

Audit and Risk Committee Annual Report 2022 - 2023



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The Audit and Risk Committee at Wolverhampton



Councillor Jaspreet Jaspal

New Chair of the Audit and Risk Committee

“The Audit and Risk Committee is responsible for providing independent and effective scrutiny of the audit, assurance and reporting arrangements at the Council. The focused and thorough scrutiny it undertakes is essential for good corporate governance and ensures financial standards are adhered to”.



Councillor Craig Collingswood

Former 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 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.

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, including their annual audit of the Statement of Accounts and Annual Report.
- 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 specific risks contained within the Council's strategic risk register:

- Civic Halls
- Financial wellbeing and resilience
- Climate Change
- Adults Safeguarding
- Adults Social Care Providers
- Charging Reform and Fair Cost of Care

In addition, detailed discussions also took place around the following audit reports contained within Internal Audit's update reports:

- Community Occupation Therapy Service
- SEND and Post 16 Provision in Schools
- Payroll Payments – Collective Agreement Compliance
- Adoption Support Fund – Special Guardianship Awards
- Council Linked Bodies – WV Living
- Continuing Healthcare
- IT Asset Management Review
- Climate Change: 2028 Net Zero Action Plan

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 **anticipated it would issue an unqualified opinion**, and they reflected positively on the financial governance of the Council.

In their annual report to the Council's Audit and Risk Committee on 23 January 2023 they concluded:

Although it has continued to be an extraordinary year for Local Authority finances, with the impact of COVID-19 being felt throughout, the Council has continued perform strongly in terms of its financial planning.

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

Overall, we are satisfied that the Council has appropriate arrangements in place to ensure it can deliver economy, efficiency and effectiveness with good processes in place for performance monitoring, procurement and contract management and partnership working. Also in regards to the Civic Halls Refurbishment Programme they concluded that there were no significant weaknesses in the Council's value for money arrangements associated with the delivery of the project.

I believe it was another successful year for the Audit and Risk Committee and we look forward to building on this during 2023 - 2024. 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 Jaspreet Jaspal

Membership of our Committee

- Councillor **Jaspreet Jaspal** (Chair)
- Councillor **Mary Bateman** (Vice-Chair)
- Councillor **Phil Bateman MBE**
- Councillor **Claire Darke**
- Councillor **Andrew McNeil**
- Councillor **Paul Appleby**
- Councillor **Barbara McGarrity QN**
- Councillor **Jeszeema Howl**

The following members also served on the Committee during 2022-2023:

- Councillor **Craig Collingswood** (Former Chair)
- Councillor **John Reynolds**
- Councillor **Tersaim Singh**
- Councillor **Jonathan Yardley**

We are also delighted that we also 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 September 2022	Strategic Risk Register
	Internal Audit Update Report
	External Audit Progress Report
	Audit and Risk Committee Annual Report 2021-2022
	CIPFA Financial Management Code – Action Plan
	Payment Transparency
	CIPFA Audit Committee Update
28 November 2022	Internal Audit Charter
	Internal Audit Update Report
	Counter Fraud Update
	External Audit Findings Report and Management Letter of Representation
	Strategic Risk Register
	Strategic Risk Register – Review of Civic Halls Risk
23 January 2023	Annual Governance Statement – Mid Year Update
	Appointment of External Auditors
	Audited Statement of Accounts and Auditors Annual Report
	External Audit’s Final Audit Findings Report
	External Audit’s Annual Report
	Management Letter of Representation
	Final Statement of Accounts

MEETING	ACTIVITY
6 March 2023	Audit and Risk Committee Terms of Reference – Annual Review
	Strategic Risk Register
	Internal Audit Plan 2023-2024
	Counter Fraud Update
	External Audit Update
	Update on External Audit Improvement Recommendations for the Civic Halls Refurbishment
	Internal Audit Update Report
24 July 2023	Strategic Risk Register
	Annual Internal Audit Report 2022-2023
	Assessment of Going Concern Status
	External Audit Update
	Counter Fraud Update
	Annual Governance Statement

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

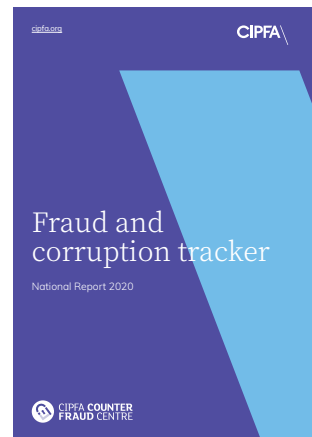
The Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within our Anti-Fraud and Corruption Policy, which states: “The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances 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:

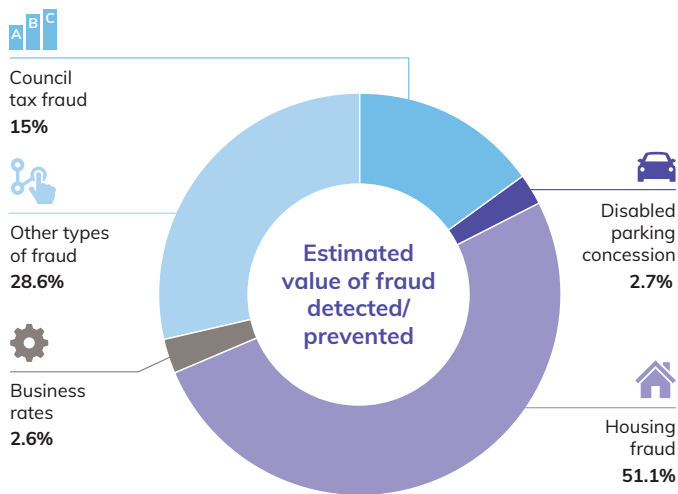
- Results from the Cabinet Offices National Fraud Initiative
- Latest national fraud benchmarking reports and how the Council responds to them
- Progress made against the fraud action plan
- Review of the Council’s Fraud Risk Register
- Outcomes from tenancy fraud, subletting and right to buy investigations

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.

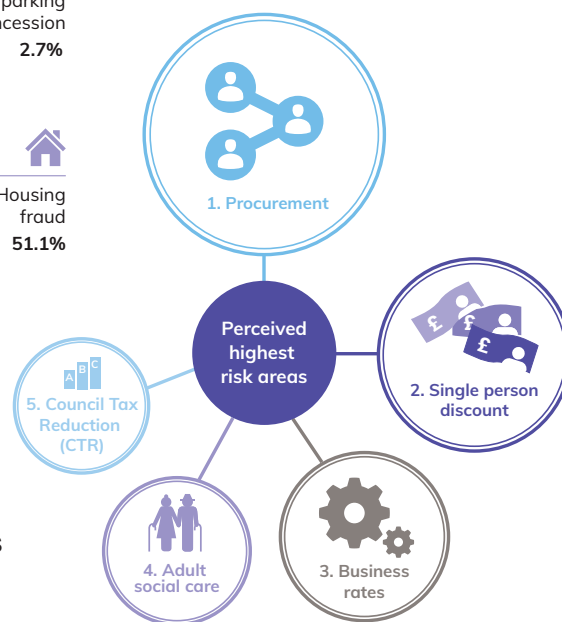
As part of previous Audit Committees members received the results of CIPFA's latest Fraud and Corruption Tracker (National Report 2020). The survey takes place with the aim of creating a national picture of the types and volume of fraud detected and prevented in local authorities. The results were collated 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 for cases detected/prevented in 2018-2019. The two highest perceived fraud risk areas for 2019-2020 were the same as last 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



The Committee will receive further updates once CIPFA publish their latest report.

Midlands Audit Committee Seminar

Back in March 2023 the City of Wolverhampton Council Audit and Risk Committee organised, and hosted, a well-attended seminar for Audit Committee Chairs from across the region. The event was held at the City's prestigious Art Gallery and was kindly co-hosted by the Council's external auditors, Grant Thornton.

The event was chaired by Councillor Craig Collingswood, Chair of City of Wolverhampton Council's Audit and Risk Committee, who said:

"We were delighted to bring audit committee members from across the Midlands to Wolverhampton for this productive networking event. We heard from a number of expert speakers on a range of topics that are particularly relevant for local authority audit committees, including Climate Change and risk management. It also demonstrates our commitment as a council to having a first class modern and effective audit committee in place that exceeds industry standards."



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Key principles

We also continued with the following 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

Throughout the year members of the Committee will continue to receive training from both Audit Services and the Finance team on various matters associated with finance, audit and counter fraud. Members of the Committee will also be signposted to external training events.



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Our conclusion for 2022-2023

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. Please see Appendix A of this report.

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Appendix A 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 Public Sector Audit Appointments authority 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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