

## **Meeting of the Audit and Standards Committee**

**Thursday, 20<sup>th</sup> April, 2023 at 6.00pm**  
**in Saltwells Education and Development Centre, Bowling**  
**Green Road, Netherton, DY2 9LY**

### **Agenda - Public Session**

1. Apologies for absence.
2. To report the appointment of any substitute members serving for this meeting of the Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. [Internal Audit Plan 2023/24 \(Pages 5 – 29\)](#)
5. [Risk Management Report \(Pages 30 – 53\)](#)
6. [Audit and Standards Committee Annual Report 2022/23 \(Pages 54 – 67\)](#)
7. To consider any questions from Members to the Chair where two clear days notice has been given to the Monitoring Officer (Council Procedure Rule 11.8).

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

8. Resolution to exclude the public and press

Chair to move:

“That the public and press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information relating to any individual(s) and to the financial or business affairs of any particular person (including the authority holding that information) under Part I of Schedule 12A to the Local Government Act 1972, as amended.”

### **Agenda – Private Session**

(Meeting not open to the public and press)

#### 9. [Annual Fraud Report \(Pages 68 – 96\)](#)



**Chief Executive**

**Dated: 12<sup>th</sup> April, 2023**

**Distribution:**

**Members of the Audit and Standards Committee:**

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

Councillors S Ali, P Atkins, J Cowell, M Evans, E Lawrence, J Martin and A Taylor

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## **Audit and Standards Committee – 20<sup>th</sup> April 2023**

### **Report of the Director of Finance and Legal Services**

#### **Internal Audit Plan for 2023/24**

#### **Purpose of the Report**

1. To inform Members of the proposed Internal Audit Plan for 2023/24.

#### **Recommendations**

2. That Members note the content of this report and approve the Internal Audit Plan for 2023/24 (**Appendix A**).

#### **Background**

3. The Accounts and Audit Regulations 2015 require the council to undertake:
  - “An effective audit to evaluate the effectiveness of its risk management, control and governance processes;
  - Ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk;
  - Conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement”.

Section 151 of the Local Government Act 1972 requires the council to “make arrangements for the proper administration of their financial affairs”.

4. The work of Audit Services and the fulfilment of the audit plan enables the council to comply with these requirements and enables the Head of Audit and Risk Management (as required by the Public Sector Internal Audit Standards) to deliver an internal audit opinion on the overall adequacy and effectiveness of the council’s framework of governance, risk management and control.
5. Audit Services resources as at the 1<sup>st</sup> April 2023 are the same as at the 1<sup>st</sup> April 2022:

<b>Positions</b>	<b>FTE</b>
Head of Audit and Risk Management	1.00
Senior Principal Auditor	1.00
Principal Auditor	1.68
Corporate Fraud Manager	1.00
Senior Systems Auditor	1.00
Senior Auditors	2.12
<b>TOTAL</b>	<b>7.80</b>

6. As mentioned in reports to previous meetings of this Committee, Audit Services have a vacancy for a Principal Auditor and have tried on 4 occasions to fill the post. The last occasion was in August 2022. The vacancy has been included in a professional journal, but still very few credible applications have been received i.e. only 2 people have been interviewed over the 4 separate attempts. This post is required not only to provide additional capacity but also due to the complexity of work that now needs to be undertaken by Audit Services. Also, Audit Services have now got responsibility for Corporate Risk Management. The vacancy has resulted in some work particularly development activity being deprioritised, increased pressure on the achievement of targets and being unable to provide the necessary input into risk management. Audit and Standards Committee at its November 2022 meeting asked for the resources of Audit Services to be reviewed and this will have to be considered in the next budget setting cycle. The Head of Audit and Risk Management considers that current resources are just sufficient for him to deliver his

annual opinion as the audit plan is structured in such a way for this to be achieved.

