

Annual Report of the Audit and Risk Assurance Committee 2024/25



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.

Finally, I would like to place on record my thanks to the past members who served on the Committee during the 2024/25 year, along with our independent members (in particular Mr Mike Ager who retired at the end of the year after giving many years invaluable service), officers who provided ongoing support to the Committee, and our internal and external auditors.

Thank you.

Councillor Liam Preece
Committee membership

Membership during the 2024/25 year

Membership for 2025/26

Councillor Liam Preece (Chair)	Councillor Liam Preece (Chair)
Councillor Maria Crompton	Councillor Luke Giles (Vice-Chair)
Councillor Luke Giles	Councillor Aqeela Choudry
Councillor Rizwan Jalil	Councillor Rizwan Jalil
Councillor Thomas Johnston	Councillor Thomas Johnston
Councillor Les Trumpeter	Councillor Les Trumpeter
Councillor Jag Singh	Councillor Terry Fitzgerald
	Councillor Bill Gavan MBE
	Councillor Farzana Haq
	Councillor Soyfur Rahman
	Councillor Amardeep Singh
Mike Ager (Independent - Vice Chair)	Vacant – selection process underway
Jay Hussain (Independent)	Jay Hussain (Independent)

The Committee met on the following dates

- 18 September 2024
- 12 December 2024
- 20 February 2025
- 3 April 2025
- 26 June 2025

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

The Committee's business

During the 2024/25 year the Committee conducted the following business:

External Audit

- Timetable for Production and Audit of the 2022/23 and 2023/24 Statement of Accounts
- Review of Grant Thornton Recommendations
- Approval of the Council's Statement of Accounts for 2022/23 and 2023/24
- Grant Thornton Annual Audit Report 2023/24
- Grant Thornton Audit Plan 2024/25

Internal Audit and Counter Fraud

- Internal Audit Annual Report 2024/25
- Internal Audit Progress Reports
- Internal Audit Standards Update
- Strategy for Internal Audit and Internal Audit Plan 2025/26
- Counter Fraud Annual Report 2024/25
- Counter Fraud Update

Risk Management

- Strategic Risk Register Updates
- Housing Improvement and Transformation Programme Update
- Climate Change Strategic Risk
- SEND Placements and Transport Strategic Risk
- Senior Information Risk Officer Report

Governance

- Annual Governance Statement 2022/23 and 2023/24
- Audit and Risk Assurance Committee Annual Report 2023/24
- Audit and Risk Assurance Committee Terms of Reference Review
- Procurement Board Update
- Committee Work Programme

Key Sources of Assurance

Risk Management

The Committee regularly received and reviewed the Council's Strategic Risk Register, and assessed the assurance provided in order to demonstrate how risks were being mitigated. The Committee also called-in the key risks around the Housing Improvement and Transformation Programme, Climate Change and SEND Placements and Transport for a more detailed review.

The work of our Internal Auditors

The Council's Internal Auditors gave the following opinion in their 2024/25 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 they had issued seven limited assurance reports during the year, and consideration was given to these by the committee during the year. These were:

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| • Heritage Assets (including Civic Regalia) |
| • HRA – Capital Budgets |
| • Aids and Adaptions |
| • Accounts Receivable |
| • Use of Council Procurement Cards |
| • Sandwell Community School |
| • Capital Accounting |

The work of our External Auditors

In previous years there have been significant delays in finalising financial accounts, due to technical accounting issues, resource issues and delays to external audit work. The issues faced by the Council have been experienced by local authorities across the country, with a significant backlog in the publication of audited accounts of local bodies. To deal with the backlog of outstanding unaudited accounts across local bodies, on 31 July 2024, the Ministry of Housing, Communities and Local Government (MHCLG) announced their intention to implement a series of 'backstop' deadlines, by which audits of outstanding accounts must have been completed.

The legislation includes backstop dates up to and including financial year 2027/28 in order "to allow full assurance to be rebuilt over several audit cycles". The backstop dates are:

- **Financial year 2022/23: 13 December 2024 - which the Council met**
- **Financial year 2023/24: 28 February 2025 – which the Council met**
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

To comply with the anticipated backstop legislation, time did not allow for a full audit to take place of the Council's 2022/23 or 2023/24 accounts, and the Council's external auditor, Grant Thornton, applied the backstop for both financial years. Grant Thornton's audit opinions were issued with a disclaimer of opinion. Effectively this means that the auditor was not able to gain the assurance necessary to give an unmodified opinion by the backstop date. In plain terms, a disclaimer means that the auditor was unable to form an opinion. In

this instance, the reason for this was the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing. A full audit of the 2024/25 accounts is expected to be completed by the backstop date of 27 February 2026.

Counter Fraud

The counter fraud agenda is one that continues to hold significant prominence nationally. 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 is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. The Council operates a zero tolerance on fraud, corruption and bribery. 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 misappropriated money and assets from the Council. Where appropriate, arrangements will be made to ensure that such cases receive maximum publicity to deter potential fraudsters”.

During the year we received reports 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 related prosecutions and the results from the Cabinet Office’s National Fraud Initiative exercise.

Conclusion of the Audit and Risk Assurance Committee 2024/25

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.

We note the issues faced by the Council and local authorities across the country, with a significant backlog in the publication of audited accounts of local bodies. However, compliance with the backstop legislation will ensure that the Statements of Accounts for 2024/25 are produced and audited over the coming months.

It remains important that the recommendations made by both our internal and external auditors are implemented and improvements made, particularly with regards to those made in limited assurance reports, in a timely manner.

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 calling in of key risks for more detailed review.
- 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 helped 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.