

Annual Report of the Audit and Risk Assurance Committee
2020/21



Introduction

Councillor Manjit Gill
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 framework. 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 – 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

It was certainly a challenging year for the Committee, following its meeting in January 2020, and as a result of the outbreak of the Covid-19 pandemic, it did not meet again until September 2020. While this meant a late start for the Committee's work, during the remainder of the year it managed to catch up with the bulk of its cycle of work during a series of meetings held remotely.

The Committee's business was also impacted by delays in the signing-off of the 2019/20 Statement of Accounts and the subsequent effect in the preparation of the accounts for 2020/21. Therefore, at the time of writing, there are still elements of the 2020/21 Committee cycle to be completed.

Following the May 2021 local elections, I was pleased to take the role of the Chair of the Committee, and would like to place on record my thanks to Councillor Ahmad Bostan who chaired the Committee during the 2020/21 year, and to all of the past members who served on the Committee during the year, alongside our independent members, officers who have provided ongoing advice to the Committee and our internal and external auditors who have all contributed towards its success. I also welcome my fellow new members to the Committee and no doubt the challenges that we face together in the year ahead.

Finally, I would like to pay tribute to our late colleague Councillor Sandra Hevican who also served on the Committee during the year.

Councillor Manjit Gill

Committee membership

Membership during the 2020/21 year	New Membership for 2021/22
Councillor Ahmad Bostan (Chair)	Councillor Manjit Gill (Chair)
Councillor Peter Allen	Councillor Peter Allen
Councillor Paul Moore	Councillor Jay Anandou
Councillor Liam Preece	Councillor Kacey Akpoteni
Councillor Sandra Hevican	Councillor Ahmad Bostan
Councillor Mohammed Yaseen Hussain	Councillor Zahir Hussain
	Councillor Olwen Jones
Mike Ager (Independent - Vice Chair)	Mike Ager (Independent - Vice Chair)
Jay Hussain (Independent)	Jay Hussain (Independent)
Heikki Doyle (Independent)	Vacancy

The Committee met on the following dates:

- 3 September 2020
- 17 September 2020
- 11 February 2021
- 18 March 2021
- 24 June 2021
- 29 July 2021

Senior Officers from the council were also present as required, including the Chief Executive, Acting Section 151 Officer, Monitoring Officer, the Head of Audit and where appropriate the External Auditors (Grant Thornton).

The Committee's business

During the 2020/21 year the Committee conducted the following business:

Statement of Accounts 2018/19
Draft Statement of Accounts 2019/20
External Audit Findings Reports
External Audit Progress Reports and Sector Updates
Informing the Audit Risk Assessment
Accounting Estimate Management Summary

Internal Audit Plan 2020/21
Internal Audit Annual Report 2020/21
Internal Audit Progress Reports
Internal Audit Charter
Strategic and Covid-19 Risk Register Updates

Counter Fraud Updates
National Fraud Initiative Report 2020
Fighting Fraud and Corruption Locally Strategy for the 2020's
CIPFA Fraud and Corruption Tracker Report
Amendments to the Council's Procurement and Contract Procedure Rules
Audit and Governance Panel Update

Draft Annual Governance Statement 2019/20
Code of Corporate Governance
Financial Management Code
CIPFA Audit Committee Updates
Committee Work Programme
Redmond Review Update

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.

The work of our internal and external auditors

The council's internal auditors gave the following opinion in their 2020/21 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". However, they noted that throughout the year there were a number of key control issues, either through their work or that of other assurance providers that required addressing.

While not fundamental to the overall control environment, they gave a 'limited' rating in five of their internal audit reports and it remains important that the recommendations made in these areas are implemented and improvements made, in a timely manner.

There concerns included the significant delays in the completion and signing off of the finalisation of the 2019/20 Statement of Accounts and subsequent preparation of the

2020/21 Accounts. The background to these delays were detailed in the External Auditors Audit Findings Report for the year ended 31 March 2020, which was presented to the Committee on 18 March 2021. This included a number of high level recommendations for which an action plan has been developed and is being implemented, in respect of:

- Improving the council's asset register and property database
- Property valuations
- Bank reconciliation and control over journals
- Debtors and debt provisions

They also commented that the delays in the finalisation of the Statement of Accounts, had resulted in similar delays in the production of the council's 2019/20 Annual Governance Statement, which then forms part of the Statement of Accounts and which has subsequently impacted upon the council's ability to prepare its 2020/21 Annual Governance Statement. These delays also constrained the Committee in its ability to produce a timely Annual Report for 2019/20.

In the External Auditors Audit Plan for the year ending 31 March 2021, and as reported to the Audit and Risk Assurance Committee on 24 June 2021, the auditors also made reference to both a number of historic governance issues and governance over financial reporting resulting in such delays. At the time of writing the External Auditors were undertaking a wider review of governance within the council.

Counter Fraud

One of the roles of the Committee, is to review the assessment of fraud risks and potential harm to the council from fraud and corruption along with monitoring counter-fraud actions. We receive regular reports from the Counter Fraud team which provide us with updates on a range of fraud related activities including:

- Outcomes from tenancy fraud, subletting, right to buy and other investigations
- The National Fraud Initiative Report 2020
- The Fighting Fraud and Corruption Locally Strategy for the 2020's
- CIPFA's latest Fraud and Corruption Tracker Report
- The council's Fraud Risk Register

Conclusion of the Audit and Risk Assurance Committee 2020/21

While it has been a challenging year, a number of the matters noted above do cause the Committee concern, and have impacted upon the levels of assurance available to us. We recommend that the council seek to address these issues as soon as possible, and that as the year progresses we obtain further assurances set against them on a regular basis.

The Committee's main achievements

While it has been a challenging year, the Committee believes its key achievements during the year were:

- Continuing to maintain 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.
- 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 our 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.