Interests and letter for newly elected members Monitoring officer/CFO representative at key meetings Officer Code of conduct and HR procedures in place Record of hospitality and gifts maintained in directorates and centrally.
4. develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee	Terms of reference approved by Council in Constitution Work programme and roles and responsibilities reviewed annually. Membership includes members with financial knowledge and experience (Grant Thornton Interim Audit report) Training for committee members – rolling awareness Independent member being appointed to (See annual review of effectiveness summary for further detail)
5. put in place effective transparent and accessible arrangements for dealing with complaints	Corporate complaints procedure “Tell US” Additional mechanisms for Social services & members Annual report produced on complaints and actions Standards committee report on complaints against members. FOI act officer in place.
6. ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	Members’ induction scheme Training for committee chairs Reports with standard headings, including risk, financial, legal and performance implications. Formal reports to partnership boards Monthly financial reporting Quarterly performance reporting.
7. ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	Record of decision making and supporting materials include reports which must have legal and finance implications. Cabinet reports not presented unless consultation sheet signed off Attendance of 151 & MO at cabinet/council. And attend CMT Legal officers at regulatory committees
8. ensure that risk management is embedded into the culture of the organisation , with members and managers at all levels recognising that risk management is part of their job	Risk management strategy and corporate and directorate registers and risk action plans in place UoR auditors judgement score of 4 CA 2008 highlight RM as a strength Financial standards and regulations in place Risk is highlighted in all reports

	<p>Member champion Directorate champions Quarterly reporting to cabinet and audit committee Audit Committee choose 2/3 risks per quarter to scrutinise/review Business continuity plans in priority services and being rolled out (ICT is a key one not in place due for implementation) All jobs have a risk assessment and reviewed as circumstances change.</p>
9. ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access	Whistle blowing policy in place and re-publicised in 2008/09
10. actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	<p>Constitution and delegations and financial and contract rules Internal audit plan and audits Monitoring officer/CFO advice in meetings and in reports (financial/legal implications) Consultation sheets – finance/legal consultation on reports required. Legal services team and job descriptions</p>
11. recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	As above.
12. observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.	As above

Step 5 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles	
Developing the capacity and capability of members and officers to be effective	
The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance
1. provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	<p>Member and officer development strategies and training and development plans Induction for new members and officers Update courses/information offered to members and officers where relevant externally Core competencies for employees Continuing professional development compulsory for certain posts (e.g. finance)</p>

2. ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation	Job description/personal specifications MO/CFO Attendance at corporate management team and council/cabinet meetings Quarterly meeting of 3 statutory officers Scheme of delegations and Constitution Statutory provisions CFO role set out in financial procedures
3. assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Training development plan and strategy for members Member and Officer training group in place Internal and external training provided.
4. develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Training and development plan reflect requirements of a modern councillor including: <ul style="list-style-type: none"> the ability to scrutinise and challenge leadership and influencing skills and can be tailored to individual needs.
5. ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs	Performance management system and performance boards. Quarterly beacon index reporting to cabinet. UoR judgement Annual report Individual member training plans.
6. ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	CA 2008 highlights this as a strength in the authority. Walsall consults comprehensively on priorities, budget and needs LNP's Voluntary/community engagement sector requires improvement
7. ensure that career structures are in place for members and officers to encourage participation and development	Succession planning in all service plans IPM's include career development Buddying and Mentoring in place. Individual training and development plans

Step 6 – In support of Objective 1 - Apply the Six CIPFA/SOLACE Core Principles	
Engaging with local people and other stakeholders to ensure robust public accountability	
The local code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance
1. make clear to themselves, all staff and the community, to whom they are accountable and for what	Sustainable community strategy and corporate plan and published strategies outline priorities and annual pledges Constitution Annual report provides feedback on achievement Corporate budget plan LNPs
2. consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the	Partnership governance arrangements recognised as requiring strengthening and group set up to do this.

relationships and any changes required	
3. produce an annual report on scrutiny function activity	Annual report produced
4. ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively	SCS Equalities and impact assessment monitoring and reporting Complaints reporting processes for dealing with competing demands within the community Members surgery Walsall pride – borough wide publication CA 2008 highlight community engagement as a strength, particularly concerning needs of BME community. LNPs
5. Hold meetings in public unless there are good reasons for confidentiality.	Meeting agendas
6. ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	SCS Equalities and impact assessment monitoring and reporting Complaints reporting processes for dealing with competing demands within the community Members surgery Numerous forums exist Walsall pride – borough wide publication CA 2008 highlight community engagement as a strength, particularly concerning needs of BME community. LNPs
7. establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result	Communication strategy being updated. Customer service standards Budget consultation process and feedback Equality impact assessments Customer satisfaction records
8. on an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	Corporate plan Annual report Annual financial statements
9. ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve	Constitution Public meetings

confidentiality in those specific circumstances where it is proper and appropriate to do so	
10. develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	JNCC and Employee relations forum exist and are consulted on budget, HR procedures etc.

Objective 2 - Identify principal risks to achievement of objectives

Step 1: In support of objective 2: The authority has robust systems and processes in place for the identification and management of strategic and operational risk	
Examples of assurance:	Walsall evidence:
<p>1. There is a written strategy and policy in place for managing risk which:</p> <ul style="list-style-type: none"> • Has been formally approved at political and risk management board (or equivalent) level • Is reviewed on a regular basis • Has been communicated to all relevant staff • Includes partnership risks 	<ul style="list-style-type: none"> • Risk mgt strategy and policies approved by Cabinet and Council and reviewed and updated annually • CMT and cabinet review and update corporate risks and strategy regularly. • Disseminated via team briefs, DLTs, via risk champions, on intranet, website. • CMT workshop 2008/09 and quarterly reviews • Member champion • Officer champions in each directorate • UoR score of 4
<p>2. The authority has implemented clear structures and processes for risk management which are successfully implemented and:</p> <ul style="list-style-type: none"> • Management board and elected members see risk management as a priority and support it by personal interest and input • Decision making considers risk • A senior manager has been appointed to "champion" risk management • Roles and responsibilities for risk management have been defined • Risk management systems are subject to independent assessment • Risk management is considered in the annual business planning process • Risk management extends to partnership risks 	<ul style="list-style-type: none"> • See cabinet, council and audit committee minutes • Regular review & reporting of risks to committees. • JD of staff incorporate risk. • Service plans are risk assessed. • Financial risk identified and monitored. • Corporate risk manager in post. • Officer and member champions in place. • Management teams receive reports on risk and manage risks via MAPs which are updated regularly. • Internal audit plan risk assessed. • CPA UOR score of 4 for risk management. • Committee reports all include risk management sections. • The corporate budget plan assess risks as appropriate and new and emerging risks facing the authority taken account of in setting reserves levels. • Partnership register and toolkit produced.
<p>3. The authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff</p>	<ul style="list-style-type: none"> • Corporate risk management strategy and system • Systematic procedures for risk identification and evaluation have been agreed; service planning, project planning, financial monitoring, risks in partnerships, individual posts are risk assessed. • Risk assessment included in induction and corporate induction.

