

## Meeting of the City Council

### 25 January 2023

<b>Report title</b>	Auditor's Annual Report, on City of Wolverhampton Council 2021-2022	
<b>Referring body</b>	Audit and Risk Committee – 23 January 2023	
<b>Councillor to present Committee report</b>	Councillor Craig Collingswood, Chair of Audit and Risk	
<b>Wards affected</b>	All Wards	
<b>Cabinet Member with lead responsibility</b>	Councillor Obaida Ahmed, Resources and Digital City	
<b>Accountable director</b>	Tim Johnson, Chief Executive	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Claire Nye Tel Email	Director of Finance 01902 550478 <a href="mailto:Claire.Nye@wolverhampton.gov.uk">Claire.Nye@wolverhampton.gov.uk</a>
<b>Report to be/has been considered</b>	Audit and Risk Committee	23 January 2023

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#### Recommendations for noting:

The Council is asked to note:

1. The Annual Report from the Council's external auditors, Grant Thornton.

## **1.0 Purpose**

- 1.1 To update members on the Auditor's Annual Report, on City of Wolverhampton Council for 2021-2022.

## **2.0 Background**

- 2.1 Under Section 20(1)(c) of the Local Audit and Accountability Act 2014, Grant Thornton, as the Council's auditor, are required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2.2 The Code of Audit Practice issued by the National Audit Office (NAO) requires Grant Thornton to consider whether the Council has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified/unqualified Value for Money (VFM) conclusion. Instead, they now report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangement under three areas:
  - Financial sustainability
  - Governance
  - Improving economy, efficiency, and effectiveness
- 2.3 Following a recommendation from the Redmond Review, the auditor's annual report was brought to Full Council in 2022 and the same is being done this year, in line with best practice, to improve transparency to the public and ensure all members are aware of issues raised by the auditor and recommendations.

## **3.0 Outcome**

- 3.1 The Auditor's Annual Report is attached in Appendix 1 and provides the detail. To summarise:
- 3.2 Grant Thornton have completed their audit of the Council's financial statements. At the time of writing this report, the final outcome has not been confirmed, however Grant Thornton have stated that they anticipate they will issue an unqualified opinion.
- 3.3 Overall, the Grant Thornton reflected positively on the financial governance of the Council. The auditors have also reported that they did not have to apply any of their formal auditors' powers (these are detailed in Appendix 1).
- 3.4 With regards to Value for Money, the auditors are required to report on the Council's arrangements under specific criteria and can make recommendations under the following types:

- Statutory – this is a written recommendation to the Council under Section 24 (schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.
- Key – the National Audit Officer Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.
- Improvement – these recommendations, if implemented should improve arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.

3.5 Overall, no statutory or key recommendations were reported by Grant Thornton.

### **Financial sustainability**

3.6 The auditors are required to consider our arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

3.7 Grant Thornton’s report notes that we are operating in an increasingly uncertain financial environment, and although it continued to be an extraordinary year for Local Authority finances, with the impact of Covid-19 being felt throughout, the Council has continued to perform strongly in terms of its financial planning. There are now emerging cost pressures, due to the impact of inflation, but the Council has put sufficient contingencies in place to cover any current year cost pressures. However, there is still much uncertainty around the medium-term funding and cost position of the Council.

3.8 Overall, Grant Thornton reported no significant weaknesses in the arrangement to secure financial stability at the Council. They only identified three improvement recommendations.

### **Governance**

3.9 The auditors are required to consider our arrangements for ensuring that the council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

3.10 The report notes that the Council has maintained effective governance arrangements during 2021-2022 and that during 2021-2022, there has been positive developments in relation to governance arrangements at the Council, with the renewed approach to scrutiny and the approach to monitoring of linked bodies. Grant Thornton also reported that the Council continues to have good procedures around risk monitoring, budget setting, scrutiny and overall governance arrangements.

3.11 Overall, Grant Thornton reported they found no evidence of significant weaknesses in the council’s arrangements for ensuring that it makes informed decisions and property manages its risk and made no recommendations for improvement.

### **Improving economy, efficiency and effectiveness**

- 3.12 The auditors are required to consider our arrangements for improving the way the council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.
- 3.13 Overall, Grant Thornton reported that overall the Council has effective arrangements in place in relation to delivering economy, efficiency and effectiveness in its services to local residents. It also reported that the Council has good arrangements in relation to performance monitoring, procurement and partnership working.
- 3.14 Grant Thornton reported that progress has been made in relation to the weaknesses in arrangement in relation to Special Educational Needs and / or Disabilities service identified in the joint report issued by the Care Quality Commission and the Department of Education in September 2021.
- 3.15 During the audit work Grant Thornton identified a risk of significant weakness in arrangements for securing economy, efficiency and effectiveness around the Civic Halls Project. As such they reviewed the programme through ten lenses, performing additional focused risk based work over the timeline of the project from June 2018. Grant Thornton concluded whilst the project has been a significant challenge to the Council, that they do not consider there to be any significant weakness in arrangements.
- 3.16 Overall, Grant Thornton reported that they were satisfied that the Council has appropriate arrangements in place to ensure it can deliver on economy, efficiency and effectiveness and made three improvement recommendations.
- 3.17 The Annual Audit report will be presented to the Audit and Risk Committee on 23 January 2023.

### **4.0 Financial implications**

- 4.1 The financial implications are detailed in the body of the Annual Report (Appendix 1). [AS/17012023/H]

### **5.0 Legal implications**

- 5.1 Under Section 20(1)(c) of the Local Audit and Accountability Act 2014, the Council's auditor, is required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 5.2 The Code of Audit Practice issued by the National Audit Office (NAO) requires the Council's auditor to consider whether the Council has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. [DP/17012023/B]

### **6.0 Equalities implications**

- 6.1 While there are no direct equalities implications arising from the recommendation in this report, the local audit process is a key part of the preparation and sign-off of the Statement of Accounts, and thereby will aid the Council in its ability to meet its equality objectives.

## **7.0 All other Implications**

7.1 There are no other implications arising from this report.

## **8.0 Schedule of background papers**

8.1 None

## **9.0 Appendices**

9.1 Appendix 1: Auditor's Annual Report on City of Wolverhampton Council

