



Audit and Standards Committee

Tuesday, 8th July, 2014 at 6.00pm
in Committee Room 2 at the Council House, Priory Road, Dudley

Agenda - Public Session **(Meeting open to the public and press)**

1. Apologies for absence.
2. To report the appointment of any substitute Members for this meeting of the Sub-Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. To confirm and sign the minutes of the meeting held on 17th April, 2014 as a correct record.
5. Grant Thornton Fee Letter 2014/15 (Pages 1 – 6)
6. Re-appointment of Standards Sub-Committee (Pages 7 – 8)
7. Internal Audit Services Annual Performance and Review Report 2013/14 (Pages 9 – 27)
8. Committee Work Plan 2014/15 (Pages 28 – 29)
9. Risk Management (Pages 30 – 36)
10. To consider any questions from Members to the Chair where two clear days notice has been given to the Director of Corporate Resources (Council Procedure Rule 11.8).

Under the provisions of Part I of Schedule 12A to the Local Government Act 1972, the Director of Corporate Resources has decided that there will be no advance disclosure of the following reports because the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure

The submission of these reports complies with the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012


11. Resolution to exclude the public and press

Chair to move:

“That the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information under Part I of Schedule 12A to the Local Government Act 1972, as amended, for the reasons stated on the agenda.”

Agenda - Private Session **(Meeting not open to the public and press)**

12. Annual Audit Report in relation to the Chief Executives Directorate (Pages 37 – 43)
13. Annual Audit Report in relation to the Directorate of Corporate Resources (Pages 44 – 115)



Director of Corporate Resources

Dated: 26th June, 2014

Distribution:

Councillor J Cowell (Chair)

Councillor M Roberts (Vice-Chair)

Councillors A. Aston; M. Attwood; M. Evans; D. Russell; A. Taylor; K. Turner (Substitute) and D. Tyler

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- Information about the Council and our meetings can be viewed on the website www.dudley.gov.uk
- The Democratic Services contact officer for this meeting is Karen Taylor, Telephone 01384 818116 or E-mail karen.taylor@dudley.gov.uk

AUDIT AND STANDARDS COMMITTEE

Thursday 17th April, 2014 at 6.00 p.m.
in Committee Room 3, The Council House, Dudley

PRESENT:-

Councillor Cowell (Chair)
Councillor Arshad (Vice-Chair)
Councillors Perks, Russell, Taylor, K Turner and C Wilson.

Officers

Treasurer, Assistant Director (Law and Governance), Head of Audit Services, Audit Managers, Principal Auditor and Mrs K Taylor (All Directorate of Corporate Resources).

Also in Attendance

Ms. S. Joberns (Grant Thornton)

53. APOLOGIES FOR ABSENCE

Apologies for absence from the meeting were submitted on behalf of Councillors Harris and Tyler.

54. APPOINTMENT OF SUBSTITUTE MEMBER

It was reported that Councillor Perks had been appointed as substitute member for Councillor Tyler for this meeting of the Committee only.

55. DECLARATIONS OF INTEREST

No Member made a declaration of interest in accordance with Members' Code of Conduct in respect of any matter to be considered at this meeting.

56. MINUTES

Arising from the consideration of the minutes, the Chair referred to a previous meeting of the Committee in December, 2013 when it was resolved that a progress report in relation to the risk ORG0017 – Welfare Reforms would be considered by the Committee in April 2014. The Chair reported that she had agreed that a briefing note would be circulated to Committee members by 14th May, 2014, as officers were currently working on year end figures.

RESOLVED

That the minutes of the meeting held on 13th February, 2014, be approved as a correct record and signed.

57. CHANGE IN ORDER OF BUSINESS

Pursuant to Council Procedure Rule 13(c) it was:-

RESOLVED

That the remaining items of business be considered in the following order:-

Agenda Item Nos. 10, 6, 5, 7, 8, 9, 13 and 14.

58. CONFIDENTIAL REPORTING POLICY

A report of the Monitoring Officer was submitted on the monitoring of the operation of the Council's Confidential Reporting Policy.

The Assistant Director (Law and Governance) in his presentation of the content of the report and Appendix 1 to the report submitted, which was a copy of the Policy, commented that there had been two recorded incidents of use of the Policy by staff this year, which were investigated and one found to be malicious and the other not substantiated.

Arising from the presentation given Members asked a number of questions and made comments that were responded too, in particular in respect of the controls implemented to avoid allegations made that were found to be malicious.

RESOLVED

That the information contained in the report, and Appendix to the report, submitted on the outcome of the recent monitoring of the Confidential Reporting Policy, be noted.

59. GRANT THORNTON AUDIT PLAN 2013/14

A report of the Treasurer was submitted on the External Auditor's Audit Plan for 2013/14 attached as Appendix 1 to the report submitted.

Ms Joberns from Grant Thornton was in attendance at the meeting and commented on the content of the Appendix, which assessed their opinion on the Council's financial statements and the arrangements for achieving value for money.

Arising from the presentation given Members asked a number of questions that were responded too, in particular in respect of the definition of financial resilience, and equal pay status. In responding to a Member in relation to equal pay, the Treasurer reported that a total of £57million had been paid following the acceptance of offers, £2million of offers were outstanding, and provision of any future claims would need to be addressed.

RESOLVED

That the information contained in the report, and Appendix 1 to the report, submitted on the External Auditor's Audit Plan for 2013/14, be noted.

60. GRANT THORNTON AUDIT COMMITTEE UPDATE

A report of the Treasurer was submitted on a report published by Grant Thornton updating members on progress in delivering their responsibilities as Dudley's external auditors. A copy of the full report was appended to the report submitted.

Ms Joberns then presented the report and Appendix to the report submitted and commented in particular that the purpose of the report was to report progress and highlight emerging national issues and developments that may be relevant to the Council.

In responding to a question by the Chair, Ms Joberns reported that good progress had been made and all deadlines had been met.

RESOLVED

That the information contained in the report, and Appendix to the report, submitted on an Audit Committee Update published by Grant Thornton, be noted.

61. GRANT THORNTON – INFORMING THE AUDIT RISK ASSESSMENT

A report of the Treasurer was submitted on a report published by Grant Thornton "Informing the Audit Risk Assessment for Dudley Metropolitan Borough Council" to contribute towards the communication between the external auditors and the Audit and Standards Committee.

Ms Joberns presented the report and appendix to the report submitted and made reference to the proposed Management Responses to the matters covered in the report submitted.

