

REPORT OF THE CHAIR OF THE AUDIT AND ACCOUNTS COMMITTEE

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TO AUDIT & ACCOUNTS COMMITTEE

ON Wednesday 22<sup>nd</sup> June 2022

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TITLE: ANNUAL REPORT OF THE CHAIR OF THE AUDIT & ACCOUNTS COMMITTEE 2021/22

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**RECOMMENDATIONS:** It is recommended that Members consider the attached Annual Report of the Chair of the Audit & Accounts Committee for the year 2021/22 and approve its submission to Cabinet.

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**EXECUTIVE SUMMARY:** In line with best practice, the Terms of Reference for this Committee state that an Annual Report of the work of the Committee should be submitted to Cabinet. The attached report relates to the year 2021/22.

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**BACKGROUND DOCUMENTS:**

Public Sector Internal Audit Standards

Audit Committees – Practical Guidance for Local Authorities (2018)-  
CIPFA

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**KEY DECISION:** No.

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**DETAILS:** See attached report.

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**KEY COUNCIL POLICIES:** N/A

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**EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:** N/A

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**ASSESSMENT OF RISK:** There are no specific risks linked to the publication of this report.

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**LEGAL IMPLICATIONS** Supplied by: N/A

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**FINANCIAL IMPLICATIONS** Supplied by: N/A

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**PROCUREMENT IMPLICATIONS** Supplied by: N/A

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**HR IMPLICATIONS** Supplied by: N/A

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**CLIMATE CHANGE IMPLICATIONS** Supplied by: N/A

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OTHER DIRECTORATES CONSULTED:

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CONTACT OFFICER: Simon Bleckly

TEL NO: 0161 607 6651

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WARDS TO WHICH REPORT RELATES: N/A

# Salford City Council

## ANNUAL REPORT OF THE CHAIR OF THE AUDIT & ACCOUNTS COMMITTEE 2021/22

## Foreword

I am pleased to provide this foreword to the Audit & Accounts Committee's thirteenth annual report to Cabinet, which details the achievements of the Committee in 2021/22. This is my fifth annual report since rejoining the committee and unfortunately my last as I take up other duties including leader of the official opposition. Last year I said that it had been an extremely difficult year and I am afraid to say not much has changed. We are still recovering from the enormous strain placed on the council and indeed all residents of Salford, but I believe our finance and audit officers have handled this well and are to be congratulated on their fortitude. We are still recovering from the effects of the pandemic and our finances as well as those of the Country will for the time being continue to set us big challenges in how we pay for and manage the important services we are responsible for.

My one disappointment is that I was unable to sign off the accounts for 2020/21 due to queries raised by our external auditors regarding the treatment of assets transferred to the NHS but I am hopeful this will soon be resolved.

The Council continues to benefit from additional funds from central government but of course for the time being we have to manage our finances even though we are faced with a shortfall. As I said last year and it is worth repeating, the safeguarding capacity of the council and our constant monitoring of risks has stood up to the tasks it has faced and the people of Salford have played their part. I am sure we will continue to act in a safeguarding capacity on the one hand in terms of the risks which the Council may face and on the other, ensuring our finances are in order and compliant. We continue to update and work within our Terms of Reference (see Appendix A)

There continues to be a heavy burden with the amount of additional work placed on our officers and staff and I would like to thank Simon Bleckly in his first year as head of Audit and Joanne Hardman Head of Finance for the magnificent way they have handled the additional burdens and also to their respective teams who have continued to meet the challenges set. As a committee and indeed the Council we have continued to be kept well informed and advised throughout the year by our Audit and Finance teams. We see many officers from other departments throughout the year and I thank them for the time they have taken to present us with information we have requested.

The audit and accounts committee has been fortunate being served by a good inquisitive team and I would like to thank all members of the committee for their support. I must also give thanks to our two co-opted members who provide valuable insight from outside of the Council. Finally, my thanks to our clerk Liz Wright who has looked after us for a number of years for making sure we receive all papers in a timely way and for recording our proceedings and we wish her well as she leaves us to enjoy a well deserved rest.

As defined in the council's constitution members continue to have special regard to matters of governance and the following are some of the areas covered:

- Receiving and considering the content of reports from Internal Audit
- Receiving and considering reports from the council's External Auditor

- Ensuring that management teams take appropriate actions to implement the recommendations contained in these reports
- Scrutiny of specific Service Groups to ensure that audit requirements and recommendations are being met
- Receiving reports on risk management and governance issues
- Having responsibility for ensuring that the Annual Statement of Accounts and the Annual Governance Statement present a fair and accurate position of the council
- Having regard for the Annual Audit Letter provided by the council's External Auditor.