<p>4. The authority has well defined procedures for recording and reporting risk</p>	<ul style="list-style-type: none"> • Risk management strategy and policy reviewed regularly. • Corporate and directorate risk registers in place and reviewed regularly. • Key risks managed via risk management action plans. • Regular reporting of risk to Cabinet/Audit Committee. • Internal audit plan risk assessed.
<p>5. The authority has well-established and clear arrangements for financing risk</p>	<ul style="list-style-type: none"> • MTFS and annual budget process has clearly established policy on management of financial risk. • Level of reserves etc. are set based on a financial risk assessment. • Prudent capital pot for uninsured property damage/risk management • All legal requirements for insurance are met. • Self-insurance provisions/reserves subject to annual review and contributions to the fund adjusted accordingly. • Insurance claims being managed in accordance with 'Woolf principles. • Incidence of successful and unsuccessful claims monitored and fed into setting of policy for risk financing accordingly. • Score of 4 in UOR for Financial Standing.
<p>6. The authority has developed a programme of risk management training for relevant staff</p>	<ul style="list-style-type: none"> • Training programme for risk management champions in place and appropriate staff. • Induction programme includes risk management. • Appropriate responsibilities for risk management incorporated into job descriptions and appraisals. • Risk assessment for each post. • Project workshops have been provided with project managers attending these sessions. Project risk awareness training sessions have also been provided with project managers in attendance. In addition, training sessions have been held on the new project management software system training.
<p>7. The corporate risk management board (or equivalent) adds value to the risk management process by:</p> <ul style="list-style-type: none"> • Advising and supporting corporate management team on risk strategies • Identifying areas of overlapping risk • Driving new risk management initiatives • Communicating risk management and sharing good practice • Providing and reviewing risk management training • Regularly reviewing the risk register (s) • Coordinating the results for risk reporting 	<ul style="list-style-type: none"> • Experienced corporate risk manager in post, part of a risk team. • Corporate risk manager reports regularly to CMT, cabinet, Council and Audit Committee on risk management issue and advises on risks as appropriate. • Awareness/ training workshops held with senior managers, risk champions and members as appropriate. • Areas of notable practice shared with others • Score of 4 for UoR • Risk register reviewed regularly

<p>8. A corporate risk officer has been appointed with the necessary skills to analyse issues and offer options and advice and:</p> <ul style="list-style-type: none"> • Support decision making and policy formulation • Provides support in the risk identification and analysis process • Provides support in prioritising risk mitigation action • Provides advice and support in determining risk treatments • Inspires confidence in managers. 	<ul style="list-style-type: none"> • Experienced corporate risk manager in post, part of a risk team. • A risk management unit exists, which advises CMT and Cabinet on processes, supports senior management and members on risk management, communicating and driving improvements (i.e. partnership health check, project risk management), providing awareness and training sessions to risk champions, managers and members (i.e. audit committee), reviewing and reporting on the risk register and co-ordinating risk reporting to CMT, Cabinet, Council and Audit Committee.
<p>9. Managers are accountable for managing their risks</p>	<ul style="list-style-type: none"> • Managers required to identify and manage service, project and financial risks. • Financial risk updates reported monthly. • Risk registers identify lead officer. • Job descriptions of managers outline risk management responsibilities • At minimum annual review of risk at service/operational levels or as required by MAPs. • Annual assurance statement sought from ED/ADs include reporting on risk management issues and controls.
<p>10. Risk management is embedded throughout the organisation</p>	<ul style="list-style-type: none"> • Risk management culture at all levels. • Score of 4 in UOR • Managers involved in risk management aspects of service and financial planning • The Walsall Project Approach (WPA) methodology, based on best practice has been developed and compliments existing performance management, risk management and capital monitoring arrangements. • A document storage facility has been established on the council's computer system enabling directorates and services to share their project documentation including filing their latest risk assessment documents.
<p>11 .Risks in partnership working are fully considered</p>	<ul style="list-style-type: none"> • Project risk assessments required for all major projects and reviewed. • Partnership health check recently undertaken and findings/recs will be implemented. • Partnership arrangements are reviewed in terms of risk before they are entered into.
<p>12. Where employed, risk management information systems meet users' needs</p>	<ul style="list-style-type: none"> • Risk information is updated promptly • Within the project register, there is a requirement to be updated monthly by project managers stating the last time the risk documents were updated.

Objective 3 - Identify key controls to manage principal risks:

Step 1: In support of objective 3: The authority has robust system of internal control which includes systems and procedures to mitigate principal risks	
Examples of assurance:	Walsall evidence:
<p>1. There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff:</p> <ul style="list-style-type: none"> • Authority has adopted CIPFA code on Treasury Management (note: recent legislative requirement by virtue of the prudential code) • Compliance with the Prudential Code 	<ul style="list-style-type: none"> • Financial regulations and instructions exist are reviewed & updated regularly: Finance and Contract Procedure rules, supported by a budget management and control manual • Formal approval of above by Cabinet within revised constitution • All managers receive FCR training • All senior managers have copy of constitution and access via website and intranet and public folders. • Annual treasury management and investment strategy and policy statements approved by cabinet and council. • Treasury management panel (TMP) quarterly to review performance and monitor PIs. • Treasury Management Code adopted and implemented. • Outturn report on treasury mgt presented annually. • Prudential Code adopted and PIs reported to TMP.
<p>2. There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Contract and Finance Procedure rules adopted and approved by Cabinet. • Briefings held, included in corporate induction and news and views and on website/intranet.
<p>3. There is a whistle blowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Whistle blowing policy exists and has been reviewed and updated and formally approved and re-publicised. • Disseminated via new starter packs and accessible on intranet/website. • Part of Code of Conduct for all officers
<p>4. There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Counter fraud and corruption policy exists and has been reviewed and updated in 7/8 and formally approved. • Disseminated via email, intranet/website. • Register of gifts and hospitality compiled and reviewed.
<p>5. There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Codes of conduct in place (officer and member) • All staff receive in new starter pack. • Available on intranet/website and in HR folders.
<p>6. A register of interests is maintained, regularly updated and reviewed</p>	<ul style="list-style-type: none"> • Register of interests (members and staff) in place and reported via SoA. • Reviewed by senior officers.
<p>7. Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Scheme of delegation included in constitution and revised and approved by Cabinet in May 2009. • Senior managers have a copy and available via intranet/website. • Reporting of decisions made under

	delegations to members in place; balances, monitoring, etc.
8. A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff	<ul style="list-style-type: none"> • Procurement policy exists which was approved by cabinet.
9. Business/service continuity plans have been drawn up for all critical service areas and the plans: <ul style="list-style-type: none"> • Are subject to regular testing • Are subject to regular review 	<ul style="list-style-type: none"> • Current business/service continuity plans exist covering critical service areas and are accessible. Phased programme of plans in place. Phase 2 in train. ICT identified as not in place re disaster recovery – this will take place in by 31..03.10.
10. The corporate/departmental risk register(s) includes expected key controls to manage principal risks	<ul style="list-style-type: none"> • Corporate and directorate risk register sets out principal risks and sets out appropriate key controls to manage them via risk MAPs • Key controls are monitored, reviewed and updated regularly. • Use of risk management workshops to underpin the process. • Risk owners are assigned to manage principal risks.
11. Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed	<ul style="list-style-type: none"> • Appropriate key risk indicators are documented and reported to CMT (risks are scored). • CMT monitor and review regularly – see minutes.
12. The authority's internal control framework is subject to regular independent assessment	<ul style="list-style-type: none"> • Via Internal audit plan and reports. • Annual opinion of Head of Internal Audit. • Various external audit reports. • CPA / UOR assessment of 3 for internal control. • Interim audit report concluded high level controls adequate. • Annual Audit and Inspection Letter states systems of internal control remains sound. • 6 monthly review of effectiveness undertaken in 2008/09 by Audit Committee.
13. A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff	<ul style="list-style-type: none"> • Health & safety policy exists and has been reviewed • SMS standards guidance provided. • SHAW intranet site contains all information, policies and procedures • All JDs have requirement to follow H&S legislation • Directorate H&S Boards in place and meet regularly. • Health and safety PIs are reported (e.g. accidents).
14. A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders is regularly reviewed	<ul style="list-style-type: none"> • Complaints policy/procedure exists and has been reviewed • Accessible on website – Tell Us Complaints • Procedure is compliant with relevant statutory requirements • Policy on website and intranet site • Complaints system in place and monitored and reports produced on complaints.