Arising from the presentation given Members asked a number of questions and made comments that were responded too, in particular in respect of fraud and the sanctions available; the process undertaken should the Council exceed resources and the potential effects following the proposed Government changes to pensions.

RESOLVED

That the information contained in the report, and Appendix to the report, submitted on “Informing the Audit Risk Assessment for Dudley Metropolitan Borough Council” published by Grant Thornton, be noted.

62. AUDIT PLAN FOR THE PERIOD 2014/15

A report of the Treasurer was submitted on the work that the Audit Services Division planned to undertake during the period from 1st April, 2014 to 31st March, 2015, further details of which were appended to the report submitted.

The Head of Audit Services reported that there had been a reduction in members of staff since December, 2013 which had made an impact on the service, therefore work was undertaken to consolidate and balance the number of audits within the Council , in consultation with all Directors.

In responding to a question by a member in respect of the increase of audits in Chief Executive’s; the Head of Audit Services confirmed that the increase was the result of an increase in the number of corporate audits and, the merging of the Directorate with Public Health.

RESOLVED

That the information contained in the report, and Appendices to the report, submitted be noted and that the Audit Plan for the period 2014/2015, as set out in Appendix A to the report submitted be approved.

63. REVIEW OF THE CODE OF CORPORATE GOVERNANCE

A report of the Treasurer was submitted on the results of a review of the Code of Corporate Governance. A copy of the revised Code of Corporate Governance was appended to the report submitted, for approval.

Arising from the presentation of the report and Appendix to the report, submitted, the Head of Audit Services made particular reference to the draft document “Good Governance is Everyone’s Business”, as set out in Appendix B to the report submitted, produced by Audit Services, that was aimed at managers and Members.

In responding to a question by a Member in relation to the annual review of the Code of Corporate Governance; the Head of Audit Services undertook to arrange for the Chair, Vice-Chair of the Audit and Standards Committee and Cabinet Member of Finance to be involved in the consultation process.

RESOLVED

- (1) That the information contained in the report, and Appendix to the report, submitted be noted.

- (2) That the revised Code of Corporate Governance, attached as Appendix A to the report submitted, be approved.
- (3) That the Director of Corporate Resources be authorised to take the necessary action to incorporate the revised Code into the Constitution.
- (4) That the publication “Good Governance is Everyone’s Business”, attached as Appendix B to the report submitted, be approved.
- (5) That the Head of Audit Services be requested to arrange for the Chair, Vice-Chair of the Audit and Standards Committee and Cabinet Member of Finance to be involved in the consultation process in relation to the annual review of The Code of Corporate Governance.

64. EXCLUSION OF THE PUBLIC

That the public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act, 1972, as indicated below; and that in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure.

<u>Description of Item</u>	<u>Relevant Paragraphs of Part I of Schedule 12A</u>
Report Required Under Standing Orders	2 and 7
Audit Services Annual Fraud Report	2 and 7

65. REPORT REQUIRED UNDER STANDING ORDERS

A report of the Treasurer was submitted on any instances arising under Standing Order 3.2 and 9.8 during the period July to December, 2013 inclusive.

Arising from the presentation of the report and Appendix to the report, submitted, the Head of Audit Services undertook to provide the Chair with supplementary information in relation to the timeframe for reducing the backlog of work in Benefit Services.

RESOLVED

- (1) That the information contained in the report submitted be noted.

- (2) That the Head of Audit Services be requested to provide the Chair with supplementary information in relation to the reduction of the backlog of work in Benefit Services.
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66. AUDIT SERVICES ANNUAL FRAUD REPORT

A report of the Treasurer was submitted on the work that the Audit Services Division had undertaken and was planning to undertake on the issue of fraud, and on the work of the Tenancy & Benefit Fraud Teams. A copy of the Anti-Fraud and Corruption Strategy was also appended to the report submitted.

In presenting the report, the Head of Audit Services referred to the number of projects undertaken by Audit Services in providing information and education to Officers on how to prevent and detect fraud. It was also noted that information in respect of the Fraud Survey would be published through various avenues such as Message of the Day, and on payslips.

The Head of Audit Services further reported that it was likely that there would be a reduction in investigations once the Dudley Housing Benefit Fraud Team has transferred to a Single Fraud Investigation Scheme.

RESOLVED

- (1) That the information contained in the report, and Appendices to the report, submitted, be noted.
 - (2) That the suppliers "Code of Practice" be approved.
 - (3) That the Anti Fraud and Corruption Strategy, be approved, and that the Director of Corporate Resources be authorised to take the necessary action to incorporate the revised Strategy into the Constitution.
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67. COMMENTS OF THE CHAIR

This being the last scheduled meeting of the Committee in the current municipal year, the Chair thanked Members, Officers and Grant Thornton for their help and support throughout the municipal year, and gave her best wishes to Councillor C Wilson for his pending retirement.

The meeting ended at 7.30 p.m.

CHAIR

Audit and Standards Committee – 8th July 2014

Report of the Treasurer

Grant Thornton - Fee Letter 2014/15

Purpose of Report

1. This report sets out the planned audit fee for 2014/15 by the Council's external auditor, Grant Thornton. Attached is their Audit fee letter and a representative from Grant Thornton will be available at the meeting to deal with any issues.

Background

2. As Members will be aware from previous reports, the Audit Commission transferred its in-house audit practice to the private sector by outsourcing through a procurement exercise.
3. Grant Thornton, one of the big accountancy firms, were appointed to audit all local authorities in the Midlands from 1st November 2012. This followed a tender exercise run by the Audit Commission. The appointment started with the 2012-13 audit year and runs for at least three more years from that date.
4. In addition to their work on the Council's accounts and financial systems, the External Auditors carry out Value for Money (VFM) work and the Whole of Government Accounts. Outline proposals for the work to be carried out and the fees to be charged are set out below:-
 - The Annual Audit Fee Letter 2014/15 is attached as Appendix 1. This sets out work to be carried out in accordance with the Code of Audit Practice and in accordance with the Statement of Responsibilities of Auditors and of Audited Bodies
 - The letter shows a freeze in the main audit fee of £178,177. The indicative fee for grant certification has been reduced from £32,500 in 2013/14 to £17,540 for 2014/15. This is due to the removal of the Teachers Pensions, NNDR3 and council tax (HB claim) from the Audit Commission certification regime.

