

# Audit and Risk Committee Annual Report 2020 - 2021



# 1

## 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”.*



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 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.

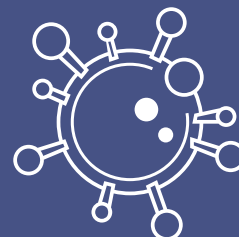
The Audit and Risk Committee has a cycle of work for each year. It is based on (but not limited to) the following main sources of assurance:

- **Annual Governance Statement** - this is the statutory report which the Committee approves in relation to the council's Statement of Accounts.
- **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

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 during the year we held more detailed discussions around controls and risks on a diverse range of high-profile issues, including a number arising from Covid-19:

- Procurement Compliance
- Civic Halls
- Modern Day Slavery
- Accounting Estimates
- Home Care Provision during Covid-19
- Safeguarding of Children and Education Provision during Covid-19
- Employee Wellbeing during Covid-19
- Payment Assurance Framework regarding Covid-19 Business Support Grants

Also, as a Committee we were pleased with the findings in the External Auditors Annual Report which overall was a positive one for the Council, particularly on the Council's financial resilience in these unprecedented times with an 'unqualified opinion' being given. We appreciate the work both the Finance team and our External Auditors put into achieving this outcome.



## The impact of Covid-19 on the Committee

A large number of our meetings were held remotely during the year, both Committee Members and officers responded well to this, and we were able to conduct our business as usual. The end of the year saw us return to the Council Chamber for meetings once again in person.

From the outset of the pandemic the Council prepared and maintained a Covid-19 Risk Register, identifying the specific risks and challenges this brought. This register alongside the Strategic Risk Register was presented to, and closely reviewed by the Committee throughout the year.

We also received regular updates on the assurance framework established around the processing and payment of the various type of government support grants set up during the pandemic. This included a focus upon how we were reducing the risk of any potentially fraudulent applications being processed, and where a small number were, how they were being dealt with.

Despite the challenges brought by Covid-19, I believe it has been another successful year for the Audit and Risk Committee and we look forward to building on this during 2021-2022

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

## Membership of our Committee

- Councillor **Alan Butt** (Chair)
- Councillor **Jonathan Yardley** (Vice-Chair)
- Councillor **Mary Bateman**
- Councillor **Phil Bateman** MBE
- Councillor **Craig Collingswood**
- Councillor **Andrew McNeil**
- Councillor **Claire Simm**

The following members also served on the Committee during 2020-2021:

- Former Councillor **Roger Lawrence**
- Councillor **Barbara McGarrity** QN
- Councillor **Lynne Moran**

We are also delighted that during the year we had 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 **John Humphries**



## 2

## Key business

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

MEETING	ACTIVITY
<b>22 June 2020</b>	Covid-19 and Strategic Risk Register
	Annual Governance Statement 2019-2020
	Annual Internal Audit Report 2019-2020
	Internal Audit and the impact of Covid-19
	CIPFA Audit Committee Update
	Payment Transparency
	Counter Fraud Update
<b>29 July 2020</b>	Covid-19 Risk Register Update
	Draft Statement of Accounts 2019-20
<b>28 September 2020</b>	Update on the Statement of Accounts
	Covid-19 and Strategic Risk Register
	Audit and Risk Committee Annual Report 2019-2020
	Internal Audit Update
	Internal Audit Charter – Annual Review
	Counter Fraud Update
	Payment Transparency
<b>26 November 2020</b>	Audited Statement of Accounts 2019-2020

MEETING	ACTIVITY
<b>7 December 2020</b>	Covid-19 and Strategic Risk Register
	Internal Audit Update
	Counter Fraud Update
	Payment Transparency
	The Redmond Review
<b>8 March 2021</b>	External Audit Progress Report and Update
	External Audit – Informing the Risk Assessment
	Accounting Estimates
	Accounting Estimate Management Summary
	Covid-19 and Strategic Risk Register
	Audit and Risk Committee – Terms of Reference
	Internal Audit Update
	Internal Audit Plan 2020-2021
	CIPFA Audit Committee Update
	Counter Fraud Update
	Payment Transparency
<b>21 June 2021</b>	Accounting Estimates for the West Midlands Pension Fund
	Assessment of Going Concern Status
	Review of Compliance with the CIPFA Financial Management Code
	Annual Governance Statement 2020-2021
	External Audit 2019-2020 Annual Audit Letter
	External Audit 2020-2021 Audit Plan

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.

# 3

## 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:

- 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
- 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.





## National Fraud Initiative Report

July 2020



During the year the Committee received the Cabinet Office's latest National Fraud Initiative Report. The NFI programme is an exercise co-ordinated by the Cabinet Office. Every two years data for the NFI programme is provided with data from over 1,000 participating organisations from the public and private sectors including councils, government departments, private registered providers of social housing (housing associations) and pension scheme providers.

Those organisations who participate receive the resulting data match reports for consideration and investigation. The data matches identify inconsistencies that may require further investigation and allows potentially fraudulent claims and payments to be identified.

The report identified the results from the National Fraud Initiative exercise for the period April 2018 to April 2020. Fraud of £215.8 million was detected and prevented through the programme in England. £65.1m of the total figure was of detected fraud, with the remaining £150.7m being an estimated value or potential future loss.

The key areas of fraud detected nationally related to Pensions (£55.5m), Council Tax Single Person Discount (£43.9m) and Housing Benefit (£35.0m). Another noticeable area for concern was Housing Tenancy Fraud and fraud within Housing Waiting Lists (combined £25.7m).

The NFI tool is a valuable contribution in tackling fraud here at the Council.

# 4

## Key developments

**We continued with the following key developments during the year:**

- 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.
- 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. The 2020-2021 year saw a particular focus upon the risks associated with Covid-19.
- We continued to maintain 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.

## 5

## Audit and Risk Committee Training Sessions

During the year members of the Committee attended a series of remote training sessions hosted by both Audit Services and the Finance team on various matters associated with finance, audit and risk. The Committee would like to pass on our thanks to the officers who delivered this training, in what were very informative sessions.



# 6

## Our conclusion for 2020-2021

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.



## 7

## Key achievements

**We believe that our key achievements during the year were:**

- Continuing to provide assurance through a process of independent review and challenge.
- Adapting quickly to holding meetings remotely during the Pandemic.
- 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 both the Covid-19 and 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 view point.
- Maintaining a detailed focus on the actions being taken to combat fraud, in particular around Covid-19 related Business Support Grants.
- 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

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- 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

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- 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.



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- 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.

## Accountability arrangements

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- 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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