

<b>Report title</b>	Auditor's Annual Report, on City of Wolverhampton Council 2020-2021	
<b>Referring body</b>	Audit and Risk Committee – 14 March 2022	
<b>Councillor to present report</b>	Councillor Alan Butt, Chair of Audit and Risk Committee	
<b>Wards affected</b>	All Wards	
<b>Cabinet Member with lead responsibility</b>	Councillor Ian Brookfield, Leader of the Council	
<b>Accountable director</b>	Tim Johnson, Chief Executive	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Claire Nye	Director of Finance
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<b>Report to be/has been considered by</b>	Audit and Risk Committee	14 March 2022

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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 2020-2021.

## **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 is being brought to Full Council, 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 and issued an unqualified opinion on 11 October 2021.
- 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 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. But, despite this uncertainty, and the challenges posed by Covid-19, the Council has maintained a good financial position – reporting ‘the Council has historically performed well, with a record of strong financial and budgetary management’.

3.8 Overall, Grant Thornton reported no significant weaknesses in the arrangement to secure financial stability at the Council. They only identified two 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 ‘there are good systems in place for oversight of the budget’. ‘This constitution is regularly reviewed and updated, including very recently, in order to ensure that any changes in processes occurring as a result of Covid-19 were constitution-compliant’. ‘There is a good suite of polices in place, covering anti-fraud and corruption, and the Council has an established antifraud culture’.

3.11 Overall, the 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 it risk. They only identified three improvement recommendations in relation to governance.

### **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 they were satisfied the council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources and found no significant weaknesses in its arrangements.
- 3.14 Grant Thornton also provided commentary on the impact of Covid-19. They reported 'the council has been mindful of the impact of the pandemic on its most important resources, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the council'. Grant Thornton reported they had not identified any significant weaknesses in the council VFM arrangements for responding to the Covid-19 pandemic.
- 3.15 All recommendations along with management responses can be found in more detail in Appendix 1.
- 3.16 This report was presented to the Audit Committee on 14 March 2022.

### **4.0 Financial implications**

- 4.1 The financial implications are detailed in the body of the Annual Report (Appendix 1).  
[EB/29032022/P]

### **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.

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. [JB/29032022/P]

### **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