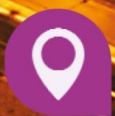




Audit and Risk Committee Annual Report 2016-2017



**Stronger
Economy**



**Stronger
Communities**



**Stronger
Organisation**

The Audit and Risk Committee at Wolverhampton

Councillor Craig Collingswood – Chair of the Audit and Risk Committee



The Audit and Risk Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit and Risk Committee is to provide independent assurance to the Council on the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.

It also oversees the work of both the internal and external auditors, helping to ensure that efficient and effective assurance arrangements are in place. The key benefits of the Committee can be seen as:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- reinforcing the importance and independence of internal and external audit and similar review processes;
- providing additional assurance through a process of independent review; and
- raising awareness of the need for internal control and the implementation of audit recommendations.

The Audit and Risk Committee agrees a work programme for each year. It is based on (but not limited to) the following main sources of assurance:

- Annual Governance Statement - this is the statutory report which the Committee approves in relation to the council's Statement of Accounts.
- Strategic Risk Register and Assurance Map - a regular review of the key risks the Council faces, and how and where the Committee can gain assurance that these risks are being well managed.
- Internal Audit - the ongoing work of, and reports from the Council's internal auditors.
- External Audit - the reports submitted to the Committee by the Council's external auditors Grant Thornton

I believe it has been another successful year for the Audit and Risk Committee and we look forward to building on this during 2017-2018.

Finally, as the Chair of the Audit Committee I would like to thank all the Councillors who served on the Committee during the year, both the internal and external auditors and all of the other officers who have contributed towards its success.

We undertook the following key developments during the year

In the last 12 months the Committee has put in place many initiatives, in what has been a productive year, helping to ensure that the City of Wolverhampton has a modern, effective and risk focussed Committee.

During the year we:

- Continued to focus on the Council's risk management arrangements, gaining an increased assurance that the Council is managing its risks well. This also involved the Committee 'calling-in' a number of risks and their risk owners, for a more detailed review as detailed later in this report.
- Maintained a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, our Internal Auditors, key Cabinet Members and Senior Officers. We also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- Extended our knowledge on good practice areas for Audit Committee's within Local Government by attending several high profile Audit Committee Institute events run by top accountancy firms, and other leadership events organised by the University of Warwick.
- Hosted a regional Audit Committee Forum in partnership with top accountancy firm Grant Thornton UK LLP. This event saw councillors and Audit Committee members from Local Authorities come together to discuss key themes and their governance responsibilities.
- Continued to obtain strong local press and radio coverage on a number of issues that were raised through, and discussed at the Committee, which portrayed the Council in a positive light.

We hosted a Midlands Audit Committee Forum here in Wolverhampton



Councillor Craig Collingswood, the Chair of the Committee delivering his opening address

In November 2016 the City Council in partnership with top accountancy firm Grant Thornton UK LLP hosted a Midlands Audit Committee Forum. This regional event saw councilors and Audit Committee members from Local Authorities come together to discuss key themes and their governance responsibilities. Councillor Collingswood opened the event with a welcome address and gave an overview of the exciting developments that are taking place within the City of Wolverhampton. He then shared his perspective on what makes a strong audit committee, which was followed by an interactive discussion with members of the audience. Grant Thornton then put on a thought provoking session which looked into the implications of Brexit on Local Government.

**Grant Thornton**
An instinct for growth

CITY OF WOLVERHAMPTON COUNCIL


Audit Committee Forum
21 November 2016

We are delighted to invite you to join us for an opportunity to network with fellow Local Government Audit Committee Members from across the Midlands.

Grant Thornton UK LLP in partnership with City of Wolverhampton Council are holding an event which will focus on key themes for Audit Committees and their governance responsibilities, giving Members an opportunity to learn and debate topics with experts and peers.

We aim to cover current issues and challenges relevant to local authorities, and the changing landscape in local government.

The event will be held in an informal and interactive setting and will facilitate interesting and informative discussions between speakers and attendees alike, so please come prepared to participate and contribute.

Places are limited, so book your **free** place early to avoid disappointment.

We hope that you can join us and very much look forward to seeing you on the day.

Agenda

| | |
|-------|--|
| 09.15 | Registration and refreshments |
| 09.45 | Welcome, introduction and a Chair's Perspective with Councillor Craig Collingswood – Chair of the City of Wolverhampton and Vice Chair of the West Midlands Combined Authority Audit Committee |
| 10.00 | The Role of the Modern Audit Committee |
| 10.45 | Internal Audit? External Audit? What's the point? |
| 11.15 | Break |
| 11.30 | Technical update – what are the issues you need to know about? |
| 12.00 | Break and other emerging risks – what should be on your risk register? |
| 12.30 | Buffet and networking |
| 13.15 | Close |

Easily accessible venue
City of Wolverhampton Council
City Centre
St Peter's Square
Wolverhampton
WV1 1SH
(on the day and display parking available and excellent bus, rail and metro links)

To book a free place, RSVP:
Penny Bassett
Grant Thornton UK LLP
T 0121 212 4000
E penny.bassett@uk.gt.com



The Council's Head of Audit, Peter Farrow concluded the morning by sharing his thoughts on the value a modern internal audit service can bring to an organisation.

We were delighted to host such a prestigious event here in our City and it was great to meet with fellow councillors and audit committee members from across the region. We received strong feedback from those attending who indicated that they found it an informative day with a good range of presenters and subjects, giving them the opportunity to take part in a challenging but interesting debate.



Our key business during the year was:

| Meeting | Activity |
|-------------------|--|
| 4 July 2016 | <ul style="list-style-type: none"> • The Council's Draft Statement of Accounts • External Audit Update Report • Annual Governance Statement • Annual Internal Audit Report • Audit and Risk Committee Annual Report • <i>Reviewing the Strategic Risk Register and Assurance Map</i> • Counter Fraud Update • Audit Investigations Update • CIPFA Audit Committee Update • Payment Transparency • Summary Place Profile - Wolverhampton • Business Rates Appeals |
| 19 September 2016 | <ul style="list-style-type: none"> • <i>Approving the Council's Statement of Accounts</i> • External Audit Annual Report to those charged with Governance (ISA 260) • <i>Reviewing the Internal Audit Charter</i> • Internal Audit Update • Counter Fraud Update • CIPFA Audit Committee Update • Payment Transparency • Audit Committee – Knowledge and Skills Framework • Strategic Risk Register and Assurance Map • Audit Investigations Update |
| 12 December 2016 | <ul style="list-style-type: none"> • <i>Receiving the External Audit Annual Audit Letter</i> • Strategic Risk Register and Assurance Map • Internal Audit Update • Payment Transparency • <i>Considering a number of Counter Fraud initiatives</i> • National Fraud Initiative Report • Annual Governance Statement – Action Plan Update • Audit Investigations Update |

13 March 2017

- Audit and Risk Committee – Terms of Reference
- External Audit Plan
- External Audit Communications with the Committee
- External Audit Grant Certification Letter
- Strategic Risk Register and Assurance Map
- Progress Update on the Action Plan arising from the Local Government Association Peer Review
- Internal Audit Update
- *Approving the Internal Audit Plan*
- Counter Fraud Update
- Protecting the English Public Purse – National Fraud Report
- Reviewed the Council's Fraud Related Policies and Procedures (Anti- Fraud and Corruption, Whistleblowing and Anti-Money Laundering)
- Payment Transparency
- *Considering the impact of Brexit on EU Funding*
- Audit Investigations Update

How we ensured there was a strong focus on risk management

One of the main roles of the Committee is to regularly review the Strategic Risk Register in order to ensure that the risks the Council faces are being suitably addressed. During the year we 'called in' the following risks for a more detailed review:

Employee Management

We considered the Council's performance in ensuring that all employees receive regular appraisals.

We assessed how the Council was meeting its duties under the Civil Contingencies Act

Business Continuity Management

Skills for Work

We looked at how the Council and our key partners were working together in order to improve resident skills and job readiness, support economic growth and reduce demand on public services.

We gained assurance on how managing the Medium Term Financial Strategy is helping the Council deliver its corporate plan

Medium Term Financial Strategy

School Improvement

We heard from the risk owner on how the Council was seeking to raise standards in schools

We received positive feedback from the recent LGA Peer Review:



As part of their recent Corporate Peer Challenge, we were delighted that the LGA commented in their final report that:

"the Audit and Risk Committee appears to be working well and is focussing more on strategic risks"



We played a key role in helping the West Midlands Combined Authority develop its own Audit Committee

Councillor Collingswood is the City's representative on the West Midlands Combined Authority Audit and Risk Assurance Committee. As part of the Combined Authority's constitution their Committee needed to recruit an Independent Member to act as chair, in order to help them he sat on their recruitment panel and took part in the interviews as part of their appointment process.

Also, until the Chair was appointed Councillor Collingswood chaired the Committee for the first six months following its inception, and now acts as the Vice-Chair, supporting the new Chair in helping to embed the Committee into the workings of the Combined Authority.

Our conclusion for 2016-2017:

As a result of our work throughout the year, we were able to confirm:

- That the system of internal control, governance and risk management in the Council was adequate in identifying risks and allowing the Council to understand the appropriate management of these risks.
- That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the Committee's attention, and had not been adequately resolved.

We believe that our key achievements during the year were:

- Providing assurance through a process of independent review and challenge.
- Raising the profile of internal control issues across the Council and of the need to ensure that audit recommendations are implemented.
- Regular consideration and review of the risks that the Council faces, through examination of the strategic risk register and accompanying assurance map.
- Maintaining a good working relationship with the Council's internal and external auditors.
- Maintaining an ongoing awareness of the changes to the appointment of external auditors through the Local Audit and Accountability Act.
- Building the skills and knowledge of Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
- The continued presence of independent members serving on the Committee in order to broaden the Committee's experience and independent view point.
- Maintaining a detailed focus on the actions being taken to combat fraud.
- Reviewing the Committee's Terms of Reference in order to ensure they remain fit for purpose.

These are our Terms of Reference:

Statement of purpose

Our Audit and Risk Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit and Risk Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

To monitor the effective development and operation of risk management in the Council.

To monitor progress in addressing risk-related issues reported to the committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

To monitor the counter-fraud strategy, actions and resources.

To receive additional assurance reports from the Corporate Assurance team (Insurance and Health & Safety)

Internal Audit

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve the risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the head of internal audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
- The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To support the development of effective communication with the head of internal audit.

External Audit

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.

To monitor the on-going progress towards publication of the Council's annual statement of accounts, ensuring the statutory deadlines are achieved.

To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts.

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full Council on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.