

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee Meeting

Monday, 26 September 2022

Dear Councillor

AUDIT AND RISK COMMITTEE - MONDAY, 26TH SEPTEMBER, 2022

I am now able to enclose, for consideration at next Monday, 26th September, 2022 meeting of the Audit and Risk Committee, the following reports that were unavailable when the agenda was printed.

Agenda No Item

- 9 **Audit and Risk committee Annual Report (Pages 3 - 24)**

[To receive the audit and risk committee annual report.]

If you have any queries about this meeting, please contact the democratic support team:

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 26 September 2022
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Report title	Audit and Risk Committee Annual Report 2021-2022	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for decision:

The Audit and Risk Committee is recommended to:

1. Endorse the Audit and Risk Committee Annual Report for 2021-2022 and refer it to Full Council for approval.

1.0 Purpose

1.1 This report summarises the main areas of work undertaken by the Audit and Risk Committee during 2021-2022.

2.0 Background

2.1 The purpose of the Audit and Risk Committee is to provide independent assurance on the adequacy of the risk management framework and the internal control environment. It provides an 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.

3.0 Progress, options, discussion

3.1 The Audit and Risk Committee will continue to receive regular assurance reports throughout the year.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. [GE/12092022/R]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. [TC/06092022/B]

6.0 Equalities implications

6.1 Equalities issues are implicit within the work of the Audit and Risk Committee throughout the year. Specific equality issues may also be addressed within individual activities undertaken by both the internal and external auditors, and where appropriate will be reported back to the committee.

7.0 All other implications

7.1 There are no other implications arising from the recommendations in this report.

8.0 Schedule of background papers

8.1 Audit and Risk Committee – Annual Report

Audit and Risk Committee Annual Report 2021 - 2022



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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”.



One of the Audit and Risk Committee’s key roles 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.

By overseeing the operational work of both the internal and external auditors, the Committee helps 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 accuracy, 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*
- ensuring that the Council is underpinned by robust internal controls; and ensuring the implementation of audit recommendations.

The Audit and Risk Committee has a cycle of work 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. It also incorporates a Council wide review of the effectiveness of governance and has been strengthened over the last 12 months to incorporate additional information on the Council's linked bodies.
- Strategic Risk Register - a regular review of the key risks the Council faces, and how the Committee can gain assurance that they 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, and their annual audit of the Statement of Accounts.
- The Council's compliance with the CIPFA Financial Management Code.
- The work of the Council's Counter Fraud team.

From our examination of the Council's Risk Register and where control issues are raised by our internal and external auditors, we can summon senior Council officers to justify and answer questions on what actions are being taken to improve matters and how risks are being managed. Our ability to have access to all Council activities is a powerful tool and the committee intends to continue to 'call-in' key risks at various points throughout the year. During the year we held more detailed discussions around controls and risks on a diverse range of high-profile issues, including:

- Civic Halls
- Climate Change
- Professional Conversation Process
- Children's Residential Homes – Employee Working Hours
- IR35 Compliance

Also, as a committee we were once again pleased with the findings in the latest External Auditors Annual Report, which overall was a very positive one for the Council. Following completion of their audit of the Council's financial statements, Grant Thornton issued an unqualified opinion, reflecting positively on the financial governance of the Council.

They also noted that the Council had maintained a good financial position, reporting that it had historically performed well, with a record of strong financial and budgetary management, and that overall there were no significant weaknesses in the arrangement to secure financial stability.

With regards to considering the arrangements for ensuring that the Council makes appropriate decisions in the right way, including arrangements for budget setting and management, risk management, and ensuring that decisions were based on appropriate information, they noted that there were good systems in place for oversight of the budget, the constitution was regularly reviewed and that the Council had an established anti-fraud culture.

Finally, they reported that they were satisfied the Council had appropriate arrangements in place to ensure it manages risks and its oversight in ensuring economy, efficiency and effectiveness.

I believe it was another successful year for the Audit and Risk Committee and we look forward to building on this during 2022-2023

Finally, as the new Chair of the Audit and Risk Committee I would like to thank the members both past and present, along with our internal and external auditors and all of the other officers who have contributed towards its success.

