

Annual Report of the Audit and Risk Assurance Committee
2019/20



Introduction

Councillor Ahmad Bostan
Chair of the Audit and Risk Assurance Committee



The Audit and Risk Assurance Committee here at Sandwell, as across local government, is a key component of a council's corporate governance. It provides an independent and high-level focus on the audit, risk management, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the 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 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 and forms part of the council's Statement of Accounts.
- Strategic Risk Register and Assurance Map – detailing how and where the Committee can gain assurance that 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

The Committee year and its accompanying businesses was somewhat different and truncated to that of previous years, as a result of both Covid-19 and a delay in the finalising and signing-off of the 2018/19 Statement of Accounts. The delay in the accounts resulted in the Committee being unable to review and approve them, or receive the accompanying External Audit Report to those Charged with Governance during the 2019/20 year. This delay alongside Covid-19 saw the Committee which last met in January 2020, unable to meet again until well into the new financial year (September 2020). However, I believe that as at September 2020, the Committee's annual cycle of business will be back on track.

Finally, as the Chair of the Audit and Risk Assurance Committee I would like to thank all the Councillors who served on the Committee during the year, senior officers who have provided ongoing advice to the Committee, and our internal and external auditors who have all contributed towards its success.

Committee membership and attendance record – 2019/2020

	25/7/19	19/9/19	9/1/20
Councillor Ahmad Bostan	√	√	√
Councillor Peter Allen	√	√	√
Councillor Paul Moore	√	√	X
Councillor Liam Preece	√	√	X
Councillor Sandra Hevican	X	√	√
Councillor Mohammed Yaseen Hussain	√	√	X
Mike Ager (Independent - Vice Chair)	√	√	√
Heikki Doyle (Independent)	X	√	√
Jay Hussain (Independent)	X	√	√

Senior Officers from the council were also present where appropriate, including the Executive Director of Resources, Acting Section 151 Officer, Monitoring Officer, risk owners, the Head of Audit and where appropriate the External Auditor (Grant Thornton) also attended.

The Committee's business

During the 2019/20 year the Committee conducted the following business:

External Audit Progress Report and Sector Update
 Cyber Security Strategic Risk Update
 Counter Fraud Updates
 CIPFA Audit Committee Updates
 Annual Governance Statement 2018/19
 Interserve PLC Update
 Local Government and Social Care Ombudsman's Annual Report
 Local Government and Social Care Ombudsman's Investigation Report

Internal Audit Annual Report
 Internal Audit Progress Report
 Strategic Risk Register Updates
 Directorate Risk Register – Children's Services
 Directorate Risk Register – Adult Social Care, Health and Well Being
 Gas Safety Process Update
 School Place Planning Update

As referred to in the introduction, as a result of both Covid-19 and a delay in the finalising and signing-off of the 2018/19 Statement of Accounts, a number of items of annual business that would, in normal times have come before the Committee during the year, were deferred until the 2020/21 year.

The Conclusion of the Committee for 2019/2020

The Committee 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, that had not been adequately resolved.

Sources of assurance

The Committee also gained assurance in order to produce the above conclusion, from the following sources:

The work of Internal Audit

The Council's Internal Auditors gave the following opinion in their 2018/19 Annual Report:

"Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide reasonable assurance that the council has adequate and effective governance, risk management and internal control processes".

The work of the External Auditors

As noted in my introduction, there was a lengthy delay in the signing-off of the 2018/19 Statements of Accounts while the position on a number of accounting treatments were clarified. However, during the year the external auditors (Grant Thornton) have maintained their links with the Committee and at the time of this report we were awaiting the final report for their 2018/19 and 2019/20 audits. Any significant issues arising from these will be reported back to the committee where appropriate.

The Annual Governance Statement

The Annual Governance Statement operates throughout the year ended 31 March 2020 and up to the date of the approval of the annual report and accounts. Based on the council's established risk management approach, the following issues were assessed as being significant for the purpose of the Annual Governance Statement. Over the coming year appropriate steps to address these matters and further enhance governance arrangements will continue to be taken:

- Children's Services
- Resilience of the Medium Term Financial Strategy
- Data Protection Act 2018 (incorporating GDPR)
- Cyber Security
- Governance arrangements (Covid-19)
- Commonwealth Games Aquatic Centre

- Outsourcing to the Voluntary Sector
- Inclusive Economy Deal
- Covid-19 Reset and Recovery
- Sandwell Land and Property Ltd
- Brexit

Risk Management

The Committee regularly receives and reviews the council's Strategic Risk Register, and assesses the assurance provided in order to demonstrate how risks are being mitigated. It may also, where required, call in individual risks for a more detailed review. During the year the Committee received an update on the risks associated with Cyber Security, alongside a review of the directorate risk registers for both Children's Services and Adult's Social Care, Health and Wellbeing.

The Committee's main achievements

The Committee believes its key achievements during the year were:

- Maintaining a good working relationship with the council's internal and external auditors.
- Providing additional assurance through a process of on-going independent review.
- 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 council's strategic risk register and accompanying assurance map.
- Maintaining a detailed focus on the actions being taken to combat fraud
- Building the skills and knowledge of the Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
- The continued attendance of three independent members, which in turn helps broaden the Committee's experience and independent view point.

Audit and Risk Assurance Committee –Terms of Reference

Statement of purpose

Our Audit and Risk Assurance 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 Assurance 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

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.