The reports that have been scrutinised over the last twelve months include:

- Council's Fraud Detection Activity
- Reports from Internal Audit and External Audit
- Strategic risk register
- Financial matters including arrears

The committee undertook a self-assessment exercise during the year in line with CIPFA good practice guidance. We use the results of this exercise to continue to highlight the role and purpose of the audit committee across the authority and establish what further training requirements need to be introduced.

We will continue to value our relationship with our internal and external auditors, and we will also continue to ensure that all recommendations in relation to audit reviews are implemented in a timely manner.

Finally as I now hand over the leadership of this committee to the very able and experienced Councillor Les Turner can I thank you all for the considerable support you have given me, I will certainly miss leading and serving on this committee and I wish you all well for the future.

**Councillor Robin Garrido**  
**Chair of the Audit & Accounts Committee 2021/22**

I look forward to working with you all over the coming year as your new chair I am certainly looking forward to the new challenge and to working with you all.

**Councillor Les Turner, Chair Audit and Accounts Committee 2022/2023**

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## **1. Introduction**

The Audit & Accounts Committee was formed in May 2008 by a merger of the existing Audit Committee and Accounts Committees. The year 2021/22 was the fourteenth year of the Committee and six meetings were held in the year.

## **2. Committee Information**

### Roles and Responsibilities

The roles and responsibilities of the Audit & Accounts Committee have been drawn up to meet with best practice as laid out in the “CIPFA Audit Committees - Practical Guidance for Local Authorities” which was updated in 2018. The updated CIPFA guidance for Audit Committees, issued in May 2018, was considered during 2018/19. CIPFA are due to publish an updated version of the Guidance in 2022 – this will be shared with Members of the Committee for consideration.

The Terms of Reference of the Committee covers the following main areas:

- Governance Risk and Control
- Internal Audit
- External Audit
- Financial Reporting
- Accountability Arrangements

The Terms of Reference is reviewed and approved on an annual basis. The Audit & Accounts Committee reviewed and approved the Terms of Reference at its meeting in March 2022. A copy of the current Terms of Reference is provided at [Appendix A](#).

### Membership

For 2021/22, the Audit & Accounts Committee consisted of eight elected Members and two independent Members. The Lead Member for Finance and Support Services is also an invitee to the committee. In line with best practice, the political representation on the committee reflects that of the council and the Chair is drawn from the official opposition party.

One of the independent Members resigned at the end of 2021/22. A recruitment exercise will be undertaken to identify a replacement.

### Meetings and Attendance

The Audit & Accounts Committee has held six meetings during this municipal year. The timing of the meetings throughout the year is designed to coincide with the governance timetable of the year; during 2021/22 this included a meeting in July to review the council's draft Annual Governance Statement and to receive the draft Statement of Accounts, and in October to approve the final version of the Annual Governance Statement and the Accounts and to receive the External Auditor's Audit Completion Report.



During 2021/22, in line with best practice, the committee was attended by: Mazars as the council's External Auditors; City Solicitor; Chief Finance Officer or the Head of Financial Management; the Head of Internal Audit; and the Internal Audit Manager. The Joint Head of Planning and Performance also attended to report updates on the strategic risk register; with other officers attending as required.

### **3. Committee Achievements**

The work of the Audit and Accounts Committee has been undertaken as detailed in the Terms of Reference. Following the March 2022 meeting, the committee completed an annual self-assessment exercise based upon Audit Committee guidance issued by CIPFA in 2018. Positive responses were received from the Members and feedback was presented to the Committee at the June 2022 meeting.

Following the local elections in May 2022 a number of new appointments were made to the Committee, including a new Chair. This will be taken into account when assessing the responses from the self-assessment and identifying training and development requirements for Committee members in the coming year.

#### Risk Management

The Committee received update reports on the council's key strategic risks at the June 2021 and January 2022 meetings of the Committee, and the Risk Management Strategy at the July 2021 meeting.

#### Internal Audit and Counter Fraud

The committee receives and approves the Internal Audit Strategy and Annual Plan for the year. The Annual Plan for 2021/22, which Members approved in June 2021, provided details of the "Assurance Themes" and the reviews that Internal Audit planned to undertake during 2021/22. Furthermore, the report breaks these themes into constituent audit areas and matches them to the council's corporate priorities, providing Members with a greater degree of detail.