Councillor Craig Collingswood

Membership of our Committee

- Councillor **Councillor Craig Collingswood** (Chair)
- Councillor **Paul Appleby** (Vice-Chair)
- Councillor **Mary Bateman**
- Councillor **Phil Bateman** MBE
- Councillor **Claire Darke**
- Councillor **John Reynolds**
- Councillor **Tersaim Singh**
- Councillor **Jonathan Yardley**

The following members also served on the Committee during 2021-2022:

- Former Councillor **Alan Butt**
- Councillor **Milkinder Jaspal**
- Councillor **Andrew McNeil**
- Councillor **Claire Simm**

We are also delighted that we have two highly experienced Independent Members who bring a level of independent challenge and outside perspective to the Committee, and we particularly thank them for volunteering their time:

- Mr **Mike Ager**
- Mr **Armstrong Ngoh**



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Key business

Our key business during the year, by meeting, was:

MEETING	ACTIVITY
26 July 2021	Draft Statement of Accounts 2020-2021
	Annual Internal Audit Report 2020-2021
	Strategic Risk Register
	CIPFA Audit Committee Update
	Payment Transparency
	Counter Fraud Update
27 September 2021	Audited Statement of Accounts 2020-2021
	Strategic Risk Register
	Internal Audit Update
	Audit and Risk Committee Annual Report 2020-2021
	CIPFA Audit Committee Update
	Counter Fraud Update
	Payment Transparency
6 December 2021	Annual Governance Statement – Six Months Update
	Financial Management Code Update
	External Audit Progress Report
	Appointment of the External Auditor
	Internal Audit Progress Report
	Internal Audit Charter
	Counter Fraud Update
	Payment Transparency
	Strategic Risk Register
	Civic Halls Programme

MEETING	ACTIVITY
14 March 2022	Strategic Risk Register
	External Audit Progress Report
	External Audit Annual Audit Report
	Audit and Risk Committee Terms of Reference Annual Review
	Internal Audit Plan 2022-2023
	Internal Audit Progress Report
	Counter Fraud Update
	Payment Transparency
	Measures to Improve Local Audit Delays
20 June 2022	External Audit Plan 2021-2022
	CIPFA Financial Management Code Review
	Payment Transparency
	Annual Internal Audit Report 2021-2022
25 July 2022	Code of Corporate Governance
	Annual Governance Statement 2021-2022
	Assessment of Going Concern
	Draft Statement of Accounts 2021-2022
	Counter Fraud Update
	Strategic Risk Register
	Risk Management Framework
Cyber Security Update	

As can be seen from the above, we are responsible for reviewing and approving the formal publication of the Annual Statement of Accounts, as required by the Accounts and Audit Regulations. These are a very complex and comprehensive set of accounts, and as stated above we appreciate the time and support of both the External Auditors and the Council's Finance Officers in this task, who also during the year provided training to the Committee in order to ensure that we have the skills required.

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We play a key role in helping to prevent and detect fraud

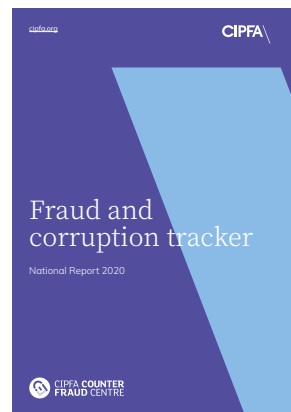
The Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within our Anti-Fraud and Corruption Policy, which states: “The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated, and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council.” The counter fraud agenda is one that continues to also hold significant prominence from Central Government who continue to promote a wide range of counter fraud activities and initiatives.

One of the roles of the Committee, and one in which it places a great deal of importance, is to review the assessment of fraud risks and potential harm to the Council from fraud and corruption along with monitoring the counter-fraud strategy, actions and resources. We receive regular reports from the Counter Fraud team which provide us with updates on a range of fraud related activities including:

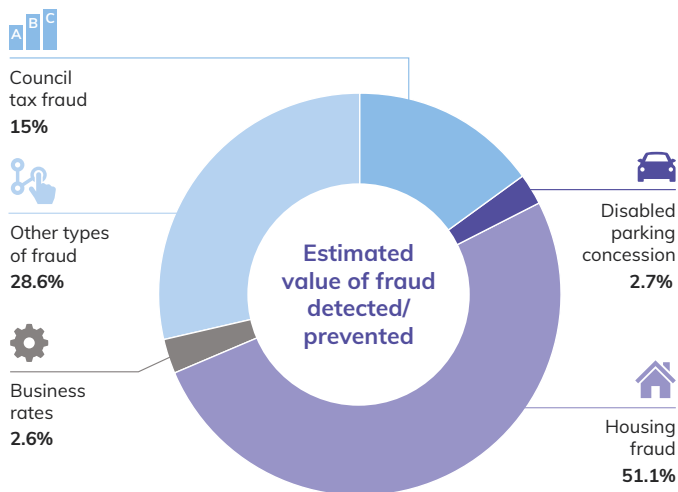
- Results from the Cabinet Office’s National Fraud Initiative
- Latest national fraud benchmarking reports and how the Council responds to them
- Progress made against the fraud action plan
- Review of the Council’s Fraud Risk Register
- An update on the levels of, and action taken on potential fraudulent applications relating to Covid-19 Business Support Grants
- Outcomes from tenancy fraud, subletting and right to buy investigations

We use our time at the committee to consider all of the above, and to provide the appropriate challenge where necessary in order to ensure ourselves and the wider Council that we are doing everything we can to prevent and detect fraud.

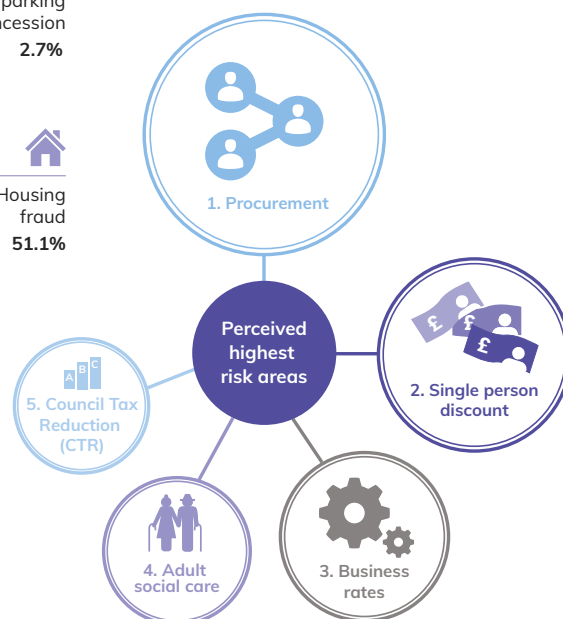
During the year the Committee received the results of CIPFA’s latest Fraud and Corruption Tracker. The survey takes place with the aim of creating a national picture of the types and volume of fraud detected and prevented in local authorities. The results were collated from local authorities in all regions in the UK, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.



This highlighted that the largest growing fraud area was housing tenancy, with an estimated £60.1m lost nationally in 2019-2020 compared to £47.7m in 2018-2019. This was followed by council tax single person discount which has an estimated increase of £9.6m to an estimated value of £29.0m. The two highest perceived fraud risk areas for 2019-2020 were the same as the previous year: procurement and council tax single person discount. This shows these are the areas that require strict controls and support. The perceived third, fourth and fifth highest fraud risk areas were business rates, adult social care and council tax reduction respectively.



Highlight results from the latest national fraud tracker exercise





Site visit to the Civic Halls

As part of the ongoing risk management process, the committee recently undertook a site visit to the Civic Halls. We would like to pass on our thanks to those involved for what was a very informative visit, and the management of this risk will continue to remain one of the areas of focus for the committee over the coming year.



Midlands Audit Committee Seminar

Back in 2017 and 2018 the City of Wolverhampton Council Audit and Risk Committee organised and hosted well attended seminars for Audit Committee Chairs from across the region. This saw a number of members from other authorities visit the City in order to share ideas, and to hear from a range of guest speakers on issues relevant to the work of Local Authority Audit Committees.

This municipal year we are currently in the process of reintroducing this event and will be arranging the next seminar in the City's prestigious Art Gallery.