Finance

5. The Council has made revenue budget provision for the annual audit fee, inspection fees and grant audits. It is anticipated that any costs arising from the above audit work will be met from within existing resources.

Law

6. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Audit and Accountability Act 2014, the Local Government Act 1999 and regulations made therein.

Equality Impact

7. The proposals take into account the Council's Policy on Equality and Diversity.

Recommendation

8. That Members note the Grant Thornton fee letter attached to this report.



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Iain Newman
Treasurer

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Grant Thornton

An instinct for growth™

Our Ref KB/SJ/plb

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4th April 2014

Dear Iain

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £178,177, which compares to the audit fee of £178,177 for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £17,540.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	44,544
December 2014	44,544
March 2015	44,544
June 2015	44,545
	178,177
Grant Certification	
December 2015	17,540
Total	195,717

Outline audit timetable

We will undertake our audit planning and interim audit procedures in . Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in January-September 2015 and work on the whole of government accounts return in September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December – April 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Kyla Bellingall	0121 232 5359	kyla.bellingall@uk.gt.com
Engagement Manager	Suzanne Joberns	0121 232 5320	suzanne.joberns@uk.gt.com
Audit Executive	Mary Wren	0121 232 5254	mary.wren@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner (jon.roberts@uk.gt.com)

Yours sincerely



Kyla Bellingall
Director
for Grant Thornton UK LLP

Audit & Standards Committee – 8th July, 2014

Agenda Item 6 – Re-appointment of the Standards Sub-Committee

Proposed Amendment to Recommendation

1. That this Committee notes the decision of the Council at the annual meeting on 5th June, 2014 confirming that the proportionality requirements of the Local Government and Housing Act 1989, shall not apply to any Sub-Committee(s) established by the Audit and Standards Committee to hear complaints against Members under the Members' Code of Conduct.
2. That the Standards Sub-Committee be reappointed for 2014/15, with its existing terms of reference, and that the Sub-Committee comprise four members of this Committee; two from the controlling group together with one member from each of the opposition groups represented on the Committee.

Audit and Standards Committee – 8th July 2014

Report of the Director of Corporate Resources

Re-appointment of the Standards Sub-Committee

Purpose of Report

1. To re-appoint the Standards Sub-Committee.

Background

2. This Committee at its meeting held on 3rd July, 2012, following consideration of a report on the Localism Act, 2011 – The New Standards Arrangements, agreed amongst other things, to appoint a Standards Sub-Committee.
3. The purpose of the sub-committee is to hear and determine complaints against Members and Co-opted Members under the provision of the Members' Code of Conduct and in accordance with the local procedures that have been put in place.
4. The membership of the Sub-Committee in 2013/14 comprised four elected members, Councillors Cowell, Mrs Martin, Taylor and Tyler, being two from each political group represented on the Committee, with proportionality waived as to Membership. The Council at its annual meeting on 5th June, 2014 agreed that the proportionality requirement again be waived.

Finance

5. The cost of holding meetings of the sub-committee would be met from within existing resources

Law

6. The relevant provisions are contained in the Localism Act, 2011 together with regulations, orders and statutory guidance issued by the Secretary of State.

Equality Impact

7. The Sub-Committee will meet to hear and determine complaints about alleged breaches of the Local Code of Conduct requiring Members and Co-opted Members to behave in a manner that is consistent with seven overriding principles so as to achieve best value for their residents and maintain public confidence in the Authority. The principles will have a bearing on issues such as equality.

Recommendation

8. That the Standards Sub-Committee be re-appointed for 2014/15, with its existing terms of reference and that the Membership of the sub-committee comprise four members of this Committee, two from each of the political groups on the committee, with proportionality waived as to membership.



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Philip Tart
Director of Corporate Resources

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List of Background Papers

None

Audit & Standards Committee – 8th July 2014

Report of the Treasurer

Internal Audit Services Annual Performance and Review Report 2013/2014

Purpose of the Report

1. To give Members an overview of the performance of Audit Services in the year to 31st March 2014, and also to inform members of the Head of Audit Services review of Audit Services in line with the Accounts and Audit Regulations 2011 which requires the Council to conduct an annual review of the effectiveness of internal audit.

Background

Performance Measured Against the Strategic Plan

2. We are able to report that 89% of the planned work had been completed by the end of the year [compared with 93% in 2012/13]. The reduction was largely due to three members of staff leaving at the end of December 2013 and this meant we had to cancel or defer a number of audits and redirect resources from value for money and fraud work. In the circumstances the performance is considered excellent. The following statistics give a broad indication of the extent of the work undertaken in 2013/14 :-
 - Internal Audit reviewed 141 areas of activity. These are summarised in Appendix A, which also includes details of cancelled or deferred audits.
 - 1,279 recommendations were made, the overwhelming majority of which had been discussed and agreed with management by the year-end. Of these, 183 were classified as high. A summary of the number of recommendations by Directorate is contained in Appendix B. This shows an increase in the total number of recommendations made compared to 2012/13 when 818 recommendations were made. Whilst there are many factors behind an increase in the number of recommendations three stand out :-
 - More schools covered so this increases the number of recommendations i.e. 537 of the 1,271 recommendations.
 - Increase in IT related and HR/payroll recommendations due to change of focus by Audit
 - Carried out 33% more audits

- A thematic analysis of the recommendations raised has identified top themes and the following table identifies the top five as well as how Audit will promote practices to reduce the numbers of recommendations in these areas :-

Subject	Note
Procurement	Introduce unified Corporate Procurement Manual and on line training
Information Security	Promote the “Simple Guide to Systems” and identify suitable training courses
Income	Promote the “Simple Guide to Systems”
Inventories	As above
Payroll/Personnel	The roll out of more “Yourself” elements of PSE should help reduce the number of recommendations

Audit Services will write to all Directorates giving them details of the thematic analysis and ask them to co-operate in finding/implementing solutions.

- Audit Services reported in the Annual Fraud Report at the last meeting of the Committee a number of points related to Audit Services work in this area i.e. :-
 - Involved in 23 special investigations and provided assistance to other Fraud Teams on 15 occasions
 - Handled a large number of calls, letters or emails sent to the Fraud Hotline
 - Developed a Corporate Fraud Hub providing a single view of databases
 - Co-ordinated Corporate Fraud Groups
- 32 honorary audits were carried out.
- Consultancy work was carried out in various Directorates.
- Increased input to information governance and technology audits
- We have continued to develop our input to value for money audits and identified approximately £410,000 in efficiency savings [against a target of £350,000] during the year. Of this nearly 18% was directly cashable. The savings were identified in a range of reports and information provided to the Committee in February has been updated :-

Project	£,000
Analysis of procurement invoices, commitments and VAT	70
VFM Health Checks in Schools	149
Minor projects	50
Debtors	110
Income generating work at Schools	29

The development of value for money audit work demonstrates an added value aspect to our service.