Objective 4 - Obtain assurance on the effectiveness of key controls:

<p>Step 1: In support of objective 4: Appropriate assurance statements are received from designated internal and external assurance providers:</p> <ul style="list-style-type: none"> • The authority has identified appropriate sources of assurance • Appropriate external assurances are identified and obtained 	
Examples of assurance:	Walsall evidence:
1. The authority has determined appropriate internal and external sources of assurance	<ul style="list-style-type: none"> • Sources are set out within governance statement, in accordance with CIPFA guidance and include: internal processes and procedures; financial and governance arrangements, constitution, procedure rules, hr policies and practices, managers assurance, internal audit and head of internal audit opinion; external audit reports and annual letters; and other inspections, CPA/UoR, Corporate Assessment 2008, AAIL.
2. Appropriate key controls on which assurance is to be given have been identified and agreed	<ul style="list-style-type: none"> • Managers receive guidance on what is expected of them via; constitution, CFP rules, scheme of delegations, financial monitoring training, financial procedures, the Code of Conduct and HR procedures. • Annual audit assurance statements to ED/AD set out expectations, key controls and action required in providing assurance • Managers are required to sign up to managing their budgets. • Managers are required to sign up to delivering service plans and targets and managing risks • Managers required to deliver services within corporate policies and procedures, and legislative requirements • Key internal controls covered by internal and external audit plan and work annually and in governance framework i.e. key financial systems.
3. Departmental assurances are provided	<ul style="list-style-type: none"> • ED and Ads were required to sign an assurance statement for 2008/09 sign off on adequacy of audit controls and action to implement audit actions is taking place • Evaluation included 'reality checking' of sample of departmental assurances via liaison with internal audit and reported to CMT.

<p>4. External assurance reports are collated centrally</p> <ul style="list-style-type: none"> • Reports are reviewed by relevant senior management team and reported to appropriate committee • Action plans are prepared and approved as appropriate • Follow up reports on recommendations are requested and reviewed by relevant senior management team and progress is regularly reported to relevant committee 	<ul style="list-style-type: none"> • Sources of external assurance relevant to authority include; CPA assessment, UoR assessment, Annual audit and inspection letter, CA 2008, Annual governance report, Interim audit, External audit reports: Sure start, grant claims, etc • CMT receive and approve inspection, audit letter and CPA action plans. • Progress reports on audit letter are taken to audit committee. • Action plans are approved by appropriate officers and reported to committee – re external audit reports.
<p>5. Internal Audit Arrangements</p>	<ul style="list-style-type: none"> • Reports of Head of Internal Audit to audit committee or equivalent throughout the year • Annual report of Head of Internal Audit, including opinion on internal control framework which is adequate • Interim Audit advises that internal audit continues to provide an effective service to help ensure that (in the main) procedures are followed as laid down. • Annual review of effectiveness of internal audit supported by external audit opinion via annual audit and inspection letter: system is adequate.
<p>6. Corporate Governance Arrangements</p>	<ul style="list-style-type: none"> • Internal control framework covers governance arrangements in place. • External audit review of financial governance arrangements.
<p>7. Performance monitoring arrangements</p>	<ul style="list-style-type: none"> • Comprehensive PM system in place. • Annual and in-year reports on delivery of key performance indicators (beacon index and annual report) • Annual audit and inspection letter, external and internal audit work report on arrangements. • Regular reporting to Cabinet and CMT • Action plans received by Audit Committee. • Progress in implementing internal audit recommendations reported to DMTs and to Audit Committee and senior managers requested to attend if requested.

Objective 5 - Evaluate assurances and identify gaps in control/ assurances:

Step 1: In support of objective 5: The authority has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify areas of weakness in controls	
Examples of assurance:	Walsall evidence:
<p>1. Responsibilities for the evaluation of assurances are clearly defined throughout the organisation</p>	<ul style="list-style-type: none"> • Assurances reviewed and report on effectiveness review. • Audit Committee have clear remit in respect of receiving and considering findings of review of review of internal control and internal audit effectiveness • Audit Committee responsible for considering and approving governance statement
<p>2. Mechanism established for collecting governance assurances</p> <ul style="list-style-type: none"> • Overall responsibility allocated to governance senior officer group • Required assurances are agreed and recorded • Central record of all assurances (either evidence file, or showing clear link to where evidence is held) • Clear guidance as to evaluation procedure including assurance over risks, independence and objectivity of assurances • Defined evaluation mechanism • Timetable for completion by statutory deadline • Gap assessment - performed and challenged 	<ul style="list-style-type: none"> • Terms of reference of review established. • CIPFA and CIPFA/SOLACE Guidance on preparation of the governance statement and evaluation used, including undertaking effectiveness review of system of internal control. • Chief internal auditor completed self-assessment in respect of system of internal audit and provided supporting evidence • Evidence reviewed by officers against the CIPFA code of Practice. • Governance statement (including effectiveness findings) considered by CFO and endorsed. • Governance statement shared and agreed with monitoring officer and CIA • Governance Statement considered and endorsed by Leader and Chief Executive Officer. • Internal/external assurances mapped against managers assurances and other assurances to obtain gap analysis and identify weaknesses in internal controls as highlighted in governance statement. • Further meeting to consider evidence gathering and assessment for the period between the year-end and the date of the governance statement (<i>timetable driven by that for the production of the annual statement of accounts</i>) to be arranged.

Objective 6 - Action plan to address weaknesses and ensure continuous improvement of the system of internal control:

Step 1: In support of objective 6: There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored	
Examples of assurance:	Walsall evidence:
1. An action plan is drawn up and approved	<ul style="list-style-type: none"> • Action plan in place for control weaknesses, including timescales and lead officer • Managers required to sign up to implement action plans. • Progress monitored via senior management teams and Audit Committee • Majority of weaknesses from previous years governance statement now signed off as adequate.
2. All actions are 'SMART': <ul style="list-style-type: none"> • Specific • Measurable • Achievable • Realistic • Time-bound 	<ul style="list-style-type: none"> • Each action on prioritised action plan is compliant with 'SMART' test: actions agreed with internal/external auditor.
3. Actions communicated and responsibilities assigned	<ul style="list-style-type: none"> • Responsibilities for each action are defined in action plan, along with responsible officer and timescale • All relevant officers receive final copy of action plan.
4. Implementation timescales agreed	<ul style="list-style-type: none"> • Target dates included in action plan
5. Ongoing review of progress and of continuing appropriateness of action	<ul style="list-style-type: none"> • Internal audit review of implementation of agreed actions ensures review of progress and continuing appropriateness of actions in follow ups. • Governance statement lays out progress reports and updates in respect of 2007/08 governance statement weaknesses; majority of which are now adequate. • Senior management team review of implementation of recommendations in place. • Audit assurance statements require managers to sign up to this.

Objective 7: Annual Governance Statement:

Step 1: In support of objective 7 – An Annual Governance Statement has been drafted in accordance with the statutory requirements and timetable set out in the Accounts and Audit Regulations 2003, as revised by the Accounts and Audit (Amendment) (England) Regulations 2006, and is in accordance with CIPFA guidance.	
Examples of assurance:	Evidenced by:
1. Responsibility for the compilation of the Annual Governance Statement has been assigned	<ul style="list-style-type: none"> • Documented key responsibilities • CMT report
2. There is an Annual Governance Statement production timetable that meets the statutory deadline	<ul style="list-style-type: none"> • Annual Governance Statement timetable is linked to that for the preparation of statutory accounts
3. The Annual Governance Statement is reviewed, challenged and approved by the authority	<ul style="list-style-type: none"> • Terms of reference assigned to Audit Committee • Annual Governance Statement is compliant with CIPFA guidance • Minutes of CMT and Audit Committee
4. Governance assurance statement is prepared, incorporating all the required elements of the statement on internal control	<ul style="list-style-type: none"> • Format of governance assurance statement clearly incorporates required elements of the statement on internal control • Statutory timetable is followed

Objective 8: Report to cabinet / executive committee:

Step 1: In support of objective 8 – An annual report to the authority (or delegated committee) on the Annual Governance Statement is presented, in accordance with the CIPFA pro forma	
Examples of assurance:	Evidenced by:
1. Responsibility for reporting is clearly defined	<ul style="list-style-type: none"> • Initial report explaining the requirement to produce an annual governance assurance statement incorporating the SIC to Audit Committee in April 2008. • Included in their annual work programme.
2. The signatories to the annual governance assurance statement and SIC are defined and are appropriate in accordance with statutory requirements (i.e. Most senior officer and most senior member of the organisation)	<ul style="list-style-type: none"> • Meetings with Leader and CEO • Signatures on AGS
3. The report is likely to be published in a timely fashion with the statutory accounts	<ul style="list-style-type: none"> • Publication with SoA.

Effectiveness Review of Internal Control and Governance Framework 2008/09: Summary

The following areas were reviewed and this summarises the main points and findings for the year.

Review of Progress of Actions from 2007/08 AGS

Payroll and employment services system was reported as borderline significant. A follow up audit carried out in 2008/09 resulted in a further borderline significant opinion. The CIA report highlight areas which have been strengthened, but also outstanding areas for improvement as follows:

- Ensuring controls and processes are fully embedded, for example, in the processing of new starters, variations to pay and leavers.
- Good practice was highlighted in a number of areas.

Overall the opinion is significant assurance, therefore this area is no longer classed as a significant control weakness, however progress in implementing actions and ensuring continued compliance will be monitored and reported to Audit Committee during 2009/10 to ensure continued assurance can be placed on the system and controls.

Employment Tribunal and NRF

The employment tribunal issue was first reported in 2006/7. An action plan was produced following publication of the external auditors report to Council on 27 September 2007. The actions have now been completed and formally signed off by CMT. Procedures have been tightened and widespread training and briefings have been undertaken on council policies, and legislation.

In addition to the above, over the last 15 months, an investigation has been conducted by the Professional Standards Unit of West Midlands Police into a number of allegations of potential criminal conduct. West Midlands Police have concluded their investigation and confirmed that they are completely satisfied with the cooperation and assistance they received from the council.

The Crown Prosecution Service was asked to consider if any information obtained warranted charges and prosecution. The Crown Prosecution Service concluded that there was not. As a further check, West Midlands Police asked the City of London Police to independently review its handling of the investigation and identified no further issues to be considered.

The investigation has established that the Neighbourhood Renewal Fund (NRF) money is accounted for. West Midlands Police have confirmed that in the absence of evidence to support the allegations of criminal acts made by the complainants, the investigation is now closed and there will be no further action.

Internal Audit Activity

An issue arising from service activity is the performance of services in implementing agreed audit recommendations. This is further detailed in Appendix 3b.

Financial Performance

The council will report an overspend on approved budget of just under £1.5m (£1.8m including approved overspends in year to be funded via reserves). The council has been effected by the impact of the recession and reported an expected overspend early in the financial year. It put in place corrective action to mitigate the position ensure that reserves will be in line with levels set out in the medium term financial strategy. Ongoing pressures and overspends have been managed in year and via the 2009/10 budget process

Robust processes and reporting arrangements are in place and this is recognised by our UoR score of 3 for financial management and 4 for financial standing. The UoR auditors' judgement for 2008 highlighted financial standing as an area of particular strength.

The Annual Audit and Inspection Letter 2007/08, published April 2009, quotes:

“Value for money (VfM) is a strength for the Council. The external auditor's scores remain at three as last year. No areas are at risk while good financial management continues to drive VfM and reduce costs”

“Strong financial planning is in place. The budget has strategic options profiled against policy and priorities not a wish-list, and also uses the established budget conferencing process. This enables appropriate decision making and resourcing”

The Corporate Assessment in 2008 stated that financial arrangements are sound and there were no areas of concern or recommendations for improvement. It also quoted:

“Good financial management and planning”.

“There is a sustained focus on VFM”.

Risk Management

The council has robust risk management arrangements in place and robust reporting arrangements to cabinet, Audit Committee and CMT. We report annually to full Council on risk management activity and improvements over the previous 12 months. We have again scored 4 in 2008 UoR for risk management and no significant weaknesses were identified

CMT have undertaken a full day workshop during 2008/09 June to assess their effectiveness in managing risk and review corporate risks.

Refer to UoR self-assessment 2006, 2007 and 2008 for evidence as this is comprehensive in demonstrating how robust and effective our arrangements are.

The Corporate Assessment in early 2008 identified our risk management arrangements as robust and embedded. Audit Committee have undertaken a refresher in risk management training during 2008/09 as part of its work programme.

The Partnership Governance Group, chaired by an ED, was tasked with delivering good partnership governance and appropriate documentation. This has delivered a partnership register and toolkit during 2008/09, which is currently being rolled out

See CA/AAIL below also.

Corporate Assessment 2008 and AAIL 2007/08, Published April 2009

“Improvement trends in PIs compare well with others”

The beacon index quarterly report *“provides a good overview of corporate performance”*

“Satisfaction with recycling and waste disposal amongst the best when compared nationally”.

“A robust comprehensive performance management framework ensures improvement in priority areas.”

“Performance is actively and effectively managed in key partnerships”

“Public satisfaction has increased”

“Walsall Council is improving well. Good progress has been made in priority areas and corporately the Council continues performing well overall. Effective leadership is enabling a focus on reducing inequalities in the borough towards the vision of making Walsall a good place to live, work and invest. The extent of improvement compared to other councils is good. It has effective leadership, tangible ambitions, clear achievements, and priorities which reflect the needs of service users and communities. Key improvements have been made against its priorities, and its public pledges”

Codes of Conduct/Behaviours/Training/Roles and Responsibilities

See Local Code of Governance approved by Audit Committee 3rd April 2008 and Standards Committee 16th June.

See effectiveness review against CIPFA/SOLACE Local Code of Governance Framework and CIPFA Guidance attached to Audit Committee report for further detailed evidence.

See Monitoring Officer summary for review of effectiveness feedback (attached) and application of core principles review of effectiveness.

Corporate Assessment 2008 reported that *“there is clarity among both officers and councillors about respective roles and responsibilities, enabling effective leadership”.*

A member development strategy and training plan is in place and managed. The strategy was revised in 2007. Take up of training is high.

The CA stated *“Investment in the capacity of councillors is effective.”*

A member and an officer code of conduct are in place.

Standards Committee receives report on complaints concerning members.

There is a member development steering group made up of elected members from all groups and HRD officers.

Induction programmes and personal development plans are in place for all new members.

The officer code of conduct has been updated.

Disciplinary action and grievance complaints levels are reported to cabinet frequently.

Chief Internal Auditor Annual Report

Elsewhere on tonight's' agenda. All conclusions have been taken on board in the effectiveness review.

Corporate Assessment 2008

The CA 2008 assessed how well the council engages with and leads its communities, delivers community priorities in partnership with others and ensures continuous improvement across a range of council activities.

Walsall is assessed as performing well, a 3 star council.

The CA published in June 2008 highlighted the following strengths:

- Ambitions are tangible. The council and partners have a clear and well understood long term vision for the area which addresses specific needs and these are challenging.
- Priorities reflect the needs of service users and most members of the community and community engagement is strong
- Investment is made in accordance with priorities
- Good partnership working results in services and action plans shaped to meet users needs
- Political and managerial leadership is effective
- Staff are clear about their roles and contribution
- The council takes difficult decisions to achieve its objectives
- The council responds well to external challenge and complaints from the public.

Areas for improvement include:

- Improving voluntary sector infrastructure and relationships to improve capacity to contribute to delivery
- Partnerships with voluntary and community sectors are less robust
- Ambitions do not fully recognise the needs of a growing above-average older people population
- High sickness absence impacts on capacity to deliver and the council is not managing sickness effectively.
- Strategic workforce planning is underdeveloped.
- Capacity of council to deliver its objectives because ICT Legal and HR support is underdeveloped

Scrutiny was highlighted as making a good contribution in some areas, but further development is needed. Its overall impact is variable and not consistently effective in focusing on underperformance or actively challenging the executive.

Annual Audit and Inspection Letter (AAIL)

The latest AAIL dated April 2009 raised no significant governance issues of concern.

Direction of Travel Report

Walsall is improving well.

Grant Thornton Interim Audit Report

Commenced 2008/09 and completed June 2009 (draft report).

The interim audit covered a review entity-level controls, including relevant control activities, over risks that could lead to material misstatement in the financial statements, and determined whether they have been implemented.

The Interim Audit, completed in March and April 2009, considered:

- the extent to which we can place reliance on the work of Internal Audit;
- the adequacy of controls over financial reporting systems;
- the adequacy of controls over information technology supporting financial reporting systems; and
- the adequacy of arrangements for year-end closedown and the preparation of the annual accounts.

The Council's Internal Audit function was reviewed against CIPFA's Standards for Internal Audit as part of the 2008/09 audit. The review concluded that Internal Audit provides an independent and effective service to the Council and substantially complies with the CIPFA Code of Practice for Internal Audit

Grant Thornton also undertook an evaluation of the design of controls of the council's major financial systems including treasury managements, creditors, debtors, payroll, housing and council tax, budgetary control, general ledger, grants and commissioning and found that "the council's processes and controls in these areas were generally sound with no material weaknesses. Some areas for improvement were noted and a number of low and medium priority recommendations made.

Grants Report (February 2008)

During 2007/08, areas of weakness were reported as follows:

"In direct comparison with last years out-turn report the council's performance as a whole has declined. This is however in the context of falling grant claim numbers, with the more complex claims remaining. Despite this there are areas where improvements have been made; such as the quality of working papers submitted to support the claims and submission of audited claims by the CI deadlines. The main area of concern is the proportional increase in the number of amendments.

All recommendations had an implementation date of 31 March or before and all have been implemented. The outcomes and improvements expected are currently being assessed and Grant Thornton will be presenting a final report on Grants performance to Audit

Committee in July. Grants will be assessed during the external audit of the statement of accounts and reported back to Audit Committee in September prior to publication of the AGS. Any significant failings in internal control will be highlighted at this stage and AGS amended to reflect this.

Monitoring Officer (MO) Review

The CEO and MO keep under review standards and behaviours of members via Standards Committee and statutory officers meetings, CMT.

Re-application of laws and regulations, all decision making reports to member forums have to be submitted to legal services prior to submission to committees/CMT. All reports are required to have a legal implications section. Report authors are required to complete a consultation proforma specifying what advice has been received.

A statutory officer meeting is held quarterly between the MO, CFO and Head of Paid Service (CEO).

MO attends Corporate Management Team weekly.

MO attends council and cabinet and agenda planning/briefing meeting.

MO attends the frequent portfolio holder meetings.

MO attends Standards Committee, Assessment sub committee, Review Sub Committee and reports on issues of standards/conduct, including complaints and ombudsmen reports.

Training is available to members via the member development strategy and via standards committee. All members of committee were invited to a session on the new ethical framework in addition to members. Each member has an individual training and development plan.

Specific training was also provided to regulatory committees: licensing, DC and appeals panel members.

The constitution was reviewed in 2006/07 so is current. The scheme of delegations has been reviewed and was approved by Council in May 2009.

MO is accessible and approachable to members in an advisory capacity.

A member officer protocol is in place, which is monitored against.

The MO has the authority to report matters to relevant group leaders for action to be taken. MO is satisfied that this process works.

MO protocol was approved by Standards Committee and is available on the intranet.

The MO is satisfied that in reviewing governance arrangements and reporting thereof, that they are effective and there are no significant issues he wishes to bring to the attention of the Audit Committee.

Annual Governance Statement 2008/09

1. Scope of responsibility

This statement is given in respect of the 2008/09 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 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, 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 2009 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

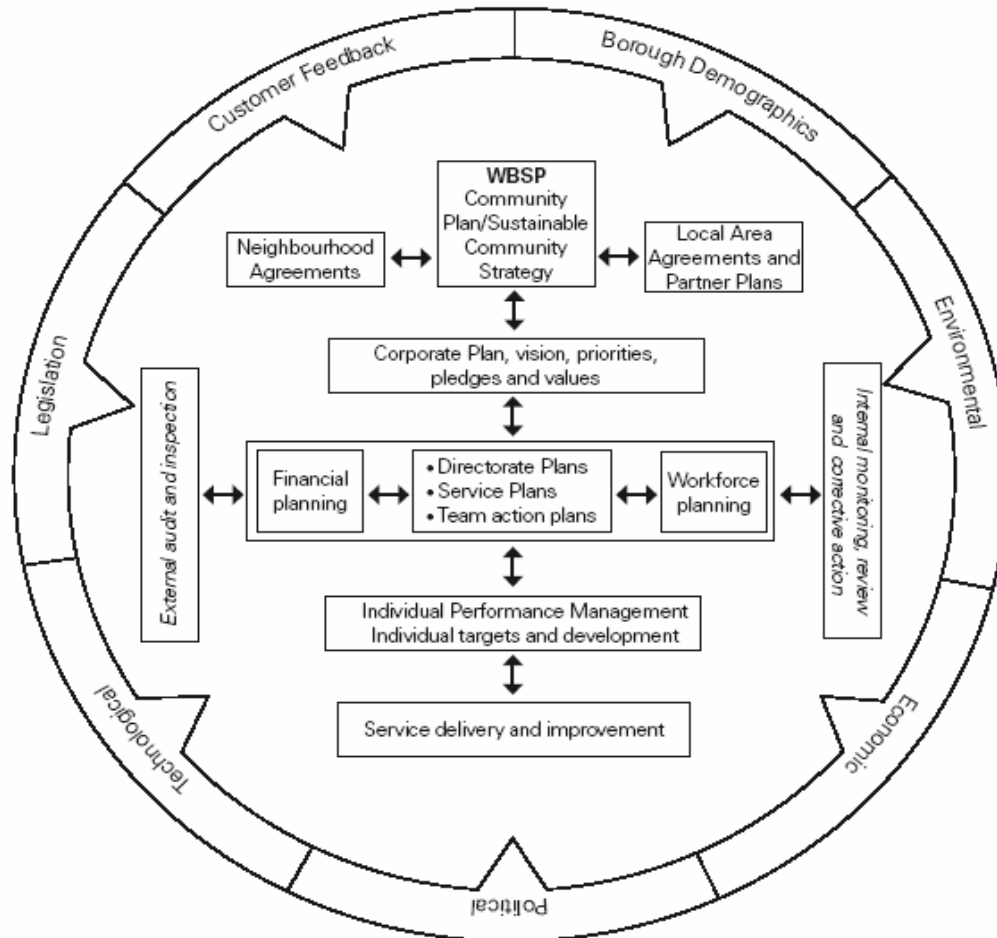
The Council acknowledges its responsibilities in ensuring the following key elements of the governance arrangements including the system of internal control are in place and this statement provides further information on how it achieves this, including:

- Identifying and communicating the authority's vision 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
- Establishing clear channels of communication with the community and stakeholders, ensuring accountability and open consultation
- The facilitation of policy and decision making;
- Ensuring compliance with established policies, procedures, laws and regulation, 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;
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions of the council;
- Developing, communicating and embedding codes of conduct and defining standards of behaviour
- Undertaking the core functions of an Audit Committee;
- Whistleblowing and receiving and investigating complaints from the public
- Identifying and supporting development needs of members and senior officers
- 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 the reporting of performance management;
- Incorporating good governance arrangements in respect of partnerships and other group working.

The internal control environment and governance framework is an integral part of the Council's corporate integrated planning and performance framework (CIPPF).