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Key principles

We continued with the following key principles during the year:

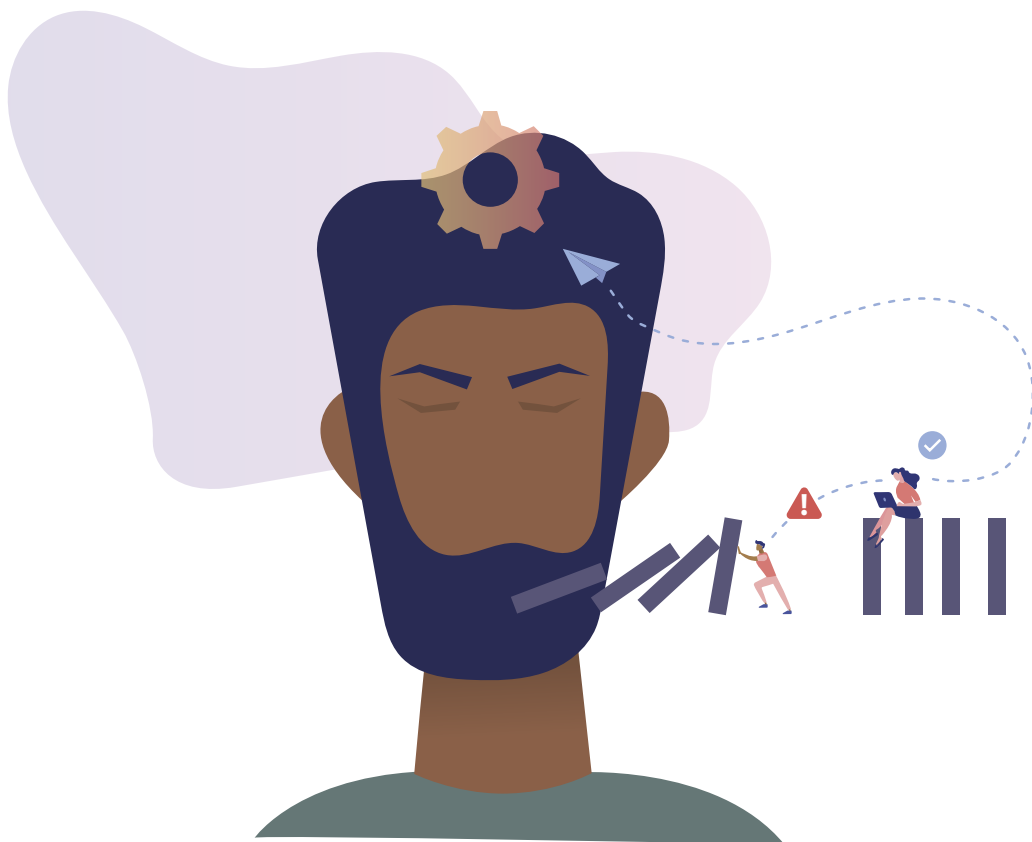
- Focussing our work on high-risk areas and helping to inspire public confidence in the Council. Our meetings are open to the Public so they are able to witness in person the challenge we bring.
- Continuing to focus on the Council's risk management arrangements, gaining an increased assurance that the Council is managing its risks well and retaining the option of 'calling-in' risks and their risk owners.
- Continuing to maintain a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, our Internal Auditors and Senior Officers.



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Audit and Risk Committee Training Sessions

Members of the Committee have recently attended training sessions hosted by both Audit Services and the Finance team on various matters associated with finance, audit and counter fraud. The Committee would like to pass on our thanks to the officers who delivered this training, in what were very informative sessions.



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Our conclusion for 2021-2022

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:

- Continuing to provide 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 consideration of the Strategic Risk Register.
- Continuing to maintain a good working relationship with the Council's internal and external auditors.
- Building the skills and knowledge of Committee members through regular technical updates, training and the consideration of related guidance issued by CIPFA.
- The presence of two independent members serving on the Committee in order to broaden the Committee's experience and independent viewpoint.
- Maintaining a detailed focus on the actions being taken to combat fraud.
- Reviewing and updating the Committee's Terms of Reference in order to ensure they remain fit for purpose.

7

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 review the governance and assurance arrangements for significant partnerships or collaborations.

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 any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

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 provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External Audit

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

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, appropriate accounting estimates have been included in the Council's financial statements 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.

To publish an annual report on the work of the Committee.



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