Performance Measured Against Customer Expectation

3. To obtain feedback about the quality of work, post-audit questionnaires are issued to customers after each audit. They are asked to respond to questions relating to the various stages of the audit and are also offered the opportunity to respond to one question indicating whether they found the audit satisfactory overall [all questionnaires returned indicated yes to this question].
4. 68 questionnaires were returned in 2013/14. This represents a response rate of about 72%, compared to 50% for 2012/13. The improvement was influenced by informing Directors about the concerns of the Audit & Standards Committee over previously reported poor performance.

For 96% of the questionnaires received the overall score was good to excellent. The remaining 4% were satisfactory to good with no questionnaires scoring poor to satisfactory.

The results compare favourably with previous years :-

	2013/14 (%)	2012/13 (%)	2011/12 (%)
Received	72	50	57
Good to excellent	96	90	88
Satisfactory to Good	4	10	12
Poor to Satisfactory	0	0	0

We also received 47 compliments about the services delivered by Audit, and no complaints. It is pleasing to see a steady improvement in scores.

5. In February 2014 we reported to the Committee the results of a survey of Assistant Directors which provided a satisfactory endorsement of the proposition that Audit Services adds value.
6. In 2013, in conjunction with other Divisions of the Corporate Resources Directorate, we maintained our "Customer Service Excellence" status for excellent customer service.

Other Performance Measures

7. Over a number of years we have hardened targets to reduce the time taken from the start of audit work to the issue of draft audit report from a maximum of eight weeks to seven weeks. We achieved this target in 97% of the audits we carried out against 95% in 2012/13.

We operate Audit Process protocols with all Directors which set out our targets and also ask them to co-operate in finalising draft audit reports within six weeks of the report being issued. We achieved this in 90% of reports in 2013/14, which is an improvement over the 83% in 2012/13. The improvement was influenced by informing Directors about the concerns of the Audit & Standards Committee over previously reported poor performance.

Performance against the Business Plan was reported in September 2013 and February 2014. Overall the majority of targets were achieved.

It was previously resolved by the Committee that Audit would follow up audit reports which had an overall assurance rating of "Nil" or "Minimal" within six months of the final report being issued and the results would be passed to the Committee. This was to enable the Committee to assess management action in appropriate cases on a more timely basis. It is pleasing to note that the incidence of follow ups being required has reduced.

In addition to the formal follow up of poor audit reports, Audit has now introduced a requirement that all "High" recommendations will be followed up approximately six months after the issue of the final audit report. Follow ups carried out on "High" recommendations have shown the majority have been implemented.

Training

8. We offer a series of on line courses and run a number of workshops / briefings for school staff and governors :-

Training	11/12	12/13	13/14
Introduction to Audit on line course	138	546	523
Fraud Awareness on line course	210	200	209
Fin Regulations on line course	319	262	172
School FMS/FVS Workshop	0	107	0
School Finance M'ment Workshop	N/A	80	0
School Controls Workshop	20	30	0
Schools Bench Marking Workshop	40	30	30
Deputy Head Teacher seminar	10	6	6
Governors FMS Briefing	0	20	0

The number of training events for Schools was higher in 2011/13 due to the changes in the Financial Standards regime.

Benchmarking

9. We are members of the CIPFA Benchmarking Club for Internal Audit and supply details to enable comparison of costs with other Authorities. The results of the 2014 exercise produced the following estimates for the financial year 2014/15 :-

Description	Dudley	Average
	£	£
Cost per Auditor	48,617	54,135
Cost per £M turnover	548	764
Cost per audit day	245	303

The “cost per audit day” is proportionately lower due to us maximising the available days for audit e.g. low administrative input. The results of the 2014 benchmarking exercise will be reported to the September meeting of the Committee.

Overall costs reduce year on year and benchmarking comparisons are improving, based on budget outturn figures [actual or estimated] i.e.

2012/13	£434k
2013/14	£401k
2014/15	£367k

Internal Audit Standards

10. From the 1st April 2013, CIPFA endorsed a new set of internal audit standards which have been produced for the whole of the public sector and which are based on the Chartered Institute of Internal Audit published standards.
11. The Head of Audit carried out an assessment of Audit Services compliance against the new standards and indicates that Audit Services are largely compliant with the standards. An independent review of compliance with the standards will take place later this year.
12. Quality control of audit work is governed by the Standards and our own Audit Manual. All audits are subject to ongoing supervisory input before and during the audit. Once the audit work has been completed the file is subject to review by Audit Managers who ensure that the work is to acceptable standards. The Head of Audit Services carries out a series of file overviews to ensure that standards have been achieved in the work, reviews and reports of all staff.
13. Minor amendments were made to the Audit Charter & Audit Strategy and these were approved by the Committee in September 2013. No further amendments are required at this time.

Audit & Standards Committee

14. The roles, responsibilities and meetings of the Audit & Standards Committee are a key part of the system of internal audit.
15. New CIPFA guidance on Audit Committees was published late in 2013, and it includes their "Position Statement on Audit Committees in Local Authorities", see Appendix C[1]. The document sets out CIPFA views on the purpose, role and effectiveness of an Audit Committee.

The current Terms of Reference of this Committee are attached as Appendix C[2] and they appear to adequately cover the requirements outlined in the Position Statement.

16. CIPFA also suggest that the practices of the Audit & Standards Committee should also be self assessed and, two checklists are provided :-

Appendix D[1] Assessment of good practice

Appendix D[2] Assessment of effectiveness

They have been completed by the Head of Audit and reflect his opinion of the current level of compliance. Whilst there are a number of "no" answers it must be remembered that each Authority will have slightly different arrangements and the CIPFA guidance and assessments need to be considered within the context of how the Committee operate in this Council.

17. CIPFA also suggest Members should evaluate their skills and knowledge, and at the February meeting Members agreed to use a questionnaire based on the CIPFA model early in the new Municipal year.
18. Benchmarking of the Committee against other local authorities was undertaken and a report was submitted to the April 2013 meeting of the Committee. This identified no significant differences but did make some recommendations [e.g. increased reporting on risk management] which were accepted by the Committee.
19. We have previously reported on the abolition of the Audit Commission and that has been confirmed in the "Local Audit and Accountability" Bill which has now received Royal Assent. The Bill also confirms the requirement for an Independent Auditor Panel to deal with the appointment, and working arrangements, of the external auditors. Whilst we await secondary legislation on the precise operation of the Panel, it will need to be made up of a majority of independent members.

External Audit

20. Grant Thornton are placing some reliance on Audit Services for audits on the major financial systems, and this prevents unnecessary duplication of work and also contributes to lower audit fees. There is on-going dialogue with Grant Thornton to ensure we work in the right spirit of co-operation and avoid unnecessary duplication.

Head of Audit Opinion

21. The Head of Audit is required to report on the overall effectiveness of the systems of risk management and internal control each year. He reports that in his opinion there are currently no significant deficiencies in the system of risk management and internal control at Dudley MBC. A separate report proposing the Annual Governance Statement will be presented to the September meeting of the Committee and this will highlight future challenges to the system of risk management and internal control.
22. This opinion is based principally on the work carried out by the Audit Services Division during 2013/2014. It must be acknowledged, however, that it is not possible to review all aspects of risk management and internal control within a single year. In forming this opinion, it has also been necessary to take into account the results of work by :-
- Internal Audit in previous years
 - External Audit reports
 - Audit & Standards Committee reports
 - Other Scrutiny Committees reports

Finance

23. There are no direct financial implications arising from this report. The cost of internal audit is met from within the base budget of the Directorate.

Law

24. The Council is required under Section 151 of the Local Government Act 1972 to appoint an officer to be responsible for its financial affairs.
25. The Accounts and Audit Regulations 2011 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. They also require the Council to conduct a review at least once a year of the effectiveness of its internal audit and the findings of the review shall be considered by a committee of the relevant body.

Equality Impact

26. This report does not raise any equal opportunities issues.
27. The work of Internal Audit helps to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the work carried out.

Recommendations

28. The Committee accept this report on the performance and review of Audit Services in 2013/14.
29. The Committee consider the self assessments attached as Appendix D

A handwritten signature in black ink, appearing to read 'Iain Newman', is positioned above a horizontal line. To the left of the signature, a vertical line extends from the top of the page down to the horizontal line.

.....
Iain Newman
Treasurer

Contact Officer: Les Bradshaw (ext. 4853)

APPENDIX A

PLANNED AUDITS CARRIED OUT DURING 2013/14

Audits with an * are annual audits carried out on behalf of External Audit and are considered major systems.

DACHS	
Adult Care & Support Team - Falcon	Information Governance
Adult Care & Support Team - Wollescote Hall	Commissioning
Access Team	Shared Lives
Property Sales	Rent Collection and Setting Review *
Voids	Unicorn Centre
Woodside Day Centre	Making it Real
Race Equality and Communication Service	Adult Education
Tiled House	Home Assistance Scheme
Follow up	Neighbourhood Learning Centres
CHILDRENS SERVICES	
Dudley District Office	Transport Team
Halesowen District Office	Brierley Hill District Office
Admissions	Kitchens
Referral and Assessment Services	Catering - Finance
Care Management Services	Dudley Grid for Learning Team
Family & Adolescent Support Team	Centris ICT application review
Multicultural Support Service	Dudley Performing Arts
Teenage Pregnancy Team	Special Education Needs Team
Stourbridge Area Youth	Brierley Hill Area Youth
Follow up	Troubled Families
SCHOOLS	
Ashwood Park	Alder Coppice
Hurst Green	Newfield Park
Sledmere	Ham Dingle
Withymoore	Huntingtree
Netherton CE	Peter's Hill
Wollescote	St James' C of E
Cotwall End	Roberts
Dudley Wood	Woodside
Brockmoor	Northfield Road
Bromley Hills	Cradley C of E
Follow up	Queen Victoria
St Josephs Stourbridge	Tenterfields
Rufford	St Marks' C of E
Gig Mill	Sutton Special School
Halesbury Special School	Health and Safety
Schools Financial Value Standard	

CHIEF EXECUTIVE	
Information Governance	Corporate Governance
Emergency Planning	Community Cohesion
Section 17 Crime & Disorder Act Review	Public Health
Annual Governance Statement	Consultancy
Safeguarding	
CORPORATE RESOURCES	
Bank Reconciliation *	Housing Benefits *
Control Accounts Review *	Dudley Council Plus
Treasury Review *	Debtors System *
VAT	Radius Icon Application Review
DCS Budget Preparation and Monitoring	Business Rates Review *
Creditors System Review *	Council Tax *
Print Services	Revenues Exchequer Team Review *
DUE Budget Preparation and Monitoring	Social Fund
ICT Third Party Management	PSE Enterprise Application Review
ICT Infrastructure	Corporate Personnel & Payroll Review *
Projects	Purchase Cards Analysis
Safeguarding	Teachers Pension Scheme
Electronic Transactions (BACS) Application Review	Legal Services Review
EDRMS Document Management System Application Review	Business Continuity
Agresso Application Review (all modules)	Carbon Reduction Commitment Annual Report
Directorate Procurement	Security
RIPA	Consultancy
Follow up	
URBAN ENVIRONMENT	
Events Programme & Box Office	Operation of Stores
Town Halls [x4]	Consultancy
Cemeteries and Crematoriums [x2]	Dangerous Structures
Himley Hall	Structures (all contract stages)
Markets	Castle Hill Development
Planning Enforcement	Business First
Planning Policy	Follow up
Contaminated Land Strategy	Crossing Patrol
Environmental Protection	Assessment of Safety Schemes
MVM Application Review	Business Continuity
Security	

CANCELLED / DEFERRED AUDITS

Directorate	Audit	Reason
Chief Exec	Partnership Governance	Unable to identify suitable partnership
	Anti Social Behaviour	Team just set up, transferred to 2014/15
DUE	Local Transport Claim	Grant certification no longer required
	Section 106 Administration	Transferred to 2014/15
	Divisional Administration	Covered under Consultancy
DCR	IT Service Level Management	Low risk and will be covered in another audit
	IT Information Security	Transferred to 2014/15
	Corporate Risk M'ment	Transferred to 2014/15
DCS	Sycamore	Requested to delay to 2014/15
	Consultancy	No requested work from Directorate
	Place Planning Team	Low risk
	Children with disabilities	Requested to delay to 2014/15
Schools	St Josephs School Dudley	Converting to Academy
DACHS	New Swinford	Requested to postpone
	Consultancy	No requested work from Directorate
	Adult Protection	Requested to delay to 2014/15
	Internal Transport	Low risk
	Application Review - SWIFT	Transferred to 2014/15
	Housing Repairs Service	Reviewed voids processes during year
	Housing Stores	Requested to delay to 2014/15

APPENDIX B

TOTAL SUMMARY OF PLANNED WORK COMPLETED FOR EACH DIRECTORATE **2013/14**

Department	No. of audits	Number of Recommendations	Number of High Priority Findings	Number of Unimplemented Recommendations
Adult, Community and Housing Services	18 [14]	198 [89]	21 [17]	17 [6]
Chief Executives	9 [9]	19 [19]	4 [2]	0 [5]
Children's Services	20 [22]	262 [189]	18 [14]	56 [27]
Corporate Resources	37 [27]	173 [93]	44 [12]	11 [3]
Schools	31 [20]	537 [337]	85 [65]	96 [61]
Urban Environment	26 [14]	90 [91]	11 [18]	12 [6]
TOTAL	141	1279	183	192
2012/13	106	818	128	108

Figures for 2012/13 in brackets

Appendix C [1]

CIPFA Position Statement : Audit Committees in Local Authorities and Police

1. Audit Committees are a key component of an authority's governance framework.

Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

2. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

3. The core functions of an audit committee are to :-

- a. Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it and demonstrate how governance supports the achievement of the authority's objectives.
- b. In relation to the authority's internal audit functions :-
 - i. Oversee its independence, objectivity, performance and professionalism
 - ii. Support the effectiveness of the internal audit process
 - iii. Promote the effective use of internal audit within the assurance framework.
- c. Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations
- d. Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption.
- e. Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- f. Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- g. Review the financial statement, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

4. Audit committees can also support their authorities by undertaking a wider role in other areas including :-

- a. Considering governance, risk or control matters at the request of other committees or statutory officers
- b. Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values

- c. Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury management Code of Practice
- d. Providing oversight of other public reports, such as the annual report.

5. Although no single model of audit committee is prescribed, all should :-

- a. Act as the principal non-executive, advisory function supporting those charged with governance
- b. In local authorities, be independent of both the executive and the scrutiny functions: in police bodies, be independent of the executive or operational responsibilities of the police and crime commissioner or chief constable.
- c. Have clear rights of access to other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- d. Be properly accountable to the authority's board or equivalent bodies
- e. Meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- f. Be able to meet privately and separately with the external auditor and with the head of internal audit
- g. Include, as regular attendees, the chief financial officer(s) or appropriate senior and qualified substitute, the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required. The committee should have the right to call any other officers or agencies of the authority as required.
- h. Report regularly on their work, and at least annually report an assessment of their performance.

6. Good audit committees are characterised by :-

- a. A membership that is balanced, objective , independent of mind, knowledgeable and properly trained to fulfil their role
- b. A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- c. Unbiased attitudes – treating auditors, the executive and management fairly
- d. The ability to challenge the executive and senior managers when required.

Appendix C [2]

AUDIT AND STANDARDS COMMITTEE – Terms of Reference

1. Determination of appropriate action on recommendations of the External Auditors
2. Determination of appropriate action on recommendations about the system of internal controls, both financial and otherwise.
3. Determination of appropriate action on recommendations arising from investigations of fraud, corruption or other irregularity.
4. Determination of appropriate action on recommendations arising from audits of construction and other contracts.
5. Determination of appropriate action regarding the organisation, management and performance of the external and internal audit functions.
6. Determination of appropriate action on recommendations about the performance of the treasury management function.
7. Approval of the Certified Statement of Accounts.
8. Oversight of the proper administration of financial affairs, under Section 151 of the Local Government Act, 1972.
9. Determination of appropriate action regarding the arrangements for the Corporate Risk Process.
10. Determination of any amendments to Financial Regulations and Contract Standing Orders, including those relating to Schools.
11. Determination of all necessary action associated with the Council's Corporate Governance Arrangements.
12. Consideration and approval of the Council's Anti Fraud and Corruption Strategy.
13. To promote and maintain high standards of conduct within the Council.
14. To advise the Council on the adoption or revision of the Members' Code of Conduct.
15. To monitor the operation of the Members' Code of Conduct.
16. To assist Councillors and co-opted Members to observe the Members' Code of Conduct including advising, training or arranging to provide training on matters relating to the Members' Code of Conduct.
17. Granting dispensations to Councillors and Co-opted Members from requirements relating to interests set out in the Members' Code of Conduct.
18. All other standards functions under the relevant provisions of, or Regulations made under, the Localism Act, 2011.
19. To recommend to the Council on the appointment of an Independent Person(s) required under the Localism Act 2011 and any relevant Regulations.
20. To advise the Council on an Employees Code of Conduct.
21. To advise the Council on confidential reporting policies and procedures ("whistle-blowing") and to monitor and review the operation of the procedures.
22. To appoint any Sub-Committees, as appropriate, to hear and determine complaints against Members and Co-opted Members under the provisions of the Members Code of Conduct and in accordance with locally agreed procedures.
23. The determination of appeals made by employees against a decision of the Director of Corporate Resources concerning their inclusion in the list of Political Restricted Posts.

Onward Delegation of Functions to Director of Corporate Resources

1. The approval of the payment of fees to the Audit Commission for additional audit work necessary in the light of investigations.
2. The approval of the payment of fees to other bodies for carrying out audit work or other work associated with the performance of the audit function.

Appendix D

SELF ASSESSMENT OF GOOD PRACTICE & EFFECTIVENESS

Good practice questions	Yes	Part	No	N/A
Audit committee purpose and governance				
1 Does the authority have a dedicated audit committee?	X			
2 Does the audit committee report directly to full council?	X			
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	X			
4 Is the role and purpose of the audit committee understood and accepted across the authority?	X			
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	X			
6 Are the arrangement to hold the committee to account for its performance operating satisfactorily?	X			
Functions of the committee				
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
<ul style="list-style-type: none"> • Good governance 	X			
<ul style="list-style-type: none"> • Assurance framework 		X		
<ul style="list-style-type: none"> • Internal audit 	X			
<ul style="list-style-type: none"> • External audit 	X			
<ul style="list-style-type: none"> • Financial reporting 	X			
<ul style="list-style-type: none"> • Risk management 	X			
<ul style="list-style-type: none"> • Value for money 		X		
<ul style="list-style-type: none"> • Counter-fraud and corruption 	X			
8 is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	X			
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	X			
10 Where coverage of core areas has been found to be limited, are plans in place to address this?				X
11 Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	X			

Membership and support	Yes	Part	No	N/A
<p>12 Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> • Separation from the executive • An appropriate mix of knowledge and skills among the membership • A size of committee that is not unwieldy • Where independent members are used, that they have been appointed using an appropriate process. 	X			X
13 Does the chair of the committee have appropriate knowledge and skills?	X NB1			
14 Are arrangements in place to support the committee with briefings and training?	X			
15 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	X NB1			
16 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	X			
17 Is adequate secretariat and administrative support to the committee provided?	X			
18 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			X	
19 Has the committee evaluated whether and how it is adding value to the organisation?			X	
20 Does the committee have an action plan to improve any areas of weakness?				X

NB1 : Agreed that a Skills & Knowledge Questionnaire will be completed early in new Municipal year.

Evaluating the effectiveness of the audit committee

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Yes	Part	No	N/A
Promoting the principles of good governance and their application to decision making	Providing robust review of the AGS and the assurances underpinning it. Working with key members/ governors to improve their understanding of the AGS and their contribution to it. Supporting review/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	X X	 X 	 X	 X
Contributing to the development of an effective control environment	Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	X X X			
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking. Monitoring improvements. Holding risk owners to account for major / strategic risks.	X X X			
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeing to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.	 X		X X	

		Yes	Part	No	N/A
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	X X			
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.			X X	
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. NB2 : Based on External Audit reports	X NB2			
Supporting the development of robust arrangements for ensuring value for money.	Considering how performance in value for money is evaluated as part of the AGS.	X NB2			
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangement against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2) Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.	X X		X	
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.			X X	

Audit and Standards Committee – 8th July 2014

Report of the Treasurer and the Director of Corporate Resources

Committee Work Plan 2014/15

Purpose of the Report

1. To introduce a work plan setting out a schedule of agenda items to consider at Committee meetings in the new Municipal year.

Background

2. A Benchmarking Report, presented to the April 2013 Committee meeting, compared working practices with Birmingham City Council and the other Black Country Councils.
3. A number of recommendations were made and accepted by the Committee, including the introduction of a work plan report setting out scheduled agenda items for the Committee at the first meeting in the Municipal year.
4. Attached as Appendix 1 is a draft schedule of agenda items for the five meetings in the new Municipal year.

Finance

5. There are no direct financial implications in this report.

Law

6. The Accounts and Audit Regulations 2011 require the Council to have an adequate and effective system of internal audit which includes all elements of the audit framework including the Audit & Standards Committee.

Equality Impact

7. This report does not raise any equal opportunities issues.

Recommendations

8. The Committee notes the contents of this report and approves the agenda schedule at Appendix 1.



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Iain Newman
Treasurer



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Philip Tart
Director of Corporate Resources

Contact Officer: Les Bradshaw (ext. 4853)

Appendix 1

Schedule of Agenda items – Municipal Year 2014/15

Date of Meeting	Report
2014	
8 July	Risk Report
	Grant Thornton Fee Letter
	Audit Services Performance/Review Report 13/14
	Annual Audit Report - Chief Executive
	Annual Audit Report – Corporate Resources
	Committee Work Plan 14/15
	Re-appointment of Standards Sub Committee
18 September	Statement of Accounts 13/14
	Annual Governance Statement 13/14
	Treasury Management
	Annual Audit Report – Urban Environment
	Exceptions to Standing Orders 01/14 – 06/14
	Grant Thornton Audit Findings Report
	Grant Thornton Audit Committee Update Report [possible]
	Audit Services Interim Performance Report
9 December	Annual Audit Report – Adult Community & Housing Services
	Grant Thornton Audit Committee Update Report [possible]
	Grant Thornton Annual Audit Letter
	Annual Report of the Committee on Standards in Public Life
	Disciplinary suspensions
	Risk Report
2015	
10 February	Audit Services Interim Performance Report
	Annual Audit Report – Children’s Services
	Grant Thornton Fee Letter 14/15
	Grant Thornton Audit of Grants 13/14
	Grant Thornton Audit Committee Update [possible]
	Risk Management Strategy
	Treasury Management
15 April	Exceptions to Standing Orders 07/14 – 12/14
	Annual Fraud Report [including Anti Fraud & Corruption Strategy]
	Audit Services Plan 15/16
	Code of Corporate Governance
	Confidential Reporting Policy
	Grant Thornton Opinion Plan 14/15
	Grant Thornton Audit Committee Update [possible]
	Grant Thornton Informing The Audit Risk Assessment

Audit and Standards Committee 8th July 2014

Report of the Treasurer

Risk Management

Purpose of Report

1. To update members on current Corporate Risks and other matters relating to risk management.
2. To provide information relating to particular corporate risks as previously selected by this Committee.

Background

3. This Committee requested it should receive details of Corporate Risks three times per annum. This is the first such report for the current municipal year.

Corporate Risks

4. Appendix 1 shows details of Corporate Risks as reviewed by Corporate Board on the 20th May 2014 and therefore those appearing at the highest level on the Council's risk register. At this time, Board made changes to some risks, mainly in the form of new or revised mitigating controls. This is seen as a vital part of Board's role in overseeing risk management and identifying the most appropriate and effective means of mitigating risks. In simple terms, these risks are generally acknowledged as being the most significant facing the Council, impacting upon at least one or several of Council's key objectives.
5. Corporate Board also receives reports on Corporate Risks at least 3 times per annum and in addition, all Directors continue to review Directorate risks on a quarterly basis which form part of the Quarterly Corporate Performance Report.
6. In addition to risks tabled in Appendix 1, it is acknowledged that this Committee may identify any additional risks that it considers should form part of the Corporate Risks list.
7. At its last meeting on 14th February 2014, this Committee agreed to scrutinise risk ORG0021. This risk relates to Children's Services, in particular in the context

of a climate of increasing demand for services but reducing budgets. This risk will be discussed in more detail by Ian McGuff, Assistant Director for Children's Services who will present to the Committee.

Finance

8. There are no explicit financial implications arising from this report.

Law

9. The Council has a statutory responsibility for managing risks as laid out in Section 4 of the Accounts and Audit Regulations 2003 (amended 2006).

Equality Impact

10. Risk ORG0021 relates to services to children and young people.

Recommendations

11. That this committee:
- Notes and comments on the Corporate Risks as set out in Appendix 1.
 - Identifies any additional risks that it considers should form part of the Corporate Risks list.
 - Considers specifically Risk ORG0021 relating to children and young people.
 - Identifies a particular risk for closer scrutiny the next time a risk report is scheduled (Provisionally December 2014).






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Iain Newman, Treasurer



Contact Officer: Sara McNally, 01384 815346. sara.mcnally@dudley.gov.uk


Corporate Risks as reviewed and amended by Corporate Board 20/05/2014

Risk Ref	The Risk	Risk Rating	Risk Owner	Mitigating Controls and owners	Status since last report Feb 2014
ORG0001	Implications of Equal Pay settlements.	Moderate	Phil Tart	Specialist legal advice and support in relation to equal Pay litigation. Philip Tart	
ORG0002	The Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available.	Major	Iain Newman	<p>Financial monitoring meetings with budget holders and directorate management teams. Jan Szczechowski</p> <p>Financial intelligence networking, e.g.: Monitoring and forecasting of government grants, announcements and briefings from Department of Communities and Local Government, Local Government Association, Special Interest Group of Municipal Authorities and other relevant commentators. Jan Szczechowski</p> <p>Monitoring and forecasting of council tax and the local share of business rates (in conjunction with Accountancy and the Valuation Office Agency). Ian Wollaston</p> <p>Reporting to Cabinet and Audit and Standards Committee on spending and income and at outturn (including the Statement of Accounts). Iain Newman</p> <p>Budget and business planning processes agreed with Informal Cabinet and Corporate Board. Processes will consider budget pressures and develop savings proposals, including efficiency, transformation, alternative service delivery models and service prioritisation. Iain Newman</p>	

ORG0002	Continued			<p>Reports to Cabinet, Scrutiny Committees and Council on budget proposals. Iain Newman</p> <p>Reports to Council on the robustness and the adequacy of financial reserves (Section 25 of the Local Government Act 2003). Iain Newman</p> <p>Corporate Board to operate as a programme board for the delivery of actions to address the budget challenge. John Polychronakis</p> <p>Monitoring of the ring-fenced Public Health grant and health outcome trends to ensure evidence of high return on investment (recognising that the Council's allocation of this grant is above target). Valerie Little</p> <p>Transformation of social care and work with health partners to ensure delivery of the Better Care Fund and the requirements of the Care Bill (recognising their significance in the Medium Term Financial Strategy). Andrea Pope-Smith</p>	
ORG0003	Energy & Carbon reduction targets not achieved resulting in increased energy costs, increased carbon emissions and financial penalties under the Environment Agency CRC Scheme.	Significant	Phillip Tart	<p>All reporting obligations met in accordance with requirements of the Carbon Reduction Commitment Scheme. Energy Manager</p> <p>Creation & mtce of a new Corporate Energy and Carbon Reduction Strategy. Energy Manager</p> <p>Ongoing programme of energy and carbon reduction activities, planned, coordinated and delivered. Energy Manager</p> <p>Head of centralised property function (proposed) to have responsibilities in relation to energy management T.B.A.</p>	

ORG0007	Corporate Property Review There is a risk that the Council fails to vacate sites in a timely manner and is unable to release sites to the LLP for disposal in accordance with the development agreement, resulting in detrimental financial consequences.	Moderate	Phillip Tart	Detail project/partnership underway incorporating Corporate Property and the LLP. Steve Cooper	
ORG0013	Information Governance: The Council may fail to; assess the importance of information to the business and may be unaware of the potential impact on the organisation should the confidentiality, integrity or availability of information be compromised.	Major	Iain Newman	<p>An Information Governance Board headed by the Senior Information Risk Officer (SIRO) with an Information Risk Officer (IRO) for each directorate to oversee development of and compliance with information governance policies. Iain Newman</p> <p>An Information Governance Unit to maintain and advise on policies, coordinate responses to Freedom of Information requests and Data Protection breaches and perform other duties to support the Information Governance Board. Lewis Bourne</p> <p>Online Data Protection, Freedom of Information and Information Security training for all staff. Lewis Bourne</p> <p>Escalation of Information Governance issues to Corporate Board as required. Iain Newman</p> <p>Action Plan to ensure compliance with a Statement of Undertaking given to the Information Commissioner." John Polychronakis</p>	

ORG0017	Welfare reform/s - There is a risk that various changes to welfare and benefits could place people at risk and increase pressures on statutory services	Significant	Philip Tart	<p>Corporate Welfare Reform Project Board in place to monitor actions and outcome. Diane Channings</p> <p>Increased provision for bad debt (housing) subject to regular review. Diane Channings</p> <p>Reviewing use of Discretionary Housing Payments in line with new guidance. Mike N Williams</p> <p>Local Welfare Assistance/Members Steering Group in place a replacement scheme for DWP Social Fund. Mike N Williams</p> <p>Joint working with third sector and other external internal partners to identify and support people affected by changes. Mike N Williams</p> <p>Increase & diversify housing stock to mitigate effects of spare room subsidy Ron Sims</p>	
ORG0019	The Council acknowledges that there is a risk of fraud across all areas of its operations and is working both internally and with external partners to prevent and reduce this risk.	Significant	Iain Newman	<p>Detailed fraud risk register is held within Audit Services which is reviewed on a quarterly basis. Les Bradshaw</p> <p>Data matching exercises undertaken. Les Bradshaw</p> <p>Audit Services has detailed work programme where areas of fraud on the fraud risk register are reviewed with relevant staff / departments to examine controls in place to prevent and detect fraud. Les Bradshaw</p> <p>Fraud strategy action plan in place, monitored by Divisional Management Teams on a quarterly basis. Les Bradshaw</p>	

ORG0021	It is becoming increasingly difficult for the Council to mitigate against the risks to children and young people who are vulnerable to harm due to a rising demand and contracting budgets.	Major	Ian McGuff	<p>Protecting critical services for the most vulnerable and developing our early help offer. Ian McGuff</p> <p>Working with partners to increased their contribution early help and critical services. Ian McGuff</p> <p>Working directly with families to improve the quality of parenting in the borough. Ian McGuff</p>	
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Risk rating is a combination of impact and likelihood

Status reflects risk history since last report (Feb 2014 in this instance)

Status key:  **Worsening**  **Stable**  **Improving**