7. In producing the audit plan for 2023/24 the following approach has been undertaken:
  - Ensure the audit universe (list of auditable areas) is complete and includes new functions and services. In order to achieve this the following was reviewed:
    - Council Plan;
    - Director Plans;
    - Council and Directorate priorities;
    - The Borough Vision “Forging a Future for All”;
    - Budget Monitoring Reports and the Medium Term Financial Strategy;
    - Customised reports from Business World and iTrent systems;
    - Committee and Boards Agendas and Minutes from January 2022 to January 2023;
    - Decision sheets and decision memorandums from January 2022 to January 2023;
    - Corporate Risk Register
    - Other Council Internal Audit Plans and Risk Registers;
    - Review of projects recorded on the Dudley Portal (Project Management System).
8. Also, this year, a questionnaire was sent out to most Heads of Service asking them to identify any changes to their service area, projects that they are involved with, any emerging risks, any assurance received and suggestions for inclusion in the 2023-24 audit plan.
9. Following the review of the Audit Universe, the audit risk assessment for each entity within the universe was updated to produce an audit priority score. The audit risk assessment would include an assessment of the risk of an area, which is then adjusted to reflect any key assurance received that Audit Services are aware of.
10. As part of the Risk Management Framework there is a requirement for Risk Owners to identify any assurance received on the management of their risks. However, due to the length of time taken by directorates to identify their risks and understand the new risk processes, the recording of assurance received has been

delayed. It is now planned to require risks owners to identify sources of assurance against their risks from quarter 1 of the new financial year. This is vital if best practice is to be adhered to and that reports can be provided to Audit and Standards Committee showing assurance received against the Corporate/SEB risks. This will then enable Audit and Standards Committee to identify any gaps in the assurance provided and help it fulfil one of its main roles.

11. Services/functions were then ranked based on their priority score (High, Medium, Low). The priority score would relate to the level of risk for an area, adjusted for any assurance previously received. The Audit Plan would generally focus on High priority areas.
12. As part of the process, Audit Services met with the Chief Executive, Deputy Chief Executive, Directors and some Heads of Service to understand their current and emerging risks and areas of concern. Also, proposals for inclusion in the Audit Plan were discussed. Although, there is a methodology to calculate the priority scores, there is still a significant amount of professional judgement involved.
13. The draft Internal Audit Plan was issued to the Chief Executive, Deputy Chief Executive, Directors and some Heads of Service for comment. The draft Internal Audit Plan was then discussed and agreed at Strategic Executive Board.
14. The proposed plan should focus Audit Services' finite resources on those areas of greatest risk that require the most pressing need for assurance. The audit plan for 2023/24 is included at **Appendix A**. The reduction in Audit Services resources over the last twenty years (Audit Services are now approximately a third of the size of previously) has meant that some areas that have previously been audited won't be audited in future because they are rated as low priority, whilst others will be done less frequently or in a different way.
15. Within the audit plan there are allocations for Contingency and Advice and Support. These allocations are to assist Directors in managing changes to their services/functions to ensure effective controls are in place and risks are being managed appropriately. It would also be used to review any emerging risks that may arise during the year.



16. It has been made clear to Directors that if a significant risk emerges during the year that was not considered within the audit planning process, then the plan may have to be adjusted to take this into account. This may mean audits that were in the initial plan being postponed. This would also be the case if there was an influx of fraud/irregularity cases that required urgent professional input.
17. There are times when something happens that was not envisaged when the audit plan was agreed that makes it impractical to carry out the planned audit. In these circumstances an audit will be selected from the Reserve List that has been notified to Directors. This would include audits that should ideally have been undertaken by now. Please see **Appendix B**.
18. If a Director requests that an audit that was included in the Audit Plan that was agreed by Audit and Standards Committee to be deferred, then the Head of Audit and Risk Management will discuss the reasons for the deferment with the Director and if he is in agreement, he will ask Members on Audit and Standards Committee for their approval for the audit to be deferred. If additional audits are added to the Audit Plan, then these will be notified to Audit and Standards Committee as soon as possible (ideally in advance of the work starting) via Interim Performance Reports.
19. The time allocated to each audit is based on past experience of auditing that area. Where an area has not been reviewed previously then professional judgement was used. These allocations can only ever be indicative as it is difficult to predict what may be found/encountered during an audit.
20. There are a number of ICT audits that have received Minimal assurance ratings, where improvement is dependent on the software provider addressing some serious security deficiencies with their software. A decision has been taken that until these security deficiencies have been rectified, there is no point in undertaking any further follow up reviews. Audit Services will continue to press the Head of Technology Systems and the Head of Digital and Customer Services to use any means available to them to get the software providers to carry out the actions required.

