



Audit and Risk Committee  
Annual Report  
2018-2019



**Stronger  
Economy**



**Stronger  
Communities**



**Stronger  
Organisation**

## ***The Audit and Risk Committee at Wolverhampton***

### **Councillor Alan Butt – 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 2019-2020.

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

## *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 focused Committee.



\* Site visit to the Civic Halls undertaken by members of the Audit and Risk Committee following the lessons learned report presented at the June 2018 meeting.

During the year we also:

- 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 and Senior Officers. We also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- Held an additional meeting in June 2018 to consider three lessons learned reports in the key areas of:
  - Civic Halls Refurbishment\*
  - Wolverhampton Interchange (Train Station)
  - Markets Relocation
- Continued to obtain strong local press coverage on a number of issues that were raised through, and discussed at the Committee, which portrayed the Council in a positive light.

## Our key business during the year was:

Meeting	Activity
11 June 2018	<ul style="list-style-type: none"> <li>• The Council's Statement of Accounts</li> <li>• External Audit Progress Report and Update</li> <li>• Annual Governance Statement</li> <li>• Annual Internal Audit Report</li> </ul>
25 June 2018 (additional meeting)	<ul style="list-style-type: none"> <li>• Markets Relocation – Lessons Learned</li> <li>• Wolverhampton Interchange (Train Station) – Lessons Learned</li> <li>• Civic Halls Refurbishment – Lessons Learned</li> </ul>
23 July 2018	<ul style="list-style-type: none"> <li>• External Audit Progress Report and Update/Audited Statement of Accounts</li> <li>• Strategic Risk Register and Strategic Assurance Map</li> <li>• Audit and Risk Committee Annual Report</li> <li>• Counter Fraud Update</li> <li>• Payment Transparency</li> <li>• CIPFA Audit Committee Update</li> <li>• Audit Investigations Update</li> </ul>
17 September 2018	<ul style="list-style-type: none"> <li>• Annual External Audit Letter</li> <li>• External Audit Progress Report and Update</li> <li>• Capital Projects Lessons Learnt – Progress Update</li> <li>• Strategic Risk Register and Assurance Map</li> <li>• Internal Audit Update</li> <li>• Internal Audit Charter – Annual Review</li> <li>• Payment Transparency</li> <li>• Counter Fraud Update</li> </ul>
10 December 2018	<ul style="list-style-type: none"> <li>• External Audit Update</li> <li>• Strategic Risk Register and Assurance Map</li> <li>• Capital Projects Lessons Learnt – Progress Update</li> <li>• Annual Governance Statement – Action Plan Update</li> <li>• Internal Audit Update</li> <li>• Counter Fraud Update</li> <li>• Internal Audit – External Assessment</li> <li>• Payment Transparency</li> <li>• CIPFA Audit Committee Update</li> <li>• Audit Investigations Update</li> </ul>
11 March 2018	<ul style="list-style-type: none"> <li>• Certification Work for the City of Wolverhampton Council for the year ended 31 March 2018</li> <li>• External Audit Progress Report and Update</li> <li>• External Audit Communications</li> <li>• Strategic Risk Register and Assurance Map</li> <li>• Internal Audit Plan 2019-2020</li> <li>• Internal Audit Update</li> </ul>

- Counter Fraud Update
- Audit and Risk Committee – Terms of Reference Annual Review
- Payment Transparency
- CIPF Audit Committee Update
- 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:

#### **Waste Management Services**

We heard from the Lead Officer – Waste, on how the transfer of waste service back into the Council was progressing and how the risks associated with it were being managed.

The Head of School Organisation presented an update on the current financial position of maintained nursery schools and responded to the Committee’s questions on Government funding for maintained nursery schools.

#### **Maintained Nursery Schools**

#### **Brexit**

The Head of Public Service Reform gave an overview of the significant activity the Council was engaged in regarding the uncertainties and risks associated with Brexit.

## ***Our conclusion for 2018-2019:***

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.

## ***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 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.