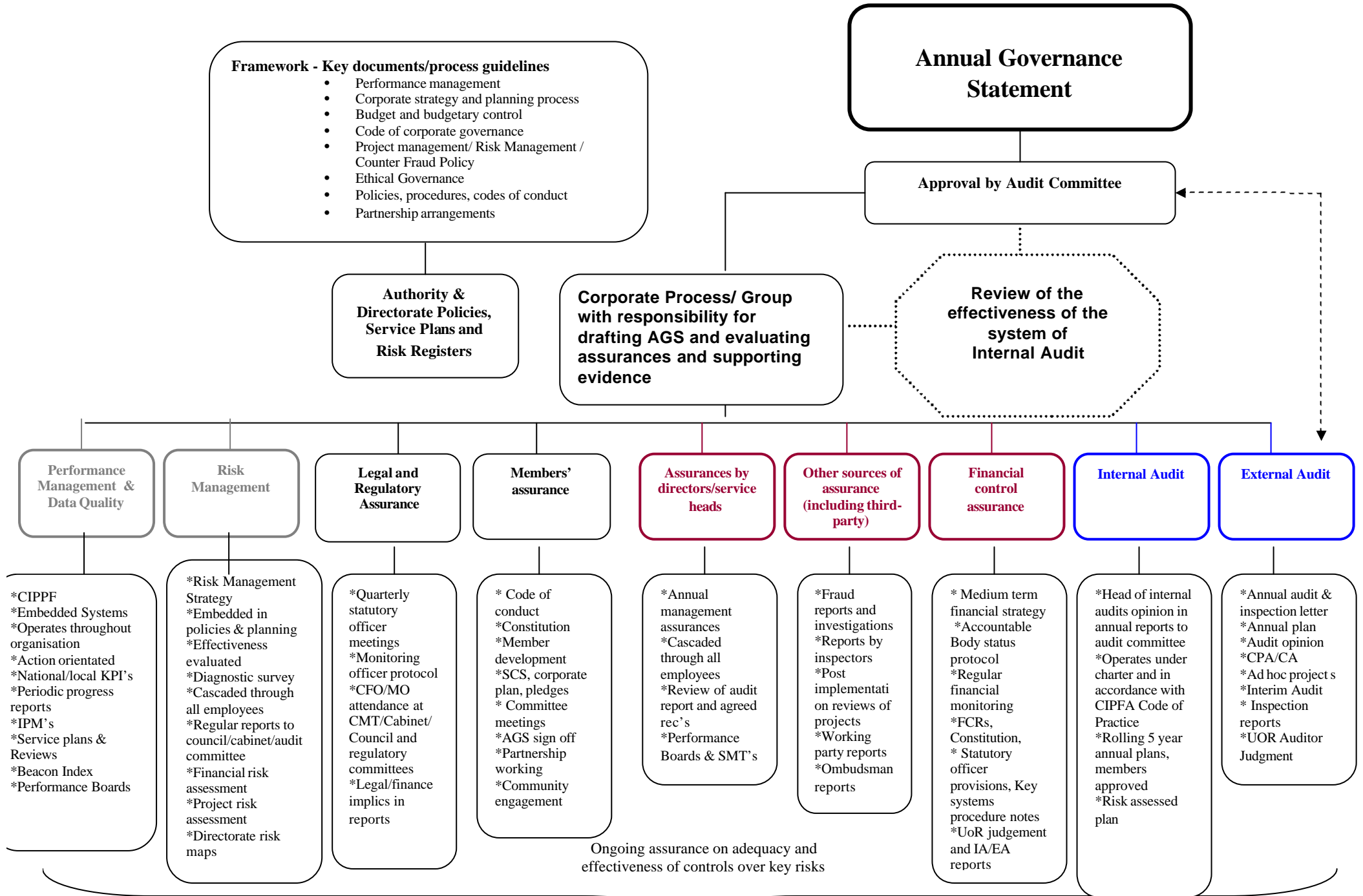
The CIPPF (diagram 1 overleaf) comprising financial, performance, risk, communication and political management processes shows how services are designed, delivered, measured and performance managed, and shows how services and activities are regularly measured and monitored to enable effective decision making, helping to ensure the Council delivers efficient, customer focussed services that provide value for money.

Diagram 1: The CIPPF



The governance framework consists of regular management information, financial 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 individual performance management (IPM) framework, a comprehensive risk management strategy and process, project management methodology and a system of officer and member delegation and accountability and codes of conduct. Diagram 2 shows the overall governance framework which is discussed in more detail in this section.

Diagram 2: ANNUAL GOVERNANCE STATEMENT FRAMEWORK



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

In particular, the system includes the following key elements:

- A sustainable community strategy, setting out ambition, objectives and priorities of the council and key partners, developed following extensive consultation with the community and stakeholders. – linked to corporate and service plans.
- A comprehensive risk management strategy and framework, operating at both strategic and operational levels;
- 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;
- A comprehensive financial strategy, including budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing;
- An approved Constitution, including financial and contract rules and a scheme of delegations and decision making processes of the council;
- Clear targets to measure financial and other performance through a comprehensive performance management framework, linked to service plans and the corporate plan;
- The preparation of regular performance and financial reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against targets and highlight remedial action, where required;
- Clearly defined capital expenditure strategy and guidelines;
- Project management principles adopted as the methodology for all projects, requiring all projects to be managed using the same underlying principles and regular reporting of progress to CMT and directorate performance boards;
- Continued use of an accountable body status protocol in relation to partnership working to ensure that activities are administered consistently and robustly across the council;
- Regular performance boards which receive, consider and assess service plans, performance indicators, financial planning and project management processes to influence and drive continuous improvement;
- Clear 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;
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- Member and officer development strategy and individual development planning processes;
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance;
- Comprehensive communication and consultation arrangements both internally and externally;
- Lead member for risk management;

There are a number of key elements of the governance framework and internal control environment which ensures the council is able to monitor and manage 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; the Beacon Index; medium term financial strategy, corporate budget plan, capital strategy, risk management strategy and directorate strategy documents.

These documents set out the council's priorities, vision and key pledges. They are supported by directorate, service and team plans, which contain detailed targets and performance indicators to support the achievement of council objectives. A comprehensive performance management framework exists which operates throughout the council and performance is reported to senior management teams through the established performance boards model, CMT, Cabinet, and to relevant scrutiny and performance panels on a regular planned basis.

The council's commitment to continuous improvement is evidenced in our latest Corporate Assessment outcome (CA). The Council recognises that it cannot achieve this without community and partner engagement. It is committed to working with partners through the Walsall Borough Strategic Partnership (our Local Strategic Partnership), and with the community and partners, through the established Local Neighbourhood Partnerships.

The council's constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity is transparent and accountable to the local community. This includes a scheme of delegation and contract and financial rules, which set out the control environment in which the council operates.

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 performance and risk management arrangements are fundamental to demonstrating good governance.

The council has an established comprehensive 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 service planning, financial planning and major projects and partnerships.

Strategic risks are identified, evaluated, incorporated into a corporate risk register and reported on a quarterly basis to senior management and CMT. This includes risk management action plans produced for each key strategic risk. Cabinet also receives reports on risk management. The risk management strategy is reviewed annually by Cabinet and is subject to examination by the Audit Committee as part of its established regulatory activities. Audit Committee have their own risk register and receive regular updates on this. In addition, in 2008/09, Audit Committee undertook a review of their own effectiveness.

Each directorate has identified directorate risks and work continues to ensure that the management action plans arising from these take proper account of the balance of risk and resources to ensure that appropriate and proportionate action is put in place. Service plans include a risk management section. 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. Each directorate has a risk champion and all individual posts are risk assessed within the council and are subject to annual review. Risk workshops are held to ensure risk champions and those involved in the assessment and management of risk are appropriately trained. An elected member has lead responsibility for risk management.

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 system of Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2003, as amended in 2006.

The Constitution states that:

- The Chief Internal Auditor has the right to report directly to the Chief Executive, executive directors and elected members when this is appropriate, as well as routinely reporting to the CFO and operational managers;
- Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom under the day-to-day control of the Chief Internal Auditor who acts independently;
- The Internal Audit service plans and prioritises its work through a combination of assessment and review of the council's service provision, corporate governance arrangements, risk management processes and key internal control systems, supplemented by a programme of fraud and irregularity/consultancy work and scheduled visits to council establishments;
- The annual work plan is endorsed by CMT and the Audit Committee. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted promptly to executive directors, senior managers, school heads and chairs of governors as appropriate. Quarterly progress reports are submitted to the council's Audit Committee for review purposes;
- The Chief Internal Auditor is required to report annually on his opinion in respect of the overall adequacy and effectiveness of the council's internal control environment.

A comprehensive system of performance monitoring and reporting is in place at service management, executive management and member level. This includes regular reports to scrutiny and performance panels and Cabinet. Regular reports are also presented to senior management and CMT using the performance board model. A corrective action planning process is in place for all indicators not achieving target and progress is continually monitored.

Executive and assistant directors are required to provide quarterly assurance statements 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 reports on the implementation of agreed internal and external audit recommendations / actions, and on risk management and seeks to ensure agreed recommendations are actioned and managed within directorates. The Committee has a regulatory function in respect of the system of internal control and its effectiveness and the work of the Committee includes the review of the statement of internal control and its approval.

4. Review of Effectiveness

Walsall Council (via Audit Committee) has 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 the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.

Cabinet, CMT and senior officers monitor the effectiveness of the governance framework through receiving regular monitoring reports on performance management, financial management and risk management, including progress against key objectives and targets 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. In addition, CMT, the Leader and elected members, via the Audit Committee formally consider and approve the AGS annually.

The review of the effectiveness of the system of internal control is informed by the work of the Chief Internal Auditor and his annual report on the overall adequacies of the internal control environment. In respect of the 2008/09 financial year, the following opinion has been given by the Chief Internal Auditor;

"In my opinion, formed solely on the basis of the work undertaken by internal audit and its partner organisation in 2008/09, and the positive action taken, intended to be taken or confirmed as having been taken by managers to implement agreed audit report actions, Walsall council's overall system of internal control facilitates the effective provision of the council's functions and provides a satisfactory level of assurance regarding the effective, efficient and economic exercise of the council's functions.

Control weaknesses were identified during the 2008/09 financial year and were reported as such to the relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on evidence provided by managers to auditors confirming that they had implemented or agreed to implement actions detailed within agreed audit report action plans in the areas for which they are responsible.

The system of internal control 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 2008/09".

Executive directors each provide an assurance statement that, for AGS purposes, they are satisfied that appropriate action has been taken by managers to implement the agreed recommendations / actions arising from audits in 2008/09.

During 2008/09 audit reviews were undertaken of the key financial systems and also other financial and non financial systems and processes that contribute to the council's overall corporate governance arrangements. In addition, fraud and irregularity work was undertaken by the Internal Audit service during the year. None of the cases were material

in the context of the statement of internal control. Internal Audit has acknowledged that the council's key financial systems are operating satisfactorily, all receiving a full or significant assurance audit opinion.

An audit review of corporate governance was undertaken during February and March 2009 as part of the annual audit plan. The objectives of the audit, which were adapted from the CIPFA SOLACE 'delivering good governance on local government framework', were to assess the adequacy of corporate governance arrangements. This report is currently in draft and may be subject to amendment, however, the overall assurance opinion given was significant.

Notable examples of good practices include:

- the establishment of an overarching governance statement;
- member approved strategic plans such as the corporate plan which links to the wider sustainable communities plan;
- an embedded performance management and risk assessment framework;
- a local strategic partnership that is fit for purpose in terms of its structure and which places the council "at the helm" as is required by the local area agreement; and a range of mechanisms are in place that enable the council to elicit the views of residents in helping it to shape policy and improve services.
- The council, its employees and its members' roles and responsibilities are underpinned by and enshrined within the constitution and a range of codes of conduct with underlying systems for declaring interests provide a level of assurance that appropriate ethical standards are being adhered to.

A number of areas for improvement were identified to reinforce prevailing arrangements, including:

- Making clear within corporate plans how the council is measuring its overall progress against its key priorities.
- The role of scrutiny could be further developed, notably formalising the role of an overview scrutiny body that could then have responsibility for scrutinising strategic issues.
- The scheme of delegation, particularly in the light of single status and organisational restructure, should be kept under periodic review and the scheme / financial and contract rules should be updated to set out officer responsibilities.
- Raising awareness among staff of the council's anti fraud and corruption strategy and whistle blowing procedures and coordinating and streamlining the various mechanisms in place to obtain the views of residents and stakeholders to then demonstrably use the key themes arising to shape policy and initiate service improvements, should also be considered.
- Given the increasing prominence of partnership working, the council should also keep under review the various partnership arrangements with a view to ensuring that partners are aware of the council's role as an enabler and, where appropriate, the accountable body as well as making sure that the various partnerships do not overlap and duplicate their efforts. As part of this the role of the Audit Committee and Scrutiny should be developed to ensure that these bodies have the requisite authority and capacity to effectively and robustly inform the decision making processes concerning partnership working. Additionally, joint codes of conduct and partnership specific risk registers should be developed and put into place so that each partnership is working within a common ethical framework

A draft action plan is in place to address the above actions and is shortly to be agreed.

The Accounts and Audit (Amendment) Regulations 2006, introduced in 2006/7 a new requirement for the council to conduct a review of the effectiveness of its system of Internal Audit.

A self-assessment document was produced by the Chief Internal Auditor in respect of the effectiveness of Internal Audit, assessed against the CIPFA Code of Internal Audit Practice and recent CIPFA guidance. The self-assessment and supporting evidence was reviewed independently by senior finance officers. The system of Internal Audit was assessed as satisfactory overall.

The effectiveness of the council's governance framework can further be evidenced by the:

- External auditors' annual Interim Audit which includes a review of Internal Audit work to ensure that work can be relied upon;
- Quality assurance controls put in place by the Chief Internal Auditor and his managers, in managing and delivering the Internal Audit service in accordance with the CIPFA code of practice and including such areas as discussion/agreement of the risk based audit plan and each individual audit review;
- The role of the Audit Committee in endorsing Internal Audit's work plan and in their regular review and scrutiny of audit performance and;
- The regular review of Internal Audit work by the CFO including meetings with the Chief Internal Auditor;
- Quarterly statutory officers meetings between the Chief Executive, Chief Finance Officer and Monitoring Officer
- The monthly corporate services performance boards which review performance of directorate activity (including Internal Audit);
- A high performance and achievement level against targets, including a 95% delivery of the annual audit plan in 2008/09;
- High level of satisfaction received from auditees based on satisfaction surveys returned following completion of each audit assignment.

The Audit Commission undertook a comprehensive review of the Internal Audit service during 2006/07 and 2007/08 and the council's new external auditors, Grant Thornton, reviewed the work of Internal Audit during their interim audit undertaken in March and April 2009.

In respect of the Internal Audit function, the interim audit considered the extent to which Grant Thornton can place reliance on the work of Internal Audit. The council's Internal Audit function was reviewed against CIPFA's Standards for Internal Audit as part of Grant Thornton's' 2008/09 audit, which concluded that Internal Audit provides *"an independent and effective service to the Council and substantially complies with the CIPFA Code of Practice for Internal Audit"*.

Grant Thornton also undertook an evaluation of the design of controls, linked to risk of material misstatement in the financial statements, of the councils major financial systems including treasury managements, creditors, debtors, payroll, housing and council tax, budgetary control, general ledger, grants and commissioning and found that "the council's processes and controls in these areas were generally sound with no material weaknesses. Some areas for improvement were noted and a number of low and medium priority recommendations made.

Audit Committee has a regulatory role in terms of receiving reports on the effectiveness of the system of internal control through receipt and consideration of Internal Audit quarterly reports and a sample of completed audit reports are selected for further detailed review and scrutiny. In addition, Internal Audit has a strategic risk assessed plan which has been endorsed by CMT and Audit Committee.

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. In 2008/09, quarterly statutory officer's meetings were embedded to review and oversee and ensure statutory provisions are being adhered to.

The council recognises the need to formalise its arrangements with a variety of 'partner' bodies where it is classed as the 'accountable body'. Accountability agreements have been developed and are in operation, for a number of these, such as New Deal, tPCT, Walsall Town Centre Partnership and a Walsall Partnership Memorandum of Agreement. This ensures all parties to each arrangement are clear about their respective responsibilities so that services can be planned and delivered in a cost effective way which continues to ensure good governance arrangements. The Audit Commission in the Corporate Assessment (CA) 2008 highlighted key partnership working as a strength, with some areas for improvement in terms of working with the voluntary/community section. The council has recognised and put in place these arrangements, to address the need to strengthen its governance arrangements in respect of partnerships. A partnership toolkit was produced in 2008/09 and is being rolled out.

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

- The current CPA 2008 score of 3 and "improving well" (maximum score is 4) for Walsall.
- Corporate assessment (CA) 2008 - which praised the council for strong community engagement, priority setting, financial, risk and performance management arrangements. The CA and joint area review carried out during 2008 found that priorities reflect the needs of service users and communities. Community engagement is strong and each neighbourhood has a plan to address specific issues.
- The current overall use of resources (UoR) score of 3 out of 4 which focuses on financial management but also links to the strategic management of the Authority. Grant Thornton acknowledged that this represented a further improvement over previous years.
- The council's arrangements in respect of performance and risk management have been identified as robust.
- A maximum score of 4 for the category of risk management within the overall UOR rating for 2006, 2007 and also 2008.
- A maximum score of 4 for the category of financial standing for 2006, 2007 and also 2008.
- The council has continued to be assessed as "improving well" in the annual direction of travel assessment.
- Data quality arrangements were scored as 3 (good).
- The work of the council's external auditors with the April 2009 Annual Audit and Inspection letter, including the provision of an unqualified opinion on both the 2007/08 accounts and the council's use of resources (value for money).

- The Annual audit and inspection letter (AAIL) 2007/08, published April 2009 also stated that:
 - *Walsall Council is improving well. Good progress has been made in priority areas and corporately the Council continues performing well overall.*
 - *Effective leadership is enabling a focus on reducing inequalities in the borough towards the vision of making Walsall a good place to live, work and invest.*
 - *The extent of improvement compared to other councils is good. It has effective leadership, tangible ambitions, clear achievements, and priorities which reflect the needs of service users and communities. Key improvements have been made against its priorities, and its public pledges.*
 - *Value for money (VfM) is a strength for the Council. The external auditor's scores remain at three as last year. No areas are at risk while good financial management continues to drive VfM and reduce costs.*
 - *Strong financial planning is in place. The budget has strategic options profiled against policy and priorities not a wish-list, and also uses the established budget conferencing process. This enables appropriate decision making and resourcing.*

The council has introduced a Local Code of Governance which was approved by Audit Committee and Standards Committee in 2008/09. Work is in hand to embed this. Review of the Code against the CIPFA/SOLACE framework (Appendix 4) highlighted some areas of omission (partnership protocol and need for awareness training). The partnership protocol has now been produced and awareness training is due to be rolled out.

The review of effectiveness also covered the work undertaken in 2008/09 to address the control weaknesses identified in the 2007/08 AGS including:

- 1) Payroll and personnel system – some progress has been made in actioning previously agreed audit report actions and a number of areas of good practice were noted during the review. Areas for improvement, however, continued to be identified in ensuring controls and processes are fully embedded, for example, in the processing of new starters, variations to pay and leavers. An action plan is in place to address this.
- 2) Whilst internal and external audit indicated that there were adequate IT controls in place overall, limited assurance opinions were reported for ICT change management, acquisition and disposal of information assets, IT governance and Oracle CRM. A follow up audit of IT strategy and governance produced a significant assurance opinion. In addition, managers have agreed report actions, and indicated that actions have been or will be implemented by agreed deadlines.
- 3) Scrutiny was highlighted as making a good contribution in some areas, but further development is needed. Its overall impact was reported as variable and not consistently effective in focusing on underperformance or actively challenging the executive. The Scrutiny Working Group has met throughout 2008/09 and has reviewed the work programme of all scrutiny and performance panels throughout the year, providing a greater co-ordination of activity and were also consulted on the annual scrutiny survey, member training and development opportunities and evolving information regarding

Crime and Disorder powers and Councillor Call for Action legislation. The group have agreed how issues are progressed (e.g. they agreed how the report from the equalities peer assessment would be received and how information would be shared across panels) and have identified cross cutting activity in a more consistent way (e.g. way in which Corporate Scrutiny Panel receive feedback on budgets from all panels as part of decision conferencing). Members of the group have committed to continuing to meet throughout 2009/10 to build on the foundations that have been laid.

- 4) The target for implementation of agreed Internal Audit report actions for 2007/08 was set at 90% and performance against this target was 78%. Further detailed reporting and assurance requirements from senior managers were approved by Audit Committee to strengthen arrangements during 2008/09, however performance remains below target, at 75% for 2008/09. This is further contained within section 5.

We have been advised on the implications of the result of the review of the effectiveness of the governance arrangement by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

The Council acknowledges that the identification, analysis and management of risks for the delivery of its objectives are key to maintaining an effective system of internal control. It is also recognised that there remains a further need to fully embed the internal control procedures across the organisation.

The officers who drafted this AGS, evaluated assurances and supporting evidence, concluded the effectiveness of the governance framework, including the system of internal control is satisfactory overall and there are no significant governance issues.

The work above did identify that although in most audit assignments the processes examined were generally working satisfactorily, some non-significant system weaknesses were identified in some services, specifically:

- improving controls in place for the management of computer software installed on council owned IT equipment;
- further evidence being required to document that key procurement controls are being applied, particularly those relating to monitoring of contract performance and contract risk assessment;
- improvements in strategic commissioning arrangements;
- improvements in the organisation of scrutiny arrangements;
- improvements to the recording and reporting of officer decisions;
- improvements in arrangements in respect of regional housing pot grant; and
- final contractor accounts. 16 accounts were reviewed and 10 were given a limited or no assurance rating opinion and considered to have been poorly managed. Suggestions for improvement were agreed by managers.

A number of high priority suggested improvements were made during the year to address control weaknesses and all were agreed for implementation by managers.

The report will also show that 75% of desired outcomes arising from earlier internal audit findings were confirmed as achieved at internal audit's next visit, a reduction on last year's 78%. That is, while 75% of control issues identified in previous audits were found to have been fully addressed at the next audit, 25% continued to be identified as issues requiring further management attention to resolve. There are cases where managers have fully or partly implemented agreed actions, but their actions have not have been completely successful in addressing control weaknesses identified.

A 75% level of achievement may limit the effectiveness of the Audit Committee's monitoring of the internal control environment. The Chief Executive has made it clear that he expects Executive Directors to take personal responsibility for delivery of the necessary outcomes. The corporate management team considered a report of outstanding agreed actions on 11 June 2009 with a view to improving performance in this area. This will feature regularly on the CMT agenda to ensure improvements.

The directorate management teams' involvement in seeking assurance from their managers that they have implemented or are taking action to implement agreed actions should also assist the process. The Audit Committee has remained insistent that this level of achievement should improve and the potential for executive and assistant directors, whose managers fail to implement agreed actions, having to attend before the committee to provide explanation, will be re-enforced.

Further detailed reporting and assurance requirements from senior managers will be presented to Audit Committee during 2009/10 to assist them in fulfilling their governance responsibilities.

We propose over the coming year to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....
COUNCILLOR Mike BIRD
Leader of the Council
17 June 2009

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.

.....
PAUL SHEEHAN
Chief Executive
17 June 2009

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.

.....
JAMES T. WALSH, ACMA
Chief Finance Officer
17 June 2009

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.