21. An overview of the proposed audit plan for 2023/24 is shown below:

AREA	2022-23		2023-24	
	Days	%	Days	%
Children's Services	45	3.30	50	3.80
Adult Social Care	52	3.80	54	4.00
Public Health and Wellbeing	10	0.70	12	0.90
Finance and Legal	24	1.80	57	4.30
People and Inclusion	25	1.80	25	1.80
Chief Executive Office	35	2.60	30	2.20
Communication and Public Affairs	10	0.70	12	0.90
<b>Chief Executive's Total</b>	<b>201</b>	<b>14.80</b>	<b>240</b>	<b>17.90</b>
Housing and Community Services	30	2.20	51	3.80
Regeneration and Enterprise	55	4.00	40	3.00
Public Realm	29	2.10	27	2.10
Digital, Customer and Commercial Services	50	3.70	62	4.70
<b>Deputy Chief Executive's Directorate</b>	<b>164</b>	<b>12.10</b>	<b>180</b>	<b>13.60</b>
School Audits	74	5.40	70	5.20
Fraud Action Plan	260	19.10	260	19.10
Honorary Audits	20	1.50	20	1.50
Follow Up	88	6.50	88	6.50
Contingency and Advice and Support	102	7.50	108	8.00
Income Generation Work -Academies -Schools Financial Value Standard Assessments (Approx 50) -Value For Money ( <b>NB1</b> )	125	9.20	95	7.00
Audit Management	136	10.00	124	9.20

Prior Year Work	30	2.20	30	2.20
Corporate Governance	20	1.5	10	0.80
Risk Management	140	10.30	120	9.00
<b>TOTAL</b>	<b>1360</b>	<b>100.00</b>	<b>1345</b>	<b>100.00</b>

22. Audit Services has an income target of £69,000 for 2023/24. Audit Services currently carries out traded services work by undertaking School Financial Value Standard reviews and work with a Multi-Academy Trust. This work brings in approximately £25,000 a year. The shortfall of approximately £44,000 has been funded recently by the Principal Auditor vacancy. This will need to be taken into account in a review of audit resources as part of the budget cycle and subject to the approval of Council.
23. The table above shows that approximately 7% of the plan is devoted to income generation work, approximately 19% to fraud related work and approximately 9% in relation to risk management.

## **Finance**

24. There are no direct financial implications arising from this report. The cost of Audit Services is met from within the base budget of the council.

## **Law**

25. The council has a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. This includes a duty to have effective controls and procedures in place to prevent, detect and investigate fraud.
26. The Account and Audit Regulations 2015 includes a requirement for the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

### **Risk Management**

27. The proposals contained within this report do not raise any “material” risks. The Audit Plan takes account of the risks faced by council services.

### **Equality Impact**

28. This report does not raise any equal opportunities issues.
29. The work included in the Internal Audit Plan will help to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the plan.

### **Human Resources/Organisational Development**

30. There are no human resources/organisational developments implications relating to this report.

### **Commercial/Procurement**

31. Audit Services generate income by providing a traded service to schools and academies.

### **Environment/Climate Change**

32. There are no environmental/climate change issues associated with this report.

### **Council Priorities and Projects**

33. The work undertaken by Audit and Standards Committee helps to ensure Council priorities are achieved by ensuring the Council has an effective framework of governance, risk management and internal control.



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**Iain Newman**

**Director of Finance and Legal Services**

Contact Officer: Graham Harrison

Telephone 01384 815105

Email : [Graham.Harrison@dudley.gov.uk](mailto:Graham.Harrison@dudley.gov.uk)

**List of Background Papers:**

Public Sector Internal Audit Standards

Appendix A Audit Plan 2023/24

Appendix B Audit Plan Reserve List

## APPENDIX A

DRAFT AUDIT PLAN 2023-24	DAYS	QTR1	QTR2	QTR3	QTR4	Main Purpose
						Assurance (A), Consultancy (C), Other (O)
Children's Services						
School Improvement	12			12		(A) - A statutory function of Local Authorities (LA) with responsibility for education is to ensure that all schools provide a high-quality educational experience for the children and young people in their care. In meeting these statutory duties, the LA is required to monitor, challenge and, where necessary, intervene in maintained schools. This audit will review how this is undertaken in practice.
Children's Services Contract Management	15		15			(A) - To ensure that contracts are delivered as specified and payments are made in line with the contract terms and conditions.

Information Governance/Records Management	<b>15</b>			<b>15</b>		<b>(A)</b> - To ensure that records are held in an appropriate structure preferably within a business system and retention and Data Protection Act requirements are adhered to.
Strengthening Families Grant Claim	<b>8</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>(O)</b> - To ensure Department for Levelling Up, Housing & Communities requirements are adhered to.
<b>Total</b>	<b>50</b>	<b>2</b>	<b>17</b>	<b>29</b>	<b>2</b>	
<b>Adult Social Care</b>						
Welfare Rights Team	<b>12</b>	<b>12</b>				<b>(A)</b> - To ensure that applications for financial support are effectively verified and assessed and confirming that all relevant benefits have been claimed.

Adult Commissioning/ Market Sustainability	<b>15</b>				<b>15</b>	(A) - The Local Authority has a duty under the Care Act to shape and maintain an efficient and effective market of services for meeting care and support needs in the local area. This audit will review how this is delivered.
Mental Health Team	<b>12</b>		<b>12</b>			(A) - To review the governance processes established to ensure mental health outcomes are delivered.
Delayed Transfers of Care/Better Care Fund	<b>15</b>			<b>15</b>		(A) - To ensure the obligations of the Council in line with the Better Care Fund Policy Framework are delivered including delayed transfers of care.
<b>Total</b>	<b>54</b>	<b>12</b>	<b>12</b>	<b>15</b>	<b>15</b>	



Public Health and Wellbeing						
Food Safety	12		12			(A) - To review how the Council ensures that food provided by businesses is safe to eat and labelled and handled properly.
<b>Total</b>	<b>12</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>0</b>	
Finance and Legal Services						
Treasury Management	15				15	(A) - To review how the Council manages its cashflow, borrowings and investments. Also, to include the new banking system.
Budget Management	15				15	(A) - To review how the Council sets and monitors its budget and ensures compliance with the Budget and Policy Framework and Financial Regulations.
Legal Services	12				12	(A) - To review how the Legal Services Team is managed particularly looking at case management and quality. Account will be taken of any other assurance received.

Business Rates	15	15				(A) - To review the processes for the collection of business rates income.
<b>Total</b>	<b>57</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>42</b>	
<b>People and Inclusion</b>						
Recruitment	25			25		(A) - To review the processes for the recruitment of staff and ensuring the recruitment and selection procedures are adhered to. To review what support is given to recruit to "hard to fill" posts.
<b>Total</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>0</b>	

Chief Executive Office						
Corporate Portfolio Management Office	15			15		(A) - To review the governance established over Council Projects including the use of the Dudley Portal (Verto).
Performance Data Quality	15		15			(A) - To review the Council's approach to ensuring the quality of its reported information, with a focus on Corporate Performance Indicators.
<b>Total</b>	<b>30</b>	<b>0</b>	<b>15</b>	<b>15</b>	<b>0</b>	
Communications and Public Affairs						
Events Management	12		12			(A) -To review how the Council manages its large public events.
<b>Total</b>	<b>12</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>0</b>	
<b>Chief Executive Total</b>	<b>240</b>	<b>29</b>	<b>68</b>	<b>84</b>	<b>59</b>	

Digital, Customer and Commercial Services						
Identity and Access Management	15				15	(A) - To ensure there are effective identity and access procedures in place to prevent attackers gaining access to systems, which may appear legitimate.
Digital Roadmap Governance	15			15		(A) - To ensure there is effective governance over the digital roadmap.
Corporate Procurement	20		20			(A) - To carry out a detailed review of a number of procurement exercises ensuring compliance with the Procurement Code/procurement regulations and Social Value Policy.
Business World System	12	12				(A) - To ensure that this system is managed effectively with a particular focus on payments generated from feeder systems.
<b>Total</b>	<b>62</b>	<b>12</b>	<b>20</b>	<b>15</b>	<b>15</b>	

Housing and Community Services						
Rent Accounting	15	15				(A) - To ensure Council House rent is managed and accounted for effectively.
Housing Repairs Management	20		20			(A) - To review the management processes to ensure that repairs are scheduled and delivered effectively.
Employee Warning System	12				12	(A) - As the follow up of the original audit also received a Minimal assurance rating a full audit is to be undertaken.
Grant Claims	4		4			(O) - To ensure that grant terms and conditions are adhered to.
<b>Total</b>	<b>51</b>	<b>15</b>	<b>24</b>	<b>0</b>	<b>12</b>	
Regeneration and Enterprise						
Leisure Centre Management	15	15				(A) - To review the management of leisure centres with a particular focus on income, health and safety and safeguarding.

Museums Management	15			15		(A) - To review how the Dudley collection is managed and how the Museum Service is promoted.
Very Light Railway	10				10	(A) - To review the governance over the Very Light Railway project.
<b>Total</b>	<b>40</b>	<b>15</b>	<b>0</b>	<b>15</b>	<b>10</b>	
<b>Environment</b>						
Climate Change	15				15	(A) - To review the governance to ensure that the Council's climate change commitments are delivered.
Licensing	12	12				(A) - To review how licenses are issued and how enforcement activity is carried out.
<b>Total</b>	<b>27</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>15</b>	
<b>Deputy Chief Executive Total</b>	<b>180</b>	<b>54</b>	<b>44</b>	<b>30</b>	<b>52</b>	

<b>Other</b>						
Follow Up - MINIMALS	<b>48</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	To follow up previous audits as agreed with Audit and Standards Committee: Housing Property Compliance, Electoral Services, Corporate Procurement, Corporate Building Compliance, BACS System.
Follow Up - HIGHS	<b>40</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	To follow up High priority actions in accordance with the process agreed with Audit and Standards Committee.
Advice and Support	<b>40</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	To provide day to day support to the Council.
Contingency	<b>68</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	To provide contingency in case any significant risks that require immediate assurance are identified during the year.
<b>Total</b>	<b>196</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>49</b>	

<b>Schools</b>						
School Audits	<b>46</b>	<b>28</b>		<b>18</b>		To provide assurance on the key risks in relation to Governance and Financial Management for a number of Schools (Dormston, Summerhill, Wordsley, Oldswinford, Mount Pleasant Primary, Amblecote Primary, St James C of E Primary, Newfield Park Primary, Hurst Green Primary, Withymoor Primary).
Advice and Support	<b>16</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	To provide day to day support to Schools.
Follow Up	<b>8</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	To follow up Minimal assurance audit reports and High priority actions.
<b>Total</b>	<b>70</b>	<b>34</b>	<b>6</b>	<b>24</b>	<b>6</b>	
<b>Directorates and Schools Total</b>	<b>686</b>	<b>166</b>	<b>167</b>	<b>187</b>	<b>166</b>	



Audit Management	<b>124</b>	<b>34</b>	<b>25</b>	<b>25</b>	<b>40</b>	Preparation of reports and attendance at Audit and Standards Committee and Strategic Executive Board, annual and strategic audit planning, quality control and development.
Prior Year Work	<b>30</b>	<b>30</b>				Completion of the 2022/2023 Audit Plan.
Income Generