

Annual Report of the Audit and Risk Assurance Committee  
2022/23



## Introduction

Councillor Liam Preece  
Chair of the Audit and Risk Assurance Committee



In line with CIPFA's Position Statement on Audit Committees in Local Government, the Audit and Risk Assurance Committee here at Sandwell, is a key component of the 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.
- Regular monitoring of the Council's Improvement Plan.

Finally, I would like to place on record my thanks to the past members who served on the Committee during the year, along with our independent members, officers who provided ongoing support to the Committee, and our internal and external auditors.

Thank you.

**Councillor Liam Preece**

## Committee membership

Membership during the 2022/23 year	Membership for 2023/24
Councillor Liam Preece (Chair)	Councillor Liam Preece (Chair)
Councillor Jay Anandou	Councillor Jay Anandou
Councillor Aqeela Choudhry	Councillor Harnoor Bhullar
Councillor Luke Giles	Councillor Amolak Singh Dhariwal
Councillor Nicky Hinchliff	Councillor Luke Giles
Councillor Syeda Khatun MBE	Councillor Vicki Smith
Councillor Steve Melia	Councillor John Tipper
Mike Ager (Independent - Vice Chair)	Mike Ager (Independent - Vice Chair)
Jay Hussain (Independent)	Jay Hussain (Independent)

The Committee met on the following dates:

- 29 September 2022
- 15 November 2022
- 19 January 2023
- 16 March 2023
- 5 June 2023
- 20 July 2023

Senior Officers from the council were also present as required, including the Director of Finance/Section 151 Officer, Monitoring Officer, the Head of Finance, Head of Audit, other directors and where appropriate the External Auditors (Grant Thornton).

## The Committee's business

During the 2022/23 year the Committee conducted the following business:

- Council Improvement Plan Progress
- Improvement Plan External Review Reports (including Grant Thornton's Value for Money Governance Review, Grant Thornton's Follow Up Review Report, the LGA Corporate Peer Challenge Progress Review and the CIPFA FM Model Assessment Report)
- Improvement Plan – Phase 2 and Phase 3 Refresh
- Improvement Plan Risk Register
- Statement of Accounts 2020/21

- Internal Audit Annual Report 2022/23
- Internal Audit Progress Reports
- Internal Audit Plan 2023/24
- Internal Audit Charter
- Counter Fraud Annual Report

- Corporate Risk Management Strategy
- Strategic Risk Register Updates
- Law and Governance – Directorate Risk Register
- Adult Social Care – Directorate Risk Register
- Housing – Directorate Risk Register
- Business Strategy and Change - Directorate Risk Register
- Regeneration and Growth – Directorate Risk Register
- Borough Economy – Directorate Risk Register
- Strategic Risk Review – Customer Journey

- Audit and Risk Assurance Committee – Annual Report 2022/23
- Audit and Risk Assurance Committee Resolution - Update
- Audit and Risk Assurance Committee Terms of Reference Review
- ICT Incident Report
- Local Government and Social Care Ombudsman Annual Report - 2021/22
- Committee Work Programme
- Cabinet Forward Plan

However, an element of the Committee's normal cycle of business was impacted during the year by the ongoing delays experienced in the approval of the 2020/21 Statement of Accounts (since achieved in August 2023), and the subsequent impact this had on the preparation of the accounts for both 2021/22 and 2022/23.

## Key Sources of Assurance

### *Risk Management*

The Committee regularly received and reviewed both the Council's Strategic and Improvement Plan Risk Registers, and assessed the assurance provided in order to demonstrate how risks were being mitigated. It also called-in the Customer Journey risk for a more detailed deep-dive review.

The Committee also had sight of a wide range of directorate risk registers as detailed in the table above. For each such review the relevant director attended the respective Committee meeting in order to provide additional information on how the risks within their directorate were being managed, and to answer any questions members raised.

### *The work of our Internal Auditors*

The Council's Internal Auditors gave the following opinion in their 2022/23 Annual Report:

"Based on the work undertaken during the year by Internal Audit, alongside that undertaken by other external bodies, and as part of the continuing actions being taken by the Council in implementing the recommendations included in, and monitoring of, the Improvement Plan, we can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes. However, it should be noted that the ongoing delays in the finalising and approving of the Council's Statement of Accounts from 2020/21 onwards, will need addressing in order to provide the Council with a more comprehensive and overall wider level of assurance going forward".

They also commented that the delays to the Statement of Accounts had resulted in similar delays in the production of the Council's accompanying Annual Governance Statements.

### *The work of our External Auditors*

With regards to Grant Thornton's initial Value for Money Governance Review conducted in the Autumn of 2021, during the year they conducted a follow-up review to determine if the Council had improved its governance arrangements. Particular focus was placed on progress made against the recommendations that had been incorporated into the Council's Improvement Plan. Their follow-up review found that the Council had continued to build on the initial improvements recognised in their original report, and had made significant progress on a number of their recommendations.

As the Council neared to completing its Statement of Accounts for 2020/21, it received the External Auditors Audit Findings Report for 2020/21. This report referenced the difficulties they had experienced in completing their work, and which had subsequently resulted in the significant delay in the issuing of the report itself. While the 2020/21 accounts have now recently since been finalised, the delay has impacted upon the ability for the same for both the 2021/22 and 2022/23 accounts. The need for the Council to complete these further annual accounts as soon as possible, and thereby enable Committee to move to a more traditional annual cycle of business, has been raised as part of the Committee's conclusion for the year, later in this report.

## *The Council's Improvement Plan*

The Committee continued to receive regular updates on the strong progress being made in implementing the actions within the Council's Improvement Plan. As part of the Council's assurance framework for the Improvement Plan, the LGA, Grant Thornton and CIPFA conducted follow-up reviews in order to evaluate the Council's progress on implementing the specific recommendations from their individual reviews. The positive responses to the findings from the follow-up visits were reported back to the Committee during the year.

## *Counter Fraud*

We receive reports from the Counter Fraud team which provide us with updates on a range of fraud related activities including the outcomes from tenancy fraud, subletting, right to buy and other investigations, alongside details of any fraud prosecutions, and the Cabinet Office's National Fraud Initiative exercise.

## Conclusion of the Audit and Risk Assurance Committee 2022/23

The Audit and Risk Assurance Committee has operated in a manner that ensured compliance with CIPFA's Position Statement on Audit Committees in Local Authorities.

The Committee were pleased to note the strong progress being made across the Council in implementing the actions within the Council's Improvement Plan, alongside the positive feedback received from the LGA, Grant Thornton and CIPFA as a result of their follow-up reviews during the year. This also included positive feedback on the implementation of the Grant Thornton key recommendations specific to this Committee.

However, we did also note the continuing delays in the completion, approval and signing-off of the Council's Annual Statements of Accounts. While the approval of the 2020/21 Statement of Accounts, with an unqualified opinion, was successfully achieved in August 2023, it is important that work continues in order to achieve the same successful sign-off of the accounts for both 2021/22 and 2022/23. This will also enable the Committee to revert back to the expected full annual cycle of business.

## The Committee's main achievements

The Committee believes its key achievements during the year were:

- Regular consideration and review of the Council's Strategic Risk Register.
- The review of a number of underpinning directorate risk registers.
- The resolution of long-standing Committee related matters.
- Monitoring the progress against the Council's Improvement Plan, and the various external reviews that have been undertaken in recent times.
- Continuing to maintain a good working relationship with the council's internal and external auditors.
- Helping to raise the profile of internal control issues across the Council, and of the need to ensure that audit recommendations are implemented.
- Maintaining a detailed focus on the actions being taken to combat fraud.
- The continued attendance of our two independent members, which in turn helps broaden the Committee's experience and independent viewpoint.

## 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 an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal audit and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

### *Governance, risk and control*

To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.

To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.

To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

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.

### *Arrangements for Audit and Assurance*

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

### *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 consider additional commissions of work from external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

To provide free and unfettered access to the committee chair for the auditors, including the opportunity for a private meeting with the committee.

### *Financial and Governance Reporting*

#### **Governance Reporting**

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's opinion.

To consider whether the annual evaluation for the annual governance statement fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

#### **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 arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

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, including a conclusion on the compliance with the CIPFA Position Statement.