

Effectiveness Review of the System of Internal Control

Walsall Council (via Audit Committee) has a statutory responsibility for conducting a review of the effectiveness of its system of internal control in respect of 2020/21.

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

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

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, including in relation to the council's management of its response to COVID-19, risk management, grants, the external auditor's opinion on value for money and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter;
- A review of the AGS via key questions by Internal Audit during 2020/21 to assess the extent to which compliance with the framework has been met;
- Internal Audit's Annual Opinion Report;
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these;
- Findings of the external auditor and other review agencies and inspectorates, and council actions to address these;
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness;
- The monitoring and regular review of the council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc);
- Review and reporting of financial health indicators and financial procedures;
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate Performance Management Framework and Counter Fraud arrangements;
- The work of the executive directors, directors, heads of service and managers within the authority who have responsibility for the development and maintenance of the governance environment;
- The workings of Silver and Gold Control and decision making during COVID-19;

- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the AGS annually.
- Lessons learnt for Walsall report presented to CMT in relation to the Croydon Report in the Public Interest in relation to financial management; the risk assessment report presented to CMT to consider the findings of the Best Value Inspection Report published in March 2021 regarding governance and practice in areas inspected relating to Liverpool City Council;
- The council's assessment of its compliance with the CIPFA Code of Financial Management, for which 2020/21 was a shadow year, and action plan to address areas for improvement.

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

From March 2020, the council has played a major role in managing the national response to COVID-19, including the administration of business rate reliefs and grants, supporting households through the council tax reduction scheme, supporting the care market, supporting the vulnerable and shielded, and other initiatives.

As with all council's, there has been an impact on governance from March 2020 as a result of the pandemic, including:

- Impact on business as usual such as adult social care. Some services and facilities were closed – libraries, leisure centres, car parks etc. Assurances have been provided by Adult and Children's' social care that statutory responsibilities continue to be met;
- New support required to provide emergency assistance to vulnerable sections of our communities;
- Financial consequences of delivering the emergency response, the impact on closures of loss of income on the council's financial position and the impact on delivery of approved budget savings, as officers have refocused on delivering the council's response to the pandemic;
- Changes in the council's risk profile;
- Cessation of council meetings from March 2020 (Cabinet and Scrutiny being reintroduced virtually from May) and changes in decision making arrangements.

The AGS review reports on amendments to the governance and decision making processes introduced in March 2020 to allow the council to respond to the Coronavirus pandemic in a timely manner, whilst still operating within our overall good governance arrangements. These include the setting up of Gold and Silver Control meetings to manage the council's response to COVID-19 following the suspension of all council meetings after March, establishment of a COVID-19 risk register and enhanced controls in relation to authorisation, monitoring and reporting of financial spend in relation to COVID-19.

On 19 May 2020 Cabinet received a suite of reports in relation to the council's management of COVID-19 including;

- Amendments to the governance and decision making processes;
- The council's safeguarding response;
- Supporting shielded and vulnerable residents;
- Supporting our businesses – business rate reliefs and grants;
- Managing delivery of the Proud programme and the COVID-19 impact on delivery of our approved budget savings

- COVID-19 impact on our corporate financial performance.

Please refer to the following link to access these reports. [19 May Cabinet Reports.](#)

The governance and decision making May report set out the decision making procedure the council has adopted as a consequence of the COVID-19 crisis. The council has utilised the emergency provisions in relation to delegated powers in the Constitution in relation to council decisions, in consultation with the relevant elected members, and has utilised the “strong leader” model in relation to executive decisions that have needed to be taken. Where required the decisions have been published on CMIS and circulated to all elected members.

Diagram 1 outlines the various components that jointly inform the Annual Governance Statement. Changes for 2020/21 are shown in green. A detailed review of the Governance Framework and assurances is planned for 2021/22 and will be reported to Audit Committee for their consideration in November 2021.

Diagram 1: ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK

Draft for 2020/21

Framework – Key documents / process guidelines supporting delivery of the Council’s Aim, Priorities and Outcomes:

- Local Code of Governance
- Budget and Medium Term Financial Strategy
- Performance Management Framework (including Corporate Planning Process and Annual Performance Conversation Process)
- Risk Management Strategy and Corporate Risk Register
- Counter Fraud Policy
- Policies, procedures, constitution, codes of conduct
- Partnership arrangements

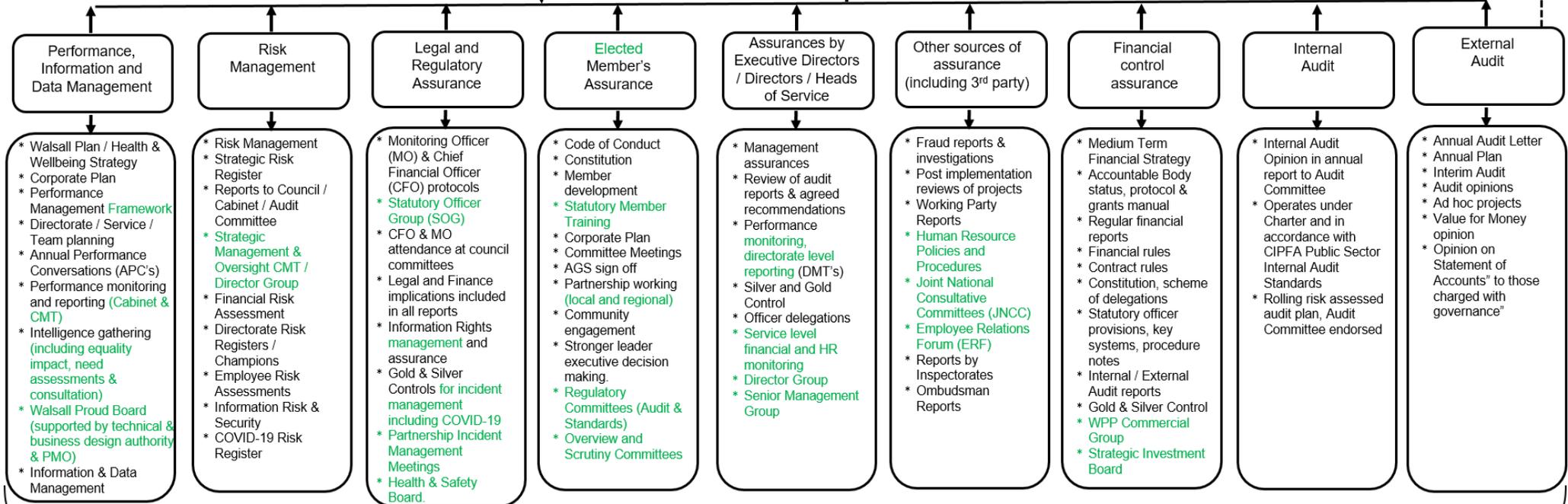
Supported by Authority & Directorate Policies, Procedures and the following Assurance Arrangements

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

Audit Committee Approve the Annual Governance Statement

Audit Committee:
- receives the annual review of the effectiveness of its system of internal control

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



Ongoing assurance on adequacy and effectiveness of controls over key risks

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

The production of this AGS and effectiveness review has been able to substantially rely on existing assurance provisions. Specifically the Head of Internal Audit Annual Opinion and Report, which is a major source of assurance, has been finalised within the usual timeframes (and is included earlier on tonight's agenda). There are no limitations to the review to report to the leadership team or Audit Committee. As well as existing assurance areas (external audit, the work of the Audit Committee) detailed below, additional assurance in relation to COVID-19 has been drawn from reports presented to Cabinet in May and throughout 2020/21, as set out above.

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

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

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

In respect of the 2020/21 financial year, the following Internal Audit Opinion has been given;

*"On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is **Substantial** in its overall adequacy and effectiveness.*

Certain weaknesses and exceptions were highlighted by our audit work, 9 of which were fundamental in nature, however, no limited assurances have been provided during the period.

These matters have been discussed with management, to whom we have made several recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed risk management in the Council has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. The Director's Group has recently taken on responsibility for reviewing both Directorate Risk Register and Strategic

Risk Register updates. The aim of this is to improve directorate engagement to support both the implementation of the Risk Management Strategy and provide greater assurance that mechanisms for management of risk are robust.

Internal Control

Of the 44 audits undertaken in the year where we provided a formal assurance level, six were given a 'Good' level of assurance, 29 a 'Substantial' level of assurance and nine a 'Limited' level of assurance. No audits were given 'No' level of assurance.

During the year, we have made 9 'Priority 1' recommendations. 88 recommendations categorised as 'Priority 2' were also made.

In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management”.

COVID-19

Our annual internal audit opinion reflects the revised audit plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.

Two specific audits were carried out to provide assurance over controls that were put in place by the Council in response to the COVID-19 pandemic. These were Payments to Suppliers which received a 'Good' audit assurance, and Review of COVID-19 Governance and Controls which received a 'Substantial' audit assurance.

Internal Audit Identified Control Weaknesses

1) Follow up of 2019/20 control weaknesses:

The AGS effectiveness review is informed by work undertaken in 2020/21 to follow up on actions agreed to improve governance issues/control weaknesses identified in the previous year's (2019/20) AGS.

During 2019/20, Internal Audit reviews were undertaken on the core financial systems. Seven of the eight fundamental financial systems audits were found to be operating satisfactorily, three receiving a 'substantial', four receiving a 'good' opinion; and one (payroll and pensions administration) receiving a 'limited' assurance opinion.

In addition to fundamental financial systems, 37 audits were undertaken in 2019/20 of other financial and non-financial systems and processes that contribute to the council's overall corporate governance arrangements.

Internal audit's work identified that although in nearly three quarters of audit assignments the processes examined were generally working satisfactorily, system weaknesses were

identified in certain areas as shown in those given a limited or no assurance opinion. The table below details the reviews where a limited assurance level was given (8):

Audit	Adequacy of System Design	Effectiveness of Operating Controls
Saddlers Centre Management	Substantial	Limited
New Art Gallery	Limited	Substantial
St Patrick's Primary	Substantial	Limited
New Invention Infant	Limited	Substantial
Holy Trinity Primary	Limited	Limited
St Thomas of Canterbury Catholic Primary	Limited	Limited
Social Media Policies & Procedures	Limited	Limited
Payroll & Pensions Administration	Limited	Limited

These reports were considered in detail as part of the Audit Committee's routine consideration of 'limited assurance' audit opinions. The table below provides an update on action taken to address the 2019/20 recommendations.

Audits	Adequacy of System Design	Effectiveness of Operating Controls	Follow Up Date	Progress on Implementation of Recommendations
Saddlers Centre Management	Substantial	Limited	March 2021	2 implemented, 1 partially implemented (P2), 2 not yet implemented (P1 and P2) Further follow up date June 2021
New Art Gallery	Limited	Substantial	March 2021	4 implemented, 2 partially implemented (P1 and P2), Further follow up date December 2021
St Patrick's Primary	Substantial	Limited	October 2020	All implemented (No P1)
New Invention Infant	Limited	Substantial	May 2021	All implemented (No P1)
Holy Trinity Primary	Limited	Limited	October 2020	All implemented (1 P1)

Audits	Adequacy of System Design	Effectiveness of Operating Controls	Follow Up Date	Progress on Implementation of Recommendations
St Thomas of Canterbury Catholic Primary	Limited	Limited	March 2020	All implemented (2 P1's)
Social Media Policies & Procedures	Limited	Limited	March 2021	No recommendations implemented (2 P1's) Further follow up date June 2021
Payroll & Pensions Administration	Limited	Limited	During annual audit 2020/21	All implemented (2 P2's)

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

2). Planned work 2020/21:

The AGS effectiveness review is informed by internal audit work undertaken in 2020/21, the findings of these reviews and actions plans put in place by managers to address identified control weaknesses. During 2020/21, 44 internal audits were undertaken where internal audit provided a formal assurance level. Of these:

- 6 audits (14%) received a 'Good' assurance level;
- 29 audits (66%) received a 'Substantial' assurance level;
- 9 reviews (20%) received a 'Limited' assurance level and
- No audits (0%) received a no assurance opinion.

Overall, 35 reviews (80%) were given a 'Substantial' assurance or above. All core financial systems were given a 'Substantial' or 'Good' assurance.

A total of 151 recommendations have been made.

- 9 (6%) were 'Priority 1' recommendations - that are fundamental to the system and upon which the organisation should take immediate action;
- 88 (59%) recommendations were categorised as 'Priority 2' recommendations - although not fundamental to the system, provide scope for improvements to be made;
- 53 (35%) were 'Priority 3' – recommendations considered of a minor nature, but which nevertheless need to be addressed.

All recommendations made during the year were accepted by management.

Seven of the eight fundamental financial systems audits were found to be operating satisfactorily, four receiving a 'substantial', three receiving a 'good' opinion; and one (Council Tax and NNDR) receiving a 'limited' assurance opinion.

In addition to fundamental financial systems, 36 audits were undertaken in 2020/21 of other financial and non-financial systems and processes that contribute to the council's overall corporate governance arrangements.

Internal audit's work identified that although in 80% of audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited assurance opinion. The table below details the reviews where a limited assurance level was given (9):

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

The 9 'Priority 1' recommendations are detailed in the Head of Internal Audit Opinion report in Private on tonight's agenda.

Assurance in respect of the effectiveness of the overall system of internal control can be taken from the following:

- The Head of Internal Audit overall assurance opinion;
- All but one of the core financials systems audits received a substantial or good assurance audit rating;
- All recommendations made by Internal Audit have been agreed and management action is being taken to address them;
- The majority of recommendations arising from the previous years limited assurance findings have been implemented. The remaining will be followed up in 2021;
- Internal Audit follow up all 'limited assurance' reports to ensure progress is made in implementing agreed recommendations and will report back to Audit Committee accordingly;
- The nine 2020/21 fundamental recommendations are in six separate audit areas and equate to a relatively small proportion (c5%) of the overall findings and recommendations made. Action is being taken to address these and these will be followed up and reported to the Committee during 2021/22.

3) Unplanned Work:

No unplanned jobs were undertaken by the service during 2020/21.

Risk Management Work

The strategic priorities of the council are set out within the Corporate Plan and in delivering against these priorities decisions are taken regarding allocation of increasingly finite resources. Councils have needed to become more innovative and commercially minded in order to exploit opportunities whilst operating in an environment where there are high expectations around transparency, integrity and accountability. Value for money remains at the heart of good governance in local authorities and the council acknowledges that:

1. Risk Management is a key element of the council's governance framework;
2. Statutory responsibilities exist within the Accounts Audit Regulations 2015;
3. The council also has specific statutory responsibilities for example to ensure health and safety risks are effectively managed;
4. All members and officers have responsibility and a role to play in managing risk; and
5. Effective management of risk will ensure that the organisation's objectives, and resulting outcomes, are achieved.

The council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. Internal Audit continue to support the council in assessing and monitoring key strategic risks to the organisation.

A revised Risk Management Strategy was approved by Audit Committee in January 2019, and a revised Strategic Risk Register (SRR) implemented. A lessons learnt report was presented to CMT in June 2020 and Audit Committee in July 2020, recommending some changes to the approach including utilisation of the newly formed Directors Group to provide further strategic management oversight of risks. The next comprehensive review is due in 2022. Committee received reports on risk management at their July 2020 and January 2021 meetings. The SRR was reviewed and updated for COVID-19 risks during May, reported to CMT in June 2020 and was presented to Audit Committee in July 2020.

Further work on assurance mapping will also be undertaken during 2021/22 which will inform improvements to the Governance Framework which will be presented to Audit Committee in November 2021.

Key risks to the council for 2020/21, in addition to those related to COVID-19, continued to be (as for most councils): managing increasing demand pressures, specifically within Adult and Children's social care; uncertainty concerning future funding arrangements; economic uncertainty; service failures (from a provider perspective and in relation to business continuity); failure to deliver approved savings and the budget plan; recruiting and retaining a workforce with the right skill set. Risks continue to be actively managed.

COVID-19 during lockdown and post lockdown has greatly exacerbated these risks and changed their nature. A separate annex to the Strategic Risk Register has been developed during 2020/21 to capture the key strategic risks relating to COVID-19 which impact on the council's risk profile, these are:

- Threats to the Economic Growth of Walsall resulting from the impact of COVID-19 on Walsall and the wider economy and additionally any inability to promptly support small and sector specific businesses through Government grant funding;
- The Proud Programme ceases to progress at the required pace during the period of disruption;

- Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community;
- The council is unable to maintain service standards to support the most vulnerable in society;
- The council is having to make decisions that have a significant financial impact without a guarantee that the costs will be fully compensated for by the Government;
- The transition from emergency response to business resetting and recovery does not encompass lessons learnt and good practice experienced during the pandemic period;
- Increased exposure to fraud and legal challenge due to the emergency governance steps taken.

Mitigating actions have been identified to reduce, if not eliminate, these risks, with updates on the position of these risks presented to Audit Committee to provide assurances that these risks are being adequately considered, reported and managed. Clearly, the full impact in the medium to longer term is not yet known and risks and mitigating actions will continue to be reviewed and updated.

Internal Audit Review of AGS Compliance

In 2016/17, Internal Audit supported the council in developing a framework to provide enhanced governance procedures. The Key Questions used in the framework were agreed by management, and Internal Audit assisted managers in identifying the evidence needed to support the statements made. In 2020/21, management have updated the evidence trail, and this information has been reviewed by Internal Audit.

In quarter four, Internal Audit carried out a piece of work to review the AGS with management to assess the extent to which compliance with the framework has been met. The approach involved issuing an annual governance survey to key responsible officers for populating, obtaining sufficient audit evidence for a sample of key questions through document inspection, observation and discussions with management and staff in order that we could establish whether compliance has been met.

Governance surveys were issued in relation to the following areas:

- Risk Management;
- Information Management & Data Quality;
- Financial Controls;
- Legal & Regulatory ;
- Performance Management;
- Business Continuity;
- ICT;
- Project & Programme Management;
- HR;
- Member Relationships.

Findings

We have performed follow-up work on 20 Key Questions within the Annual Governance Statement. Our assessment of the current compliance status of a selection of Key Questions across all service lines is indicated in the table below. We have chosen a sample of questions from the 10 Service Lines on the AGS to confirm compliance and seek evidence where appropriate. A selection was not chosen from Internal Audit.

Sample of Key Questions

Area	Reference	Key Question	Audit Follow Up Result	Evidence of Compliance
Business Continuity Planning	BCP4	Are all computerised systems regularly backed up according to a defined schedule and is the effectiveness of the backups periodically tested by undertaking full system restores from them?	Live system screen shots, Online Backup log and Server Backup Corporate Strategy provided to assess compliance.	Compliant
Business Continuity Planning	BCP7	Do your contingency arrangements include responding to contractor or partnership failure?	Within Adult Social Care there is a policy on 'Regulated and Unregulated Community-Based Services and Residential and Nursing Homes Planned/ Unplanned Closure Guidance.' This incorporates the expectations of the Care Act (local authorities must continue to meet an adult's needs if a provider terminates a contract early) into creating performance plans to mitigate supplier risk. Additionally, the April 2020 audit of Supplier Resilience identified that the financial stability of suppliers within Public Health is checked on a quarterly basis as part of the contract monitoring process, and due diligence checks are carried out prior to entering into a contract.	Compliant
Legal & Regulatory	LR1	Does the Council have an up to date record and accessible record of its statutory obligations?	The main record of the Council's statutory obligations are contained within Part 3 of the Councils Constitution. The constitution is available as a public document on CMIS.	Compliant
Legal & Regulatory	LR2	Are reasonable arrangements in place to promptly identify changes in legislation that affect the Council?	The Council tracks legislative changes through Lexis Nexis; a national law data base which all officers have access to. Additionally, Walsall Council is a listed member of East Mids Law Share which provides updates on legislation and provides free training courses.	Compliant
Performance Management	PM1	Are there relevant, focused and appropriate performance indicators in place for all areas of activities?	Review of the Corporate Plan and the Performance Framework reported to Cabinet in April 2021 is deemed sufficient to demonstrate compliance.	Compliant
Performance Management	PM2	Are staff aware of business objectives / service plans? Is there a corporate process in place to ensure	Annual performance conversations undertaken with officers which include performance targets that they are assessed against. This	Compliant

Area	Reference	Key Question	Audit Follow Up Result	Evidence of Compliance
		that these connections can be made?	process is supported by the Annual Performance guidance issued in January 2020.	
Financial Controls	FC1	Is actual performance against budget monitored at different levels within each directorate?	Evidence of this provided as part of the Budgetary Control Audit where CMT/DMT monitoring reports were verified. It was verified that Corporate Financial Performance reports go to Cabinet	Compliant
Financial Controls	FC4	Is budget setting directly linked to Council priorities, statutory obligations and service objectives?	Evidence of this was provided through the Budget Plan which refers to 'Financial Planning and Management: matching resources to the vision and delivering outcomes' where the importance of the Council's corporate plan on the budget is discussed. The Medium-Term Financial Strategy (MTFS) is presented in the plan and states that the plans will reflect the Council's key strategic priorities.	Compliant
Project & Programme Management	PPM2	Are all programmes and projects appropriately registered on the Council's programme management system?	Both the Proud & ICT PMO adhere to prescribed management procedures which allows for the monitoring and controlling of projects as per their relevant Boards requirements. A list of all ICT PMO projects for 2020/21 and the MS Project Online dashboard has been provided.	Compliant
Project & Programme Management	PPM5	Are there formal project management disciplines and processes for managing projects (e.g. PRINCE2 or MSP), and are these applied in an effective and consistent way?	Within the ICT department, Prince 2 and MSP principles are applied in a consistent manner, with Agile Project Management also being used. There are standard templates for use within projects and these are maintained on the Intranet as evidence of the approach.	Compliant
Member Relationships	MR1	Do all Member committees have clearly defined and approved terms of reference?	Terms of references for Committees are detailed within the Council's constitution. In Section 3 of the Constitution, Responsibility for Functions, there are statements for each committee and board on Terms of References.	Compliant
Member Relationships	MR7	Are committee meetings usually quorate?	Within the Council Constitution, conditions are outlined to ensure that meetings are quorate. Minutes extracted from CMIS demonstrated sufficient attendance and hence, compliance with the statement.	Compliant

Area	Reference	Key Question	Audit Follow Up Result	Evidence of Compliance
ICT	IT1	Does each directorate comply fully with the Council's policies on e-mail, Intranet and Internet usage?	The Email and Internet Usage policy is available on Walsall's intranet. The policy refers to 'Becoming a User of the Council's Email and Internet Services' and states that: " The manager will also verify that the officer has completed their annual Information Governance Training requirement." Compliance with internet usage policy is also included in the Council's Code of Conduct.	Compliant
ICT	IT6	Are all systems and applications regularly backed up in accordance with Council policy, and are system restores from the back up data tested on a regular basis?	All systems known and supported by ICT are backed up according to a defined schedule. Live system screen shots, Online Backup log and Server Backup Corporate Strategy provided to assess compliance.	Compliant
Information Management	IM1	Are all employees aware of their responsibilities under the: • Data Protection Act (DPA), • Freedom of Information Act (Fol), • Caldicott Guidance; and • ISO 27001 on Information Security?	Annual mandatory data protection awareness training is a requirement for council officers. It is listed on the intranet as a mandatory module and is available for completion.	Compliant
Information Management	IM2	Are robust procedures in place to ensure electronic or hard copy data held or used by each service area is kept secure in accordance with the provisions of the DPA and not disclosed to unauthorised parties?	Within the Information Governance and Assurance section of the intranet, there are a range of IT policies including: Information Governance and Records Management.	Compliant
Human Resources	HR6	Are HR policies - current and new - communicated to all staff regularly?	Current and new policies and procedures are usually communicated to staff in a weekly bulletin. However, the HR news section on the intranet states that core weekly bulletin has not occurred due to the Coronavirus pandemic. Instead, updates have been communicated through Chief Executive updates and the Inside Walsall bulletins. Additionally the HR news pages contain relevant updates, and the HR A-Z of policies is up to date and accessible to all staff.	Compliant

Area	Reference	Key Question	Audit Follow Up Result	Evidence of Compliance
Human Resources	HR15	Is a business case produced to justify the request for agency staff and/or consultants, and is this authorised by an appropriate officer prior to the agency staff being engaged?	On the HR section of the intranet, there are policies on Agency Guidance and Agency Workers Manager's Guidance which states that the Council uses Z recruiter for agency recruitments. This allows for quick processing and real time visibility of vacancies.	Compliant
Strategic Risk Register	SRR 3	Strategic Risk Register 3 - Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community.	Within Adult Social Care, there are Contract Management Procedures for supplier concerns or contract suspension. There are frameworks to monitor quality across partner relationships, for example the Quality Improvement, Monitoring and Compliance Framework. There is also Planned and Un-planned closure guidance if a supplier is to fail.	Compliant
Strategic Risk Register	SRR 6	Strategic Risk Register 6 - There is a lack of community cohesion and resilience placing increased pressure on public sector resources.	For the Safer Walsall Partnership, there is a partnership strategy for 2021-24 which outlines three strategic headlines: Crime, Disorder and Anti-Social behaviour; Supporting Vulnerable Communities; Reducing Serious, Organised Crime and Exploitation. As per the Safer Walsall Partnership Plan, a member of the partnership is West Midlands Police.	Compliant

External Audit Assurance

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

The council's independent External Auditor, Grant Thornton (GT) has a broad role covering finance and governance matters. Work in 2020/21 included:

- a) The Audit Findings Report, published November 2020, in relation to the council's 2019/20 financial statements, and Annual Audit and Inspection Letter issued 25 January 2021). The Audit report opinion was unqualified opinion (issued 27 November), but included an Emphasis of Matter paragraph, highlighting land and building and pension fund asset valuation material uncertainties due to the impact of the pandemic. Further, GT issued an unqualified conclusion on value for money (that the council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) – one significant value for money risk was identified in relation to *'planning finances effectively to support delivery of strategic priorities and maintain statutory functions. We updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business*

continuity in the current environment. We did not identify any new VfM risks in relation to COVID-19, but have considered the impact on financial planning’.

- b) The results of the Interim Audit work in relation to the 2020/21 accounts – no issues were found as part of this review that GT wished to bring to the attention of the Committee.
- c) At the time of writing this AGS, GT’s work in relation to the 2020/21 (namely the Annual Report to Those Charged with Governance, the audit of the Statement of Accounts, and the VFM conclusion) has just commenced. The final AGS to be approved and published by September will provide feedback on that work if there is any impact on the internal control environment and the AGS.

External Audit no longer undertake a formal review of the Internal Audit function, they review the work of Internal Audit however to inform their annual risk assessment. Since 2009 internal audit is governed by the Institute of Internal Auditors’ International Professional Practices Framework (IPPF) and the governance framework used in the United Kingdom’s public sector is the Public Sector internal Audit Standards (PSIAS) which have been in place since 2013. Both the IPPF and the PSIAS require internal audit services to undertake periodic self-assessments. From 2016/17 onwards, assurance to the council is provided through the 5 yearly external assessment of Internal Audit’s Quality Assurance and Improvement Programme (QAIP). The QAIP covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated. Mazars were assessed during May and June 2019 the outcomes of this were reported in December 2019. The conclusion of that external assessor was:

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

On this basis it is our opinion that Mazars Risk Assurance Services conforms to the requirements of the International Professional Practices Framework for Internal Audit and the Public Sector Internal Audit Standards”.

The conclusion of the external assessment has been included in the [Internal Audit Charter](#) reported to Audit Committee in January 2021.

Regulatory Committee – the Audit Committee

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

Audit Committee has a regulatory role in terms of receiving reports on the effectiveness of the system of internal control and the annual work programme of the Audit Committee includes receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor’s Interim Audit (where applicable), it’s opinion on value for money and the financial resilience

of the council, the external audit opinion on the Statement of Accounts and the Annual Audit and Inspection Letter (to be replaced in 2021 by the Auditors Annual Report to Full Council). Audit Committee has received and considered regular Internal Audit progress reports and summary reports of all internal audits receiving a 'no' or 'limited' assurance opinion. Where, on audit follow up of a no or limited assurance audit report, no or limited progress is made by managers in addressing weaknesses identified, executive directors and their accountable managers are required to attend Audit Committee to provide necessary assurances.

CIPFA recommends that an assessment exercise is undertaken regularly by the Audit Committee to ensure that its effectiveness is reviewed. It has published a Good Practice checklist. Using the recommended practice in this publication is intended to help the authority to achieve a good standard of performance. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee.

In November 2020, the Audit Committee considered the [self-assessment of its effectiveness](#) using the checklist. 25 key supporting questions were considered by Audit Committee, supported by senior officers including the Deputy Chief Finance Officer and Head of Internal Audit. The overall assessment continued to be positive, with the majority (22 of 25) of questions considered to be fully compliant, with 3 assessed as partly compliant. The three partly compliant areas covered:

- Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory? The knowledge self-assessment had been completed by a number of Audit Committee members during 2018/19, the Committee was asked whether all members should now complete an updated self – assessment which could be used to identify any knowledge gap and support the delivery of relevant training to address this.
- Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work? An annual report is presented to Council by the Audit Committee, and there are opportunities for council members to provide feedback or query the work of the Committee. Additionally, internal and external audit observe the operation of Audit Committee at each meeting. Audit Committee may, however, wish to consider a more formal feedback mechanism.
- Has the Committee evaluated whether and how it is adding value to the organisation? An annual report is produced and a review of the core functions of the Committee have been undertaken, however the Committee may wish to consider a more formal process.

Whilst the committee was satisfied it was meeting its objectives it recognised that further developments could be explored to strengthen existing good practice and to this a end a report on [engagement and participation](#) was presented in April 2021. Recommendations from the report are to be implemented during 2021/22.

Each year the council's external auditors, under Accounting Standards, are required, as part of their risk assessment procedures, to obtain an understanding of management processes and the Audit Committee's oversight of the council's governance arrangements. Our auditors produce a letter setting out a number of questions covering the key areas and management and the Audit Committee provide responses to these. The resulting report, which was considered and endorsed by Audit Committee on 23 March 2021, also contributes towards the effective two-way communication between our external auditors' and the Audit Committee, as 'those charged with governance'. The areas covered include:

- General enquiries of management;
- Fraud risk assessment;
- Impact of laws and regulations;
- Going concern considerations;
- Related parties;
- Accounting estimates.

This report was used to support the assurance gathering process.

During 2020/21, the work of the Audit Committee included the following in its assurance role:

- Reviewing at each meeting of progress reports in relation to the Internal Audit plan, including receipt of limited assurance findings, and updates on priority 1 recommendations;
- Reviewing the Risk Management Strategy and Strategy Risk Register, including the newly developed COVID-19 risk register;
- Approving accounting policies, oversight and approval of the 2019/20 Statement of Accounts and Annual Governance Statement, including approving the annual review of the effectiveness of the internal control environment;
- Receipt of and review of all external audit reports, including the value for money conclusion and Annual Audit and Inspection Letter;
- Responding to the council's external auditors requirement to obtain an understanding of management processes and the Audit Committee's oversight of the council's governance arrangements in relation to general enquiries of management; fraud risk assessment; the impact of laws and regulations; going concern considerations; related parties and accounting estimates;
- Reviewing the effectiveness of the Audit Committee;
- Reviewing counter fraud arrangements against the Fighting Fraud Locally (FFL) Good Practice advice and checklist and reviewing and approving an updated Counter Fraud and Corruption Policy and associated response plan;
- Reviewing the refreshed Corporate Performance Management Framework.

Regulatory Committee – Standards Committee and the Ethical Framework

The functions of the Standards Committee are determined by statute and the Constitution. The Standards Committee has a role in ensuring and promoting good ethical conduct. The Constitution clearly sets out the role of officers and members, including the three main statutory posts of the Chief Finance Officer (S151 officer), Head of Paid Service and Monitoring Officer.

The Localism Act 2011 required the council to reconstitute its Standards Committee to deal with potential issues of member conduct. There is a statutory duty under section 27 of the said Act for the council to promote and maintain high standards of conduct. To do so the council has to ensure that it has in place a Code of Conduct for Elected Members, Arrangements for dealing with complaints about Elected Member behaviour, and a Standards Committee to determine issues of conduct. The council established these processes at a special meeting of Council on 25 June 2012. These processes were reviewed and changes to the Code and Arrangements were approved at Annual Council on 20 May 2019. These changes incorporated the Best Practice recommendations from the Committee for Standards in Public Life. One of these, for example, was to include a definition of bullying in the Code of Conduct.

During 2020/21 the council received one complaint which has required a formal standards investigation to be undertaken. The outcome of this investigation is not yet available and it is expected it will be reported during 2021/22.

The Standards Committee has now taken oversight of member development to ensure that Elected Members undertake appropriate training to assist them in fulfilling the requirements of their role. This includes mandatory training for Committees dealing with planning and employment issues. A [report on training](#) was presented to Standards Committee in February 2021.

During 2020/21 the Standards Committee considered reports regarding a [recent case review of a standards issue](#) to assist learning around conduct matters and a report on the [LGA Model Code of Conduct](#) and have agreed to establish a small working group to work with the Monitoring Officer to consider whether or not the council should adopt the LGA model Code of Conduct in whole or in part.

As Lead Officer for the Standards Committee, the Monitoring Officer has a key role in promoting the council's Ethical Framework and high standards of conduct within the authority. This includes the maintenance of the Members and Officers Registers of Interests and Gifts and Hospitality. The Monitoring Officer is responsible for establishing and maintaining a Register of Member's disclosable pecuniary interests. This is held within the office of Democratic Services and is also accessible through the council's website via [CMIS](#) in details for each Councillor. The register is updated following the Council's Annual Meeting each year and periodically thereafter as Elected Members advise of changes to their entries on the register. Members' gifts and hospitality is also recorded on the interest register. Regular reminders of the need to keep it up-to-date continue to be provided to all members. The Monitoring Officer also keeps the register of officer financial and non-financial interests in accordance with 17.3 of the Code of Conduct for council employees.

The Constitution is a living document and as such is subject to regular review and update. In particular Officers' delegations are reviewed annually. Any changes to the Constitution are reported to Annual Council, and the Constitution is amended accordingly. The proposed amendments/changes to the Constitution are presented to Audit Committee prior to going to Council to ensure elected members are able to scrutinise and be consulted on any proposed changes. In 2019/20 a number of changes were made to the Constitution in consultation with the Audit Committee and the changes were approved at Annual Council on [20 May 2019](#).

Constitution and Codes of Conduct

The Constitution was reviewed and updated in May 2019. Whilst the council facilitated virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 there was not an Annual Council meeting and all Elected Member positions were retained throughout 2020/21.

The Constitution also sets out Codes of Conduct for members and officers, setting out appropriate standards of conduct and expectations around ethics and behaviours. Comprehensive policies and procedures such as human resource policies support officers in carrying out their roles. These include whistleblowing procedures, the grievance policy; and performance management procedures. There is at present a grievance matter subject to investigation and if anything significant arises as a consequence of this then this will be incorporated into the next AGS. The detail of this matter is confidential.

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

Decision Making – amendments during COVID-19

Following the introduction of lockdown measures, the council utilised existing provisions within the Constitution in the form of officer delegations and the strong leader executive decision making function to continue to make decisions during the COVID-19 crisis. On 19 May 2020 Cabinet received a suite of reports in relation to the council's management of COVID-19 including amendments to the governance and decision making processes. Please refer to the following link to access these reports. [19 May Cabinet Reports](#)

In managing the crisis the council also established two senior management officer groups which met on a daily basis. The main strategic meeting was Gold Control which was established to manage the strategic impact of the COVID-19 crisis taking into account national, regional, and local issues that had an impact on the functioning of the council and the welfare of its residents and employees. Gold Control was part of the decision-making insofar as issues were raised may require decisions and following discussion at Gold Control were referred for decisions to be made where it was felt to be appropriate. The Silver Control met on a daily basis to discuss and determine operational issues at a local level. Gold Control continues to meet on a weekly basis, with Silver Control meeting as required.

Throughout 2020/21 the council utilised virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 coming into force on 4 April 2020. This ensured greater openness and transparency in decision-making and allowed for scrutiny of executive decisions.

The Constitution already empowers the Chief Executive and the Executive Directors to take all necessary decisions in cases of emergency. The definition of an emergency under the constitution means any situation in which the relevant officer believes that there is a risk of damage to property, a threat to the health or wellbeing of an individual or that the interests of the council or the Borough as a whole may be compromised.

In addition to this the council has provided advice to all senior officers regarding lawful decision-making in the current crisis, as a consequence of having to postpone council meetings to follow government guidance in relation to the lockdown. On 20th March 2020 Democratic Services issued guidance with regard to Executive decision making by the Leader and officers during the COVID-19 outbreak to assist Officers in making lawful decisions under their delegated powers to ensure the council could continue to function in the absence of Committee meetings. This guide to decision making was approved by the Corporate Management Team on 4 April 2020 and circulated to all the top four tiers of council managers with an explanatory email on 7 April 2020. The document also explained the Leader's role in executive decision making throughout this period. This included a full explanation as to how urgent decisions would be made. The council still followed its constitutional requirements in relation to the publication and recording of decisions.

It was and is recognised that the council has been operating in a time of emergency and accepted that decisions may have to be made on an urgent basis to deal with the rapidly changing circumstances to prevent serious prejudice to the council's or public interest. Where urgency existed in relation to executive decisions agreement from the Mayor was

sought to deal with the issue as a matter of urgency which removed the requirement for such decisions to be subject to the call in procedure.

Even where decisions were taken on this basis the council has tried to ensure that these have been informed decisions with relevant information provided to decision makers. It has to be accepted due to the circumstances the council are operating in that this information may not have been as complete as it would be under normal circumstances.

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

Lawfulness and Maladministration

The Monitoring Officer (MO) is the council's lead adviser on issues of lawfulness and the council's powers. Part of this role involves monitoring Cabinet and Committee reports, agendas, decisions and procedures to ensure compliance with legislation and the constitution (e.g. as regards access to information). The majority of this work is undertaken by Officers from Legal and Democratic services. The Monitoring Officer also has a duty to ensure, through Democratic Services, that the Committee decisions and the reasons for the same are made publicly available. This work is carried out by officers from Democratic Services through the council's website, by means of CMIS.

There have been no major or potential unlawful acts that have been brought to the attention of the MO in the previous 12 months that would affect the integrity of the organisation.

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

- Fraud, including identifying and responding to the risks of fraud,
- Compliance with laws and regulations,
- Communicating to employees in respect of ethical behaviour and conduct
- Internal control and breaches thereof,

This supports the assurance gathering process.

The MO has developed an initial risk assessment to consider the findings of the Best Value Inspection Report published in March 2021 regarding governance and practice in areas inspected relating to Liverpool City Council.

Each year the Local Government and Social Care Ombudsman (LGSCO) issues an Annual Review letter for each council, including annual statistics relating to complaints received and determined during the year. This is published on the Ombudsman's website <https://www.lgo.org.uk/your-councils-performance/walsall-metropolitan-borough-council/statistics> and locally is submitted to the council's Standards Committee for

consideration. The Annual Review letter for the year ending 31 March 2020 was reported to [Standards Committee in October 2020](#).

The LGSCO paused all case work at the start of 2020/21 to allow councils to focus on COVID-19 related priorities and gradually work was introduced during the second quarter of the year. The annual report for 2020/21 is expected to be published by 31 July, but at this stage, and based upon the council's own records, it is believed that the authority has complied with all of the recommendations issued by the LGSCO.

Contract and Finance Rules

The above rules are set out within the Constitution. There have been no significant matters of concern brought to the attention of the S151 Officer or Head of Procurement in relation to the above. Where emergency measures have been taken in relation to COVID-19, then appropriate reporting has been undertaken to CMT or members, as required by the Constitution.

Financial Management

Effective financial management supports delivery of the council's priorities and provides for improved financial stability into the medium and longer term. Sound management of the finances reduces reputational risk and provides assurance to the external auditors that the council has effective arrangements in place in relation to financial governance.

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

The council has a robust medium term financial strategy (MTFS) and a rolling four year plan to support delivery of resource allocation in line with Council priorities. This is regularly reviewed in light of ever-changing financial and economic conditions and pressures arising from demand led services. The council's MTFS, finance rules and scheme of delegations are reviewed annually, with the last update of the MTFS approved in 2020/21. The council has a strong track record of delivering savings and out-turning within / close to the approved budget. Treasury management activities are operated in accordance with the statutory Codes of Practice.

Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves.

The council has outturned 2020/21 with an underspend against budget of £453k and with its general reserves intact.

External audit review the councils arrangements for delivering economy, efficiency and effectiveness in its use of resources (VFM conclusion) and audit the annual Statement of Accounts. Their conclusions in relation to the 2019/20 financial year are set out above under 'external audit assurance'. Work in relation to the 2020/21 accounts is underway.

Since 2011/12, the AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA

'Statement on the Role of the Chief Financial Officer in Local Government' (2010) as set out in the 'Application Note to Delivering Good Governance in Local Government: A Framework'. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.

The Executive Director, Resources and Transformation (interim) and S151 Officer was responsible during 2020/21 for the proper administration of the council's affairs, as required by Section 151 of the Local Government Act 1972. In assessing these five principles, the Authority complied with all of these during 2020/21.

A COVID-19 financial register and financial risk register were established in April 2020 and has been used to monitor and report on actual costs and risks to CMT and Cabinet in May and July 2020. All additional COVID-19 costs have been reported and approved through either Silver, Gold Control, or Cabinet, dependent on the value of the spend. Actions to manage any shortfall in Government funding are set out in the July 2020 Cabinet report - [COVID-19 Corporate Financial Performance](#). These actions were reported back to [Cabinet in September](#) with an update on the position for both 2020/21 and future years. Controls in relation to COVID-19 spend are in place and working effectively.

During 2020/21, following the publication of a Report in the Public Interest (RPI) relating to issues Croydon Council faced regarding the council's financial position, an internal review and initial risk assessment of lessons for the council was completed and reported to CMT. In summary, the council's arrangements were considered fit for purpose, with a number of identified areas for improvements for consideration, in relation to:

- Additional member training on the statutory S25 statement on the adequacy of reserves and robustness of the estimates in relation to the annual budget report and the council's reserves position;
- Reporting, as part of the annual budget report, track records in delivering savings.

A more detailed assessment has been undertaken that considers compliance with the CIPFA Code of Financial Management. The outcome from this, along with an action plan to address identified gaps was reported to the Corporate Management Team (CMT) on 27 June and will be implemented during 2021/22, with progress reported to CMT and Members.

The Code is designed to support good practice in financial management and to assist local authorities in demonstrating financial resilience and sustainability.

Whilst this does not have legislative backing, CIPFA is seeking for it to apply to all local authorities - *"Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration"*.

Our external auditors, Grant Thornton have confirmed that the Code is good practice rather than a mandatory requirement for the council, at least at this point in time, however GT have also confirmed that a self-evaluation of compliance with the Code (including acknowledgement of and actions to address any potential areas of non-compliance and any areas that could represent a significant risk for the council) would demonstrate good practice, and is expected to be tested by external audit as part of the council's value for money arrangements for 2020/21.

Full compliance with the Code is expected in 2021/22. The Code sets out the principles of good financial management to ensure that an authority is financially sustainable and

resilient. The approach taken is intended to be one of self-regulation, with reliance on the local exercise of professional judgement, rather than prescription of the financial management processes needed.

The Code is based on a series of principles supported by specific Standards which are considered necessary to provide a strong foundation to:

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

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

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

The assessment indicated that the council was overall substantially compliant with the Code, with compliance with the Standards as follows:

- Fully compliant - Standard B (The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government), Standard H (The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities), Standard J (The authority complies with its statutory obligations in respect of the budget setting process), Standard P (The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting (LAAC) in the United Kingdom); Standard Q (The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions)
- Substantially compliant – Standards A, C, D, E, F, I, K, L, M, N, O
- Partly compliant - Standard G

One specific part compliant gap and a number of areas for improvement were identified and these are summarised below under the relevant Standard.

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

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

- During the development of the Corporate Plan, include explicit statement on value for money arrangements.

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

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

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

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

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

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

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

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

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

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

Standard I: The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans. The development of a medium term Corporate Plan during

is planned for 2021/22 which is critical to the integration of sustainable financial and service planning.

Standard K: The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves (S25 Report). An area for consideration identified in the 'lessons learnt from the Croydon Report in the Public Interest' related to the opportunity to increase member challenge of the S25 report and levels of reserves through additional training for Members.

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

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

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

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

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

Progress updates on the agreed actions will be presented to Cabinet and to Audit Committee, insofar as they impact the council's governance framework.

HR Management and Development

The council has a comprehensive set of employment policies and procedures that ensure governance and compliance and support the council to deliver its Corporate Plan priorities. All key employment policies are approved by Members at Personnel Committee and reviewed on a three yearly cycle following staff and trade union engagement at elected forums, such as the Employee Relations Forum (corporate decisions/consultations) and Joint National Consultative Committees (for directorate based decisions/consultation). The council has a Code of Conduct for employees that provides a clear framework and guidance for all employees of the council and which outlines acceptable standards of behaviour and aims to support the council's shared vision, purpose, values and behaviours. Statutory compliance is maintained through various outputs including the pay policy statement, gender pay gap reporting, the transparency code and trade union time reporting.

Completed policy reviews during 2020/21 have included leave and time off, family friendly, smoke free, facilities and time off for trade union duties, performance and ill health capability, relocation and temporary accommodation expenses, recovery of overpayment of salary,

retention payments, agile working policy, and an introduction within this policy of a COVID-19 temporary position statement.

In addition during 2020/21 as part of the COVID-19 response, the council has created an ongoing and reviewable COVID-19 HR and wellbeing framework, incorporating employee FAQ's, managers' guidance and controls for reporting of COVID-19 related absences, confirmed positive cases and periods of self-isolation. There have also been COVID-19 model risk assessments to support business continuity corporately and within schools as well as the creation of a combined home suitability and simple risk assessment template completed by remote workers which supported the subsequent roll-out of essential IT equipment.

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

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

Performance Management

The planned review and refresh of the Corporate Plan 2018-2021 was impacted by COVID-19 as updates to the needs assessment were delayed. The [Corporate Plan 2021/22](#), a one year refresh of the previous plan, was presented to Cabinet and then Council in February 2021. A fuller review that will utilise updated needs assessments and also learning regarding the impact of COVID-19 on communities and resident surveys is planned for the Corporate Plan 2022/25.

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

The main objectives of the Corporate Performance Management Framework are to set out how the council ensures the delivery of the Corporate Plan, its priorities and outcomes, and secures effective and sustainable improvements for the benefit of our residents. The framework sets out the broad performance management principles for how we approach our work and underlines the performance management responsibilities of everyone working for the council. Quarterly performance monitoring to Cabinet has been in place since 2018 and reports during 2020/21 utilised a refreshed basket of measures. Reports for 2020/21 are available on CMIS:

[Refresh of measures June 2020](#)

[Quarter One Sept 2020](#)

[Quarter Two Dec 2020](#)

[Quarter Three Feb 2021](#)

[Quarter Four June 2021](#)

This reporting cycle is scheduled to continue in 2021/22 and beyond. In addition to quarterly monitoring reports, key achievements delivered against priorities as included in the Corporate Plan 2018/21 over the last 12 months, were reported to Cabinet on 21 April 2021. The report can be accessed at the following link: [Review of Achievements 2020/21](#).

Where required, specific performance meetings, including internal directorate arrangements and those involving partner agencies, continue to meet. In some areas this has included a focus on developing information sharing arrangements to enhance the intelligence available to assess performance. The opportunity has been taken to streamline and remove duplication in reporting arrangements.

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

SAR compliance is summarised for each quarter in the table below, 2020/21 compared to 2019/20.

Year 2020/21			
Quarter	SAR's Due Out	SAR's Out in Time	% Compliance 2020/21 (2019/20)
Q1 (01/04/20 - 30/06/20)	19	12	63% (73%)
Q2 (01/07/20 - 30/09/2020)	24	18	75% (80%)
Q3 (01/10/20 - 31/12/20)	34	26	76% (86%)
Q4 (01/01/21 - 31/03/21)	30	22	73% (75%)
2020/21 TOTAL	107	78	73% (79%)

This demonstrates that whilst performance fluctuates, due to the small numbers involved, performance is good. This is against a backdrop of shortening of statutory response timescales, with the introduction of GDPR, from 40 days to within a month; on average the team have 22 working days to complete a SAR request.

The compliance for responding to Fol requests has continued to improve in comparison to 2019/20.

Year 2020/21			
Quarter	FOI/EIRs Due Out	FOI/EIRs Out in Time	% Compliance 2020/21 (2019/20)
Q1 (01/04/20 - 30/06/20)	97	79	81% (83%)
Q2 (01/07/20 - 30/09/2020)	162	126	78% (80%)
Q3 (01/10/20 - 31/12/20)	172	146	85% (49%)
Q4 (01/01/21 - 31/03/21)	148	128	86% (72%)
2020/21 TOTAL	579	479	83% (79%)

The Walsall Proud Programme Management Office (WPPMO) is responsible for the governance of all change activity and have an established various governance forums to provide oversight at specific points during the implementation of change. During 2020/21 the Council's Walsall Proud Programme Management Office (WPPMO) were instrumental in supporting Silver Control in the operational activity to respond to coronavirus. This was a natural fit for the WPPMO as the council's delivery vehicle for change and ensured existing governance arrangements were utilised to enable and support swift decision making at the height of the pandemic.

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

The council's Overview and Scrutiny Committees review performance and the delivery of corporate priorities across all services. In May 2020 an Internal Audit Report regarding the Governance Role of Overview and Scrutiny in terms of the design, and compliance with, the system of control concluded 'good assurance' for both the adequacy of system design and the effectiveness of operating controls. The role of good governance and scrutiny is critical to public trust and confidence in decision making and the council continually reviews its scrutiny process and considers best practice. A [report to the Scrutiny Overview Committee in April 2021](#) recommended a member survey be conducted to capture views on how to improve further the scrutiny process. This will take place and be reported back during 2021/22.

Information Governance

The council takes information management very seriously and has prioritised effort and resources into raising awareness to members and employees of everyone's responsibilities when handling information of all types but particularly personal and sensitive information which relates to our residents.

The Forum for Information Governance (FIGA), which meets quarterly, consists of Information Champions (senior management) and Information Asset Owners from key areas across the council to review and address information risks. There are also designated officers who carry out the roles of Senior Information Risk Owner (SIRO), Caldicott Guardian and Data Protection Officer.

Management of Data Protection Breaches 2020/21

During 2020/21 there were 127 incidents reported as data breaches to the Information Governance team compared to 136 in the previous year. These breaches were categorised from grade 0-1 (internal action required) through to grade 2 (reportable externally), as set out below.

The increased awareness raised in 2020/21 and the improved understanding around what constitutes a data protection incident and/or breach of confidentiality against the previous year, confirms that there is a high level of awareness in regard to understanding our duties and responsibilities across all service areas to report data breaches immediately. The increase against the previous two years is as a direct impact of increased awareness and training in the recognition of a data breach.

The Information Governance team ensure that the council meets its obligations for accountability by issuing regular reports for all data protection incidents to the Forum for Information Governance and Assurance (FIGA). The table below shows the incidents reported by directorate which are monitored by FIGA representatives and supported by individual information champions within each directorate.

Directorate 2019/20	Total	Directorate 2020/21	Total
		Elected members	1
Adult Social Care	30	Adult Social Care	21
Children's Services	55	Children's Services	73
Economy and Environment	19	Economy and Environment	5
Resources and Transformation	32	Resources and Transformation	27
Grand Total	136	Grand Total	127

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

Breach Type 2020/21	Total
Information Disclosed in error	125
Information lost or stolen	2
Grand Total	127

Lessons learnt:

As part of duties and obligations under the data protection regulations the council has to ensure that it has taken appropriate steps to reduce incidents by the sharing of lessons learnt and taking the actions required to reduce the potential for further incidents of a repetitive nature.

There are recurring themes of small amounts of data being 'disclosed in error' or 'lost or stolen' across a range of services and circumstances. This continues to be addressed by ensuring mandatory Information Governance training is undertaken by all staff every 12 months.

Serious incident reporting:

The council has reported 1 serious data breach which was fully investigated with no further action or outcome. We have not recorded a rise in the number of complaints received from the Information Commissioners Office which relate to disclosures made during safeguarding social care assessments for this financial year, which provides us with further assurances around the improvements made to the breach reporting and investigating procedures.

To address these complaints the IG team have written an updated procedure for the reporting and investigating of incidents and updated the terms of reference for FIGA to ensure that Information Champions reflect on incidents and provide regular updates to individual director management teams for awareness and accountability in the sharing of lessons learnt.

Data Protection Incident improvement actions:

Over the reporting period the IG team have implemented a new breach reporting system and staff guidance to ensure that breaches can be reported quickly and easily from any location. Every incident is then appropriately investigated and where required escalated through to senior leads for the appropriate actions and or sharing of any lessons learnt.

This ensures the council meets with its obligations to investigate and manage data protection incidents accordingly and are able to report the outcomes and requirements of any incidents to an appropriate senior board through FIGA. This also ensures that Information Asset Owners and Information Champions continue to remain responsible for their service areas.

Update reports are also presented bi-monthly to FIGA to ensure that this senior management board are aware of data protection breaches in the organisation and can take appropriate action as required.

Data Protection and Information Security Training and Awareness:

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

To ensure everyone is aware of their duties and responsibilities all staff are mandated to complete the appropriate training modules on an annual basis from the 1st of April to the 31st of March of every financial year.

The NHS Digital “Data Security and Protection” (DSP) Toolkit is an audit tool that enables the council to gain the required level of assurances relating to the provision of its social care services and partnership work with third parties such as Health, Police and Safeguarding.

The completion of this audit tool annually requires the council to ensure that a minimum of 95% of its staff have undertaken data protection training and that its systems and processes have data protection and privacy embedded throughout their processing activities.

The council is pleased to report that a compliance figure of 96% of all staff trained for this financial year was achieved by the end of March 2021, which is within the timeframe for final submission of the toolkit. This provides the council with the assurances that all staff are fully aware of their duties and responsibilities relating to confidentiality and data protection alongside increased awareness of cyber and information security requirements.

Other Inspectorates / External Reviews

During 2020/21, there were a number of external inspections and reviews of the council, with those resulting in Inadequate Outcomes being:

1. The Jane Lane School - 27th November 2018 - Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports (which includes monitoring visit reports since the inadequate outcome) – <https://reports.ofsted.gov.uk/provider/25/104271>

Ofsted Monitoring Inspections were made on the 8th October 2020 and 27th January 2021 (remote) and the Inspectors reported that “the Leader and those responsible for governance are taking effective action to provide education in the current circumstances’ and that ‘Since the last inspection, the structure of the leadership team has been reviewed’.

2. St Bernadette’s Catholic Primary School – 24th January 2018 – Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports - <https://reports.ofsted.gov.uk/provider/21/104242>

Ofsted Monitoring visits have taken place on the 19th November 2020 and 2nd March 2021 (remotely) latterly noting that ‘there have been significant changes at Senior Leadership Level,’ and that ‘Leaders and those responsible for governance are taking effective action to provide education in the current circumstances’.

3. New Leaf - 18th April 2018 - Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports (which includes monitoring visit reports since the inadequate outcome) - <https://reports.ofsted.gov.uk/provider/22/134523>

Ofsted Monitoring inspections were made on 25th November 2020 and 3rd February 2021 (remote) and noted ‘Since the last inspection, there have been changes to the Management Committee. The Chair of the Management Committee resigned in April 2020. A new member joined the Committee at the same time and was appointed as Chair’. And that ‘Leaders and those responsible for governance are taking effective action to provide education in the current circumstances.’

Schools With Licenced Deficits

During 2020/21 there were 2 maintained schools in Walsall who were unable to set a balanced budget and required the support of a Licenced Deficit from the authority. The authority has worked with both of these schools to identify actions which aim to bring them back in to surplus by the end of 2022/23. These plans therefore met the requirements of the Scheme for Financing Schools which requires schools to return to surplus within 3 years following the year in which they first entered in to a deficit.

Other Supporting Evidence

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

- a) Quality assurance controls put in place by Internal Audit and managers, in managing and delivering the Internal Audit service in accordance with the Public Sector Internal Audit Standards and including such areas as discussion/agreement of the risk based audit plan and each individual audit review;
- b) The role of the Audit Committee in endorsing Internal Audit’s work plan and in their regular review and scrutiny of audit performance;
- c) The work of Audit Committee reviewing specific reports which have been awarded limited assurance for detailed scrutiny, ensuring the Committee is able to be assured that operational and control issues are being dealt with appropriately and that

managers' agreed actions are being implemented. The Committee are able to seek explanation from managers failing to progress agreed actions.

- d) The preparation and presentation of an Annual Report to Council of Audit Committee's work, assisting it to discharge the committee duty to provide independent assurance on the adequacy of the Council's risk management framework and the internal control and reporting environment.
- e) The regular review of Internal Audit work by the CFO/Deputy CFO including meetings with Internal Audit.

Based on the work of Audit Committee, the Internal Audit Annual Opinion, the work and findings of Internal and External Audit, and review of other assurances, the system of Internal Control is assessed as satisfactory overall.

Actions and improvements have been identified as set out in this report and these improvement actions will be monitored and reported back to the appropriate Committee.

The Coronavirus pandemic has clearly had an impact on the council's governance arrangements, however assurances have been sought and received that appropriate controls are in place and operating to ensure governance and decision making is operating effectively. Actions to ensure compliance in 2021/22 with the CIPFA Code of Financial Management are in train and any impact on the council's governance arrangements will be reported to Audit Committee.

Annual Governance Statement 2020/21

1. Scope of responsibility

This statement is given in respect of the 2020/21 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

2. The purpose of the Governance Framework

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

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

The governance framework has been in place at Walsall Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

The key elements of the council's governance arrangements, including the system of internal control, are contained in the council's Local Code of Governance. The Code in force during 2020/21 is available at the following link [Code of Governance](#). The Local Code of Governance incorporates seven core principles of good governance:

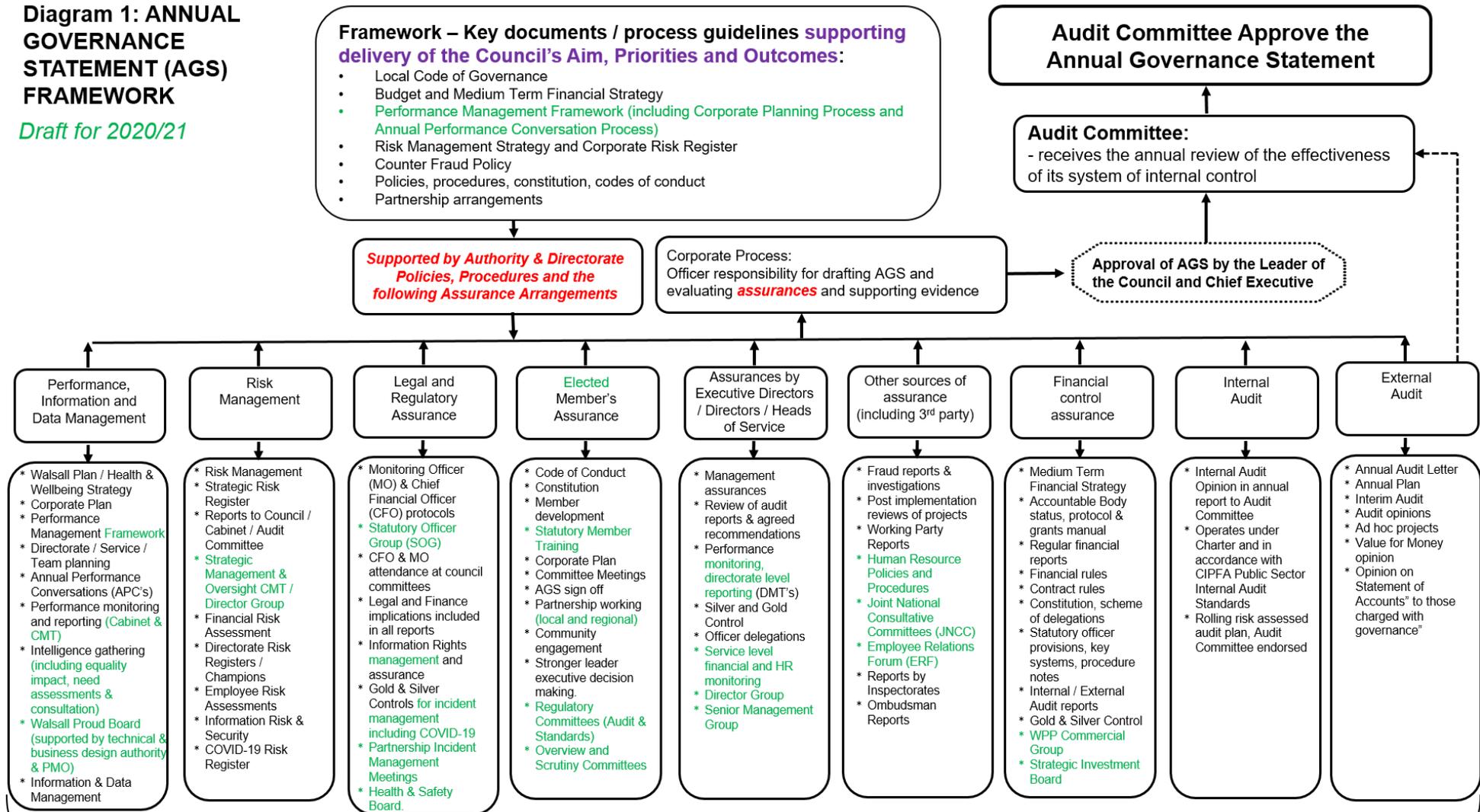
- 1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- 2) Ensuring openness and comprehensive stakeholder engagement.

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

The governance framework consists of the local Code of Governance supported by the strategies, corporate systems, policies, practices and processes, spanning the whole range of the council's activities. This includes management information, finance and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate annual performance conversation (APC) framework, a risk management strategy and process, and a system of officer and member delegation and accountability and codes of conduct. Diagram 1 illustrates the overall governance framework. Items shown in green text are additions for 2020/21. A detailed review of the Governance Framework and assurances is planned for 2021/22 and will be reported to Audit Committee for their consideration in November 2021.

Diagram 1: ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK

Draft for 2020/21



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

In particular, the system includes the following key elements:

- A Partnership Plan (Walsall Plan – the Health and Wellbeing Strategy for the Borough), setting out ambition, objectives and priorities of the council and key partners, developed following consultation with the community and stakeholders – supported by our refreshed Corporate Plan 2021/22.
- A robust financial framework, incorporating a comprehensive medium term financial strategy and plan, budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- An information governance framework incorporating appropriate policies, procedures, standards and guidance that ensures robust controls are in place for compliance of our legal obligations under the UK Data Protection Regulations.
- A comprehensive risk management strategy and internal control framework, operating at both strategic and operational levels.
- An approved Constitution, including finance and contract rules, a scheme of delegations and decision-making processes of the council, ensuring sound decision making and compliance with regulations and the law.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance.
- Comprehensive policies and procedures, including codes of conduct (member and officer ethics and behaviours), whistle blowing policy and a counter-fraud and corruption policy and response plan which was updated and approved during 2020/21.
- Clear measures of financial performance linked to the Corporate Plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT), Directors Group and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the council.
- A risk assessed Internal Audit plan that is planned in advance which and covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the council.
- Member and officer development strategy and individual development planning processes.

- Comprehensive communication and consultation arrangements both internally and externally.
- In response to the Coronavirus pandemic, a Gold and Silver Control meeting structure was established to manage the impact of COVID-19 and continues to be utilised to manage the ongoing impact of the pandemic. In addition a partnership Incident Management Team has been established to co-ordinate a partnership response to the ongoing pandemic.

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

The Corporate Plan explains what we are doing as a council and what we are trying to achieve. Key achievements delivered against priorities as included in the Corporate Plan 2018/21 over the last 12 months were reported to Cabinet on 21 April 2021. The report can be accessed at the following link: [Review of Achievements 2020/21](#). A one year refresh of the plan ([Corporate Plan 2021/22](#)) has been completed and was approved at Council on 25 February 2021.

Responsibility for managing performance lies with individuals at all levels in the organisation and the current approach continues to aim to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. The council's Performance Management Framework has been reviewed and refreshed to fully align with the Corporate Planning process. The [refreshed framework](#) was presented to Audit Committee on 12 April 2021.

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

The council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules which set out the control environment in which the council operates. The Constitution was reviewed and updated in May 2019. In addition, during March 2020, a Gold and Silver Control meeting structure was set up to manage the impact of the COVID-19 crisis in order to analyse and respond to issues and information that the council receives both on a local and national basis. In addition to this the council has provided advice to all senior officers regarding lawful decision-making in the current crisis, as a consequence of having to postpone council meetings to follow government guidance in relation to the lockdown. The council facilitated virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 coming into force on 4 April 2020. This enable greater openness and transparency in decision-making and allowed the scrutiny of executive decisions. Virtual meetings for committees were held throughout 2020/21. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 were not

extended post 7 May 2021 and the council continues to follow the updated guidance for [safe use of council buildings](#).

The council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. A revised Risk Management Strategy was approved by Audit Committee in January 2019, and a revised Strategic Risk Register (SRR) implemented. A lessons learnt report was presented to CMT in June 2020 and Audit Committee in July 2020, recommending some changes to the approach including utilisation of the newly formed Directors Group to provide further strategic management oversight of risks. The next comprehensive review is due in 2021. Committee received reports on risk management at their July 2020 and January 2021 meetings. The SRR was reviewed and updated for Covid-19 risks during May, reported to CMT in June 2020 and was presented to Audit Committee in July 2020.

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

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

An assessment of compliance with the CIPFA Code of Financial Management has been completed, which for 2020/21 was a shadow year. Full compliance is expected from 2021/22. The assessment indicated that the council is substantially compliant, with areas for improvement identified. The actions are reported in the Annual Review of Effectiveness of the System of Internal Control report to Audit Committee in July 2021.

The Executive Director, Resources and Transformation (interim) and S151 Officer / Chief Finance Officer (CFO) was responsible during 2020/21 for the proper administration of the council's affairs, as required by Section 151 of the Local Government Act 1972. The AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2016)*. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complied with all of these during 2020/21.

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

Executive directors and accountable budget and asset owners are required to provide assurance via internal audit reports and where appropriate, to Audit Committee that agreed

audit actions are being implemented, and where control weaknesses are identified, to put in place remedial action in a timely manner, and as agreed with audit.

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

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

4. Review of Effectiveness

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

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

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, including in relation to the council's management of its response to COVID-19, risk management, grants, the external auditor's opinion on value for money and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter;
- A review of the AGS via key questions by Internal Audit during 2019/20 to assess the extent to which compliance with the framework has been met;
- Internal Audit's Annual Opinion Report;
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these;
- Findings of the external auditor and other review agencies and inspectorates, and council actions to address these;
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness;
- The monitoring and regular review of the council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc.);
- Review and reporting of financial health indicators and financial procedures;
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate Performance Management Framework and Counter Fraud arrangements;
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.

- The workings of Silver and Gold Control and reporting of decisions to members;
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the AGS annually.
- Lessons learnt for Walsall report presented to CMT in relation to the Croydon Report in the Public Interest in relation to financial management; the risk assessment report presented to CMT to consider the findings of the Best Value Inspection Report published in March 2021 regarding governance and practice in areas inspected relating to Liverpool City Council;
- The council's assessment of its compliance with the CIPFA Code of Financial Management, for which 2020/21 was a shadow year, and action plan to address areas for improvement.

In respect of the system of internal control, a review of the following areas has been undertaken and will be reported to Audit Committee on 8th July 2021 as part of the annual review of effectiveness, to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2020/21 in:
 - receiving limited assurance internal audit reports;
 - reviewing the Risk Management Strategy and Strategy Risk Register, including the newly developed COVID-19 risk register;
 - approving accounting policies, the statement of accounts and the annual governance statement;
 - receiving external audit reports on the accounts, AGS and annual audit and inspection letter;
 - responding to the council's external auditors requirement to obtain an understanding of management processes and the Audit Committee's oversight of the council's governance arrangements in relation to general enquiries of management; fraud risk assessment; the impact of laws and regulations; going concern considerations; related parties and accounting estimates;
 - reviewing the effectiveness of the Audit Committee;
 - reviewing counter fraud arrangements against the Fighting Fraud Locally (FFL) Good Practice advice and checklist and reviewing and approving an updated Counter Fraud and Corruption Policy and associated response plan;
 - Reviewing the refreshed Corporate Performance Management Framework.
- Internal Audit's evaluation of the effectiveness of the council's risk management, control and governance processes; identified control weaknesses 2019/20 and the Annual Opinion. The Annual Opinion is as follows in respect of the 2020/21 financial year:

*“On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is **Substantial** in its overall adequacy and effectiveness.*

Certain weaknesses and exceptions were highlighted by our audit work, 9 of which were fundamental in nature, however, no limited assurances have been provided during the period.

These matters have been discussed with management, to whom we have made several recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed risk management in the Council has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. The Director's Group has recently taken on responsibility for reviewing both Directorate Risk Register and Strategic Risk Register updates. The aim of this is to improve directorate engagement to support both the implementation of the Risk Management Strategy and provide greater assurance that mechanisms for management of risk are robust.

Internal Control

Of the 44 audits undertaken in the year where we provided a formal assurance level, six were given a 'Good' level of assurance, 29 a 'Substantial' level of assurance and nine a 'Limited' level of assurance. No audits were given 'No' level of assurance.

During the year, we have made 9 'Priority 1' recommendations. 89 recommendations categorised as 'Priority 2' were also made.

In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management".

COVID-19

Our annual internal audit opinion reflects the revised audit plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.

Two specific audits were carried out to provide assurance over controls that were put in place by the Council in response to the COVID-19 pandemic. These were Payments to Suppliers which received a 'Good' audit assurance, and Review of COVID-19 Governance and Controls which received a 'Substantial' audit assurance.

- *Progress in addressing governance issues and control weaknesses identified in the 2019/20 AGS and progress in addressing these;*

- The work of Internal Audit to assess the extent to which compliance with the AGS framework has been met by the council;
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013;
- Regular reporting to and scrutiny by Audit Committee of strategic risks;
- The work of other regulatory Committees – Standards;
- The work of Inspectorates and the council’s response and actions plans to address Inadequate findings;
- The work of external audit;
- Financial and performance reporting, including in relation to financial and budgetary control, risk, information governance and data protection arrangements, and other supporting evidence;
- The council’s summary assessment of its compliance with the CIPFA Code of Financial Management, for which 2020/21 was a shadow year, and action plan to address areas for improvement.

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

5. Significant Governance Issues

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

There are no significant governance issues to report.

Some internal control weaknesses have been identified, which were reported to Audit Committee throughout 2020/21 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control report to Audit Committee on 8th July 2021. Actions are in place to address these.

A number of areas for improvement were identified as part of the reviews against the CIPFA Code of Financial Management and lessons learnt report arising from the Croydon Report in the Public Interest. These will be implemented during 2021/22 and any impact in relation to governance will be incorporated into the planned review of the Governance Framework. There were no significant governance matters to bring to the attention of the Audit Committee arising from these reviews.

Dr Helen Paterson
 Chief Executive
 Date: 29 June 2021

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Councillor Mike Bird
 Leader of the Council
 Date: 29 June 2021

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.