During the year at each meeting, members monitored the progress against that year's Internal Audit plan by way of a progress report, and received the Head of Audit's Annual report for 2020/21 at the year end, in June 2021. This provided a satisfactory opinion on the council's systems of internal control for the year. At the September 2021 meeting, Members received the report on quality assurance and improvement of the Internal Audit Service which contained the updated action plan from the external assessment against the Public Sector Internal Audit Standards.

Between meetings, committee members were provided with summary copies of all the Internal Audit reports issued in the intervening period. Members can request a full copy of any report or address any questions they may have to the Internal Audit Manager.

At the committee meetings, the Internal Audit Manager presented the audit reports completed in the last period and the progress made by service groups in implementing the recommendations of previous reports by way of Post Implementation Reviews.

To ensure that the challenge process is robust, the Terms of Reference of the committee includes an escalation process to ensure any concerns Members have can be followed-up (see appendix A1).

The committee received updates on the actions taken by the council to minimise the risk of fraud, bribery or corruption as part of the Internal Audit progress reports. The Head of Internal Audit annual report, presented in June 2021, included a satisfactory opinion on the council's arrangements for 2020/21. Internal Audit also provided reports on special investigations that were ongoing or completed; this gives Members the opportunity to consider whether the council's Anti-Fraud, Bribery and Corruption Strategy is being effectively applied.

The collaborative partnership with the internal audit team at Warrington Borough Council continued during 2021/22. The purpose of the collaborative working is to share resources and achieve savings for both councils: under this arrangement, the Head of Audit post is shared and Warrington provide additional internal audit resource, plus management of the Counter Fraud Team.

### Accounts

In accordance with the Accounts and Audit (England) Regulations 2015, amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, the Authority's Statement of Accounts was presented to the Audit & Accounts Committee for approval at the October 2021 meeting. The Amendment Regulations had extended the deadline for final audited accounts to be published by 30 November, to accommodate the pressures imposed by the COVID-19 response. The report stated that in general the council agreed with the findings of the external auditors and had amended the unaudited version of the 2020/21 statement of accounts accordingly.

### External Audit

Public Sector Audit Appointments Limited (PSAA) appointed Mazars LLP to audit the accounts of Salford City Council for five years from 2018/19. The appointment started on 1 April 2018. In relation to the work of the External Auditors, the committee received progress reports from Mazars at each meeting. In January 2022, the committee received a report on options for appointing external auditors for the period 2023/24 to 2027/28. The committee recommended that the council joins the national auditor appointments framework managed by Public Sector Audit Appointments.

At the October 2021 meeting, after Mazars had finished their review of the accounts, the committee received Mazars' Audit Completion Report for 2020/21. The committee voted to authorise the changes to the statement of accounts outlined in the Audit Completion Report; note the representations made by the Chief Finance Officer; and authorise the Committee Chair to sign the statement of responsibilities within the statement of accounts.

### Other Work

During 2021/22, the committee also received reports in the following areas, for information or to assist with members' understanding of current issues:

- Annual report on the council's use of the Regulation of Investigatory Powers Act.
- An update on the proposals for the future of local public audit contained in the Redmond Review
- An overview of the Council's activity in supporting the distribution of COVID-19 Business Grants
- An update report on the provisional budget settlement for 2022/23
- A 12 month review of progress with the transition of Urban Vision back into Council control

### **4. Committee Priorities for 2022/23**

To build on the achievements of 2021/22 by:

- Continuing to request officers to attend the committee to explain actions being taken to mitigate risks identified on the Corporate or Service group level Risk Registers
- Ensuring that there is a comprehensive training programme in place to enable members of the committee, including new members, to discharge their duties effectively
- Reviewing the council's response to the pandemic and its impact on the council's financial management arrangements
- Reviewing the findings from the external assessment of Internal Audit against the Public Sector Internal Audit Standards, due in the Autumn of 2022
- Supporting the review of the Council's corporate governance arrangements being carried out by the Monitoring Officer and the development of corporate assurance mapping by the Head of Internal Audit

## Appendix A

# AUDIT & ACCOUNTS COMMITTEE TERMS OF REFERENCE

## Membership

Membership of the Audit and Accounts Committee will be eight members of the council, appointed in accordance with the principles of political balance, together with two independent non-voting co-opted members. The Chair of the Audit and Accounts Committee shall not be a member of the majority political group.

Members of the Audit and Accounts Committee will be appointed by the council. All Cabinet members and the elected City Mayor will not be eligible to sit on the Audit and Accounts Committee. *The Lead Member for Finance and Support Services or such other Lead Member as designated by the City Mayor from time to time will be authorised to attend meetings of the Committee but not vote.*

The Quorum shall be three members of the Audit and Accounts Committee.

