

Annual Report of the Audit and Risk Assurance Committee
2023/24

DRAFT



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.

During the year the Committee received additional assurance through the council coming out of intervention, and with Grant Thornton lifting their three statutory recommendations.

Finally, I would like to place on record my thanks to the past members who served on the Committee during the 2023/24 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 2023/24 year	Membership for 2024/25
Councillor Liam Preece (Chair)	Councillor Liam Preece (Chair)
Councillor Jay Anandou	Councillor Maria Crompton
Councillor Harnoor Bhullar	Councillor Luke Giles
Councillor Amolak Singh Dhariwal	Councillor Rizwan Jalil
Councillor Luke Giles	Councillor Thomas Johnston
Councillor Vicki Smith	Councillor Les Trumpeter
Councillor John Tipper	Councillor Jag Singh
Mike Ager (Independent - Vice Chair)	Mike Ager (Independent - Vice Chair)
Jay Hussain (Independent)	Jay Hussain (Independent)

The Committee met on the following dates:

- 21 September 2023
- 22 November 2023
- 18 January 2024
- 22 February 2024
- 18 July 2024

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

The Committee's business

During the 2023/24 year the Committee conducted the following business:

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| <ul style="list-style-type: none">• Council Improvement Plan Progress• Improvement Plan Risk Register• Grant Thornton Governance Follow-up Report and Improvement Plan Update• External Auditors Audit Findings 2020/21• External Audit Plan 2021/22• External Auditor's Interim Annual Report 2021/22• Statement of Accounts 2021/22• External Auditors Interim Annual Report 2022/23 | <ul style="list-style-type: none">• Internal Audit Annual Report 2023/24• Internal Audit Progress Reports• Internal Audit Plan 2024/25• Internal Audit Charter• Counter Fraud Annual Report 2023/24• Strategic Risk Register Updates• Public Health – Directorate Risk Register |
| <ul style="list-style-type: none">• Local Audit Arrangements Update• Code of Corporate Governance• Annual Governance Statement 2021/22• Cyber Security Update• Oracle Cloud Implementation Report | <ul style="list-style-type: none">• Audit and Risk Assurance Committee – Annual Report 2023/24• Audit and Risk Assurance Committee Terms of Reference Review• 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 completion and approval of previous year's Statement of Accounts. Across the local government sector there have been well publicised delays experienced in the auditing and finalising of council's Statement of Accounts for some time now. At the time this report was produced, the completion of the council's 2021/22 Statement of Accounts had taken place. Compliance with the backstop legislation will ensure that the outstanding Statements of Accounts are produced and audited over the next few months, although limitation of time will mean that the audits will only be partial, rather than standard full audits.

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 Public Health risk register for a more detailed deep-dive review.

The work of our Internal Auditors

The council's Internal Auditors gave the following opinion in their 2023/24 Annual Report:

"Based on the work undertaken during the year by Internal Audit, alongside that undertaken by other external bodies, we can provide reasonable assurance that the council has adequate and effective governance, risk management and internal control processes".

They also noted that across the local government sector there had been well publicised delays experienced in the finalising of council's Statement of Accounts for some time now. At the time their report was produced, the sign-off of the council's 2021/22 Statement of Accounts were nearing completion, with the 2022/23 and 2023/24 Statement of Accounts to then follow.

The work of our External Auditors

At the Cabinet meeting in March 2024, it was reported that following the latest Grant Thornton review in October 2023, the External Auditors were satisfied that the council had made appropriate progress against the three statutory recommendations that had been made back in the Autumn of 2021, and these had now been lifted.

As referenced elsewhere in this report, and as being experienced across the sector there has been continuing delays in the completion, approval and signing-off of the council's Annual Statements of Accounts. At the time of this report the council's 2021/22 Statement of Accounts had been completed and approved. As work progresses on the subsequent years, the External Auditors also issued their Interim Annual Report for 2022/23.

The Council's Improvement Plan

Since 2021 the council received a number of critical external reviews alongside receiving Statutory Directions from what was the Secretary of State for Levelling Up, Housing and Communities, all of which passed comment on issues identified within the council's governance arrangements. This included three statutory recommendations made by the External Auditors. The recommendations made from these sources were incorporated into an agreed council wide Improvement Plan, progress against which was monitored through a number of routes including the Audit and Risk Assurance Committee.

At the Cabinet meeting in March 2024, it was reported that following the latest Grant Thornton review in October 2023, the External Auditors were satisfied that the council had made appropriate progress against the three statutory recommendations, and these had been lifted. Also, at the same Cabinet meeting it was noted that following the latest report to the Secretary of State in December 2023, government ministers concluded that the Statutory Directions would be lifted, and the council has now come out of intervention as a result of the improvements that had been made.

Counter Fraud

We received a report from the Counter Fraud team which provided 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 2023/24

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 that was made across the council in implementing the actions within the council's Improvement Plan, which ultimately saw the lifting of the three statutory recommendations alongside the council coming out of intervention.

However, we did also note the continuing delays in the completion, audit and approval of the council's Annual Statements of Accounts. Compliance with the backstop legislation will ensure that the outstanding Statements of Accounts are produced and audited over the next few months, although limitation of time will mean that the audits will only be partial, rather than standard full audits. While this is not an ideal position, it is necessary due to the position within the sector and this approach has been agreed with our External Auditor.

This should then enable the Committee to revert back to the traditional full annual cycle of business going forward.

The Committee's main achievements

The Committee believes its key achievements during the year were:

- Having an ongoing role in the monitoring of the implementation of the council's Improvement Plan, which during the year saw the council coming out of intervention.
- Regular consideration and review of the council's Strategic and Improvement Plan Risk Registers.
- 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.
- Continuing to maintain a good working relationship with the council's internal and external auditors.
- 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.