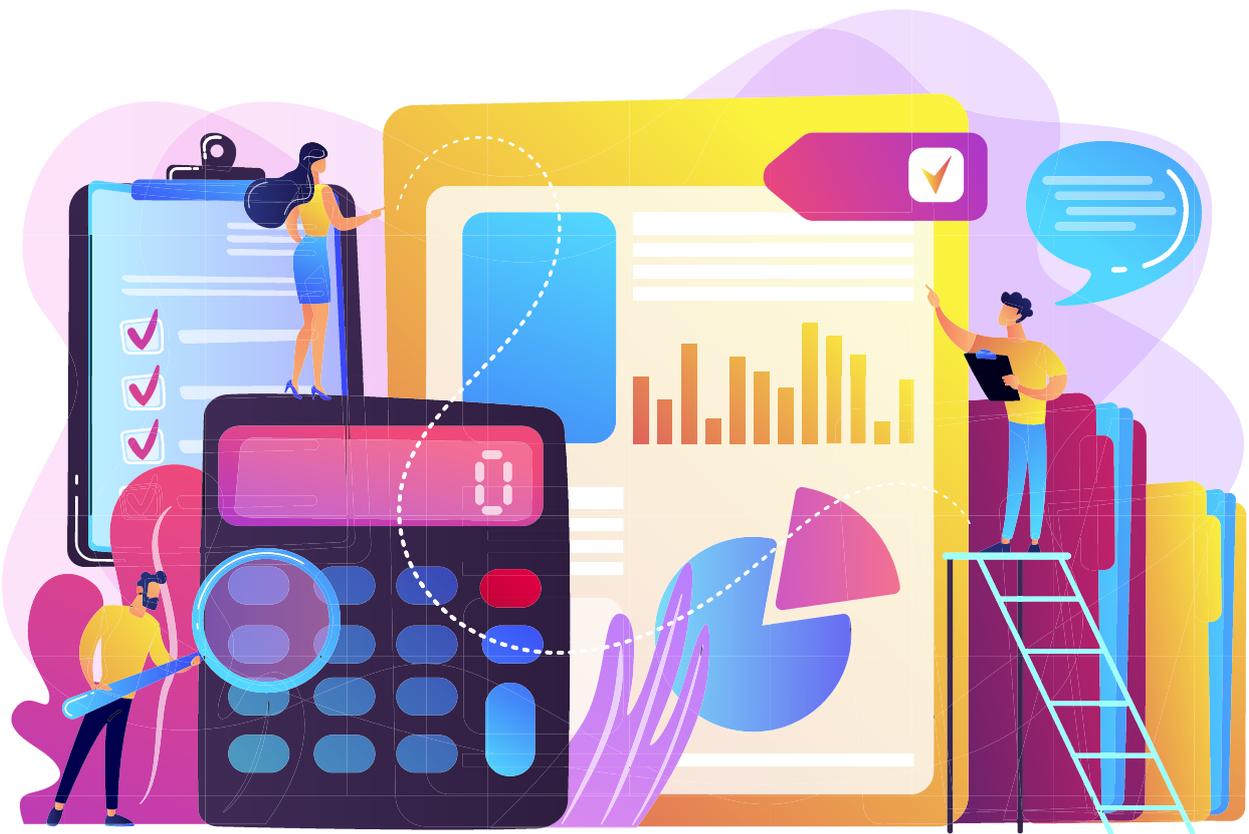


Audit and Risk Committee Annual Report 2019 - 2020



1

Introduction

Who we are

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.



Membership

Clockwise from top left

- Councillor **Alan Butt** (Chair) Labour
- Councillor **Jonathan Yardley** (Vice-Chair) Conservative
- Councillor **Mary Bateman** Labour
- Councillor **Philip Bateman MBE** Labour
- Councillor **Barbara McGarrity QN** Labour
- Councillor **Craig Collingswood** Labour
- Councillor **Roger Lawrence** Labour
- Councillor **Lynne Moran** Labour

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:

Mike Ager
John Humphries



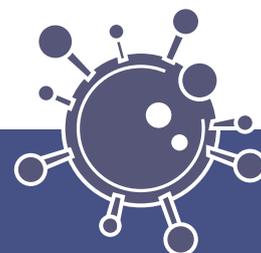
What we do

One of the key roles of 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.



The impact of Covid-19 on the Committee

As our last meeting of the financial year took place on 23 March 2020 we were lucky enough to be able to conclude most of our annual business just before the nationwide lockdown came into effect. Throughout 2020-2021 the Committee will maintain a focus on how the Council has managed the risks associated with the impact of Covid-19.



From our examination of the Council's Risk Register and where control issues are raised by our internal and external auditors, we 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 during the year we questioned senior officers on a diverse range of high-profile issues, including:



Cyber Security

The Head of ICT gave an overview of action the Council was taking and proposed to take to mitigate and manage the strategic risk on cyber security. Members of the Committee welcomed the information and assurance provided on how the Council was managing its cyber security, and particularly that the council's processes were being externally tested to ensure that the Council was as fully protected as it could be.



Civic Halls

Throughout the year progress on the various stages of the Civic Halls refurbishment programme, including the awarding of the latest contract, the budget position and the move into the second phase of construction, was subject to close monitoring by members of the Committee, with a range of challenging questions being put to officers.



Business Continuity

The Committee heard from the Director of Public Health on how business continuity planning was progressing across the Council, and considered what Brexit related risks would arise as a result of the UK leaving the EU.

During the year the Committee also held more detailed discussion around the strategic risks to the Council associated with the following:



Medium Term Financial Strategy



Waste Services



City Centre Regeneration

Close attention was also given to the following areas where internal audit had issued limited assurance reports (i.e. control areas needing significant improvement) during the year. Where appropriate senior officers for these areas were called to attend the Committee in order to demonstrate how they would ensure that improvements would be made:

- Fire Safety in Council Buildings
- Fleet Services – Vehicle Spares and Stock Management
- Business Continuity Arrangements
- Employee Driver Checks

The Committee also oversees the operational 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:

 <p>Annual Governance Statement</p> <hr/> <p>This is the statutory report which the Committee approves in relation to the council's Statement of Accounts.</p>	 <p>Strategic Risk Register and Assurance Map</p> <hr/> <p>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.</p>
 <p>Internal Audit</p> <hr/> <p>The ongoing work of, and reports from the Council's internal auditors.</p>	 <p>External Audit</p> <hr/> <p>The reports submitted to the Committee by the Council's external auditors Grant Thornton</p>

I believe it has been another successful year for the Audit and Risk Committee and we look forward to building on this during 2019-2020.

Finally, as the Chair of the Audit and Risk Committee I would like to thank all the members 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.

Councillor Alan Butt
Chair of the Audit and Risk Committee



2

Our 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.

National picture

During the year we received CIPFA's latest Annual Fraud and Corruption Tracker Report for 2019. The national report identified that in 2018-2019, an estimated 71,000 fraud cases worth £253m were detected or prevented by local authorities. Council Tax fraud, such as falsely claiming the single occupancy discount, was the most common fraud type with 55,855 cases detected with a total value of £30.6m. Housing scams were the highest value fraud at £135.6m with 3,622 cases, while Blue Badge fraud was third and Business Rates fraud remained the fourth largest area at risk of fraud.

The report also highlighted a number of national emerging risks. There were 480 Adult Social Care cases worth £13.7m, which includes direct payment fraud.

Procurement fraud, such as overcharging and falsely billing for goods and services, is seen as one of the greatest areas of fraud risk. The number of procurement fraud cases was 125 with an estimated value of £20.0m.



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:

- Ongoing fraud investigations across the Council
- Outcomes from tenancy fraud, subletting and right to buy investigations
- Results from the Cabinet Offices 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

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.

3

Key developments

Our work is focussed in high-risk areas and one of our roles is to help 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, and we also regularly obtain positive coverage in the local media, again re-enforcing the message that we as a Council will not accept fraudulent activities, and that our role helps to ensure that emerging risks and developments are being robustly managed.





- We continued 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, for a more detailed review as deemed appropriate.
- We maintained a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, our Internal Auditors and Senior Officers. We also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- We began to receive regular updates from the relevant directors who were invited to attend the committee, in areas where internal audit had issued limited assurance reports.



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

10 June 2019

- The Council's Draft Statement of Accounts
- External Audit Progress Report and Update
- Annual Governance Statement
- Annual Internal Audit Report
- Annual Audit and Risk Committee Report
- Strategic Risk Register and Strategic Assurance Map
- CIPFA Technical Update
- Payment Transparency
- Counter Fraud Update
- Investigations Update

22 July 2019

- Audited Statement of Accounts
- TMO Audit Review Update

31 July 2019

- Audit Statement of Accounts Update
- CIPFA Audit Committee Update
- Audit Investigations Update

16 September 2019

- Annual External Audit Letter
- Strategic Risk Register and Assurance Map
- Internal Audit Update
- Internal Audit Charter – Annual Review
- Payment Transparency
- Counter Fraud Update
- CIFA Technical Update

20 January 2020

- External Audit Progress Report and Update
- External Audit Communication
- Strategic Risk Register and Assurance Map
- Tendering Procedures for Major Projects
- Annual Governance Statement – Action Plan Update
- Internal Audit Update
- Counter Fraud Update
- Audit Investigations Update
- Payment Transparency

23 March 2020

- External Audit Certification Work
- External Audit Plan
- Strategic Risk Register and Assurance Map
- Internal Audit Plan 2020-2021
- Internal Audit Update
- Counter Fraud Update
- Audit and Risk Committee – Terms of Reference Annual Review
- Payment Transparency
- CIPFA Audit Committee Update
- Audit Investigations Update

Audit and Risk Committee Training Sessions

As part of the above, members of the Committee attended two training sessions hosted by the Finance team in August and September. The Committee would like to pass on our thanks to the members of the Finance team who delivered this training, in what were two very informative sessions.

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 we appreciate the time and support of both the external auditors and the Council's Finance Officers in this task.

4

Conclusions for 2019 - 2020

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.
- Building the skills and knowledge of Committee members through regular technical updates 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 view point.
- 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.

5

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 monitor the counter-fraud strategy, actions and resources.

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 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

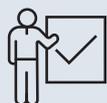
To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.

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 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.



You can get this information in large print, braille,
audio or in another language by calling 01902 551155

wolverhampton.gov.uk 01902 551155

  WolverhamptonToday  Wolverhampton_Today  @WolvesCouncil

City of Wolverhampton Council, Civic Centre, St. Peter's Square,
Wolverhampton WV1 1SH