## Responsibilities

The powers and responsibilities of the Audit and Accounts Committee fall in the areas described below:

### ***Purpose***

1. The audit committee is a key component of Salford City 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.
2. The purpose of the audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### ***Governance, risk and control***

3. To review the council's corporate governance arrangements against the good governance framework including the ethical framework and consider annual governance reports and the local code of governance and to recommend their adoption when satisfied.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and

- effectiveness of the council's framework of governance, risk management and control and to recommend its adoption when satisfied.
5. To maintain an overview of the council's Constitution in respect of Contract Procurement Rules and Financial Regulations.
  6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
  7. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
  8. To monitor the effective development and operation of risk management in the council.
  9. To monitor progress in addressing risk-related issues reported to the committee.
  10. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
  11. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
  12. To monitor the counter-fraud strategy, actions and resources.
  13. To review the governance and assurance arrangements for significant partnerships or collaborations.

#### ***Internal audit***

14. To approve the internal audit charter.
15. To review proposals made in relation to the provision of internal audit services and to make recommendations.
16. 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.
17. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
18. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
19. 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.
20. 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:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.

- c) 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.
21. To consider the head of internal audit's annual report:
    - a) 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.
    - b) 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 as these will assist the committee in reviewing the Annual Governance Statement.
  22. To consider summaries of specific internal audit reports as requested.
  23. 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.
  24. 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.
  25. 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.
  26. To support the development of effective communication with the head of internal audit. 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 committee.
  27. Where appropriate, to refer matters of concern to the Overview and Scrutiny Board or the relevant Scrutiny Panel.
  28. The Audit and Accounts committee has the power to call an officer to attend the committee to account to the committee the reason(s) for non-implementation of agreed internal audit recommendations.

***External audit***

29. 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 Public Sector Audit Appointments.
30. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
31. To consider specific reports as agreed with the external auditor.

32. To comment on the scope and depth of external audit work and to ensure it gives value for money.
33. To commission work from internal and external audit.
34. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### ***Financial reporting***

35. 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.
36. To review and approve the council's financial statements and Letter of Representation to the External Auditors
37. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### ***Accountability arrangements***

38. To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
39. To publish an annual report on the work of the committee to the Cabinet.

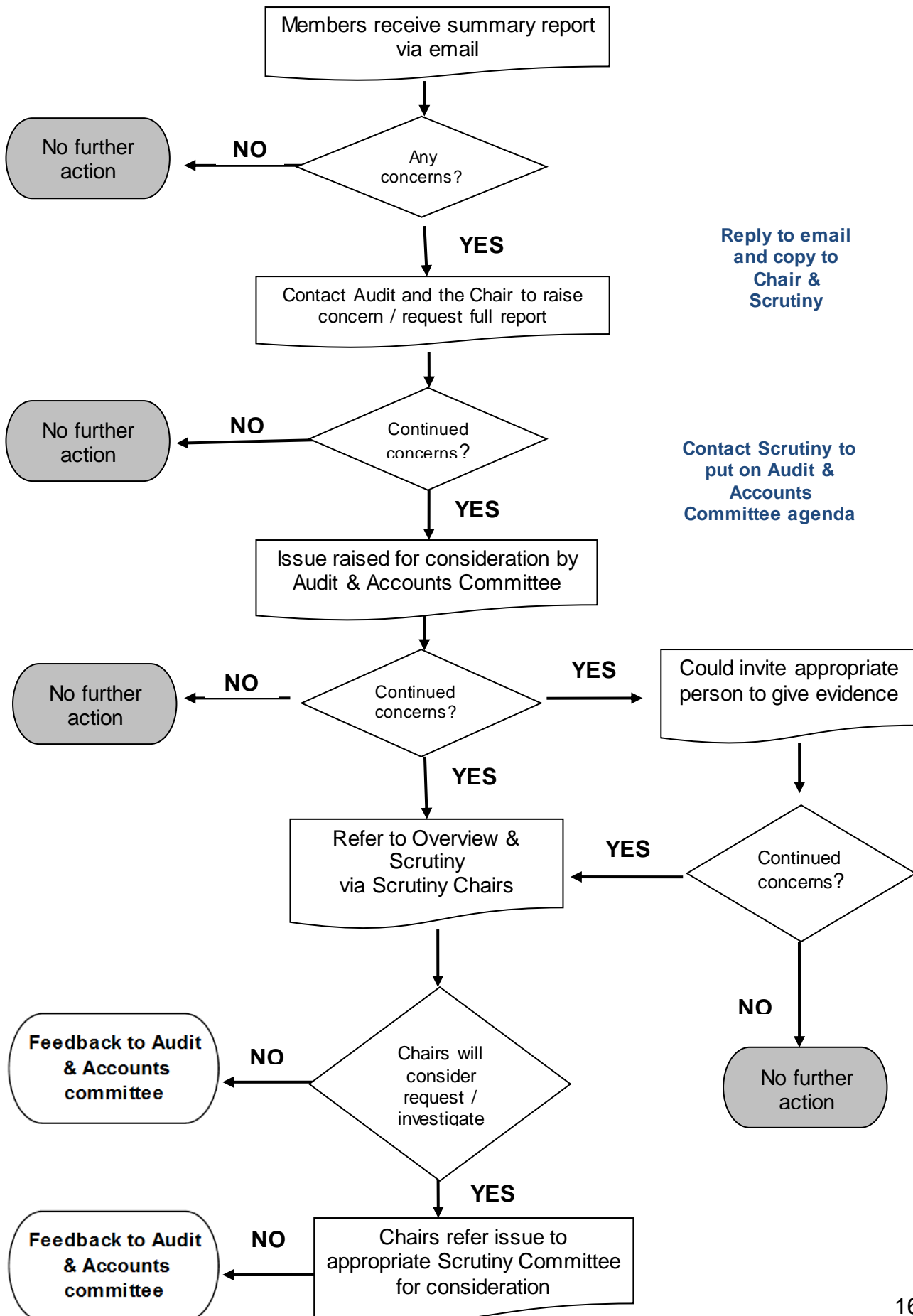
### **Delegation**

In exercising the above powers and responsibilities, the Audit and Accounts Committee shall have delegated power to make decisions and act on behalf of the council.

### **Note**

The committee may itself determine not to exercise its delegated powers and may instead make recommendations to council.

# Appendix A1 - Audit & Accounts Committee Escalation Plan





## Appendix B – Attendance 2021/22

### Key:

✓ = present; A = Apologies submitted; Blank = No apologies submitted.

Councillor	June	July	Sept	Oct	Jan	March
Councillor R Garrido (chair)	✓	✓	✓	✓	✓	
Councillor R Jones	A	✓	✓	✓	A	
Councillor M Pevitt	A	✓	A	A	✓	
Councillor G Reynolds	A	✓	✓	✓	✓	
Councillor A Shama	✓	✓	✓	✓	✓	
Councillor P Tresadern	✓	✓	✓	✓	✓	
Councillor J Walsh	✓	✓	A	A	A	
Councillor R Wain					✓	
Councillor B Hinds (invitee)	A	✓	A	A	✓	
Vittoria Bugana (co-opted member)		A	A	A		
Edoardo Bucci (co-opted member)	✓	A	✓	✓	A	

## Appendix C – Committee Activity

### Internal Audit and Risk Management

	Committee Dates					
Function/Issue	23.06.21	30.07.21	29.09.21	27.10.21	26.01.22	24.03.21
<b>Internal Audit</b>						
Internal Audit Progress Report	received			received	received	received
Audit Strategy and Plan	Received and approved					draft received
Internal Audit Charter 21/22			received			
Completed and Current Investigations Report	received					
Internal Audit Quality Assurance and Improvement Plan			received			
<b>Risk Management</b>						
Strategic Risk Management Update Report	received	Strategy received			Received	
<b>External Audit</b>						
Progress Report		received	Received		received	
External Audit Fee letter 2021/22						
2020/21 Audit Completion Report						
2020/21 Annual Audit Letter				received		
Letter of Representation 2020/21						

## Regulatory Framework and Internal Control Related Activity

Function/Issue	Committee Dates					
	24.06.20	30.07.21	29.09.21	27.10.21	26.01.22	24.03.21
Private meeting with Committee Members				Meeting held		
Audit & Accounts Committee Terms of Reference						Approved
Code of Corporate Governance		Received and approved				
Audit Committee Self-assessment Report				received and approved		
Effectiveness of Internal Audit						Received
Annual Report of the Chair of the Audit & Accounts Committee	Approved					
Annual Report of the Head of Audit	Approved					
<b><u>Accounts Related Activity</u></b>						
Statement of Accounts 2020-21		draft received		received		Update received
Annual Governance Statement		draft received		approved		
<b><u>Counter Fraud</u></b>						
Fraud Detection Activity Update				Report on COVID grants		
RIPA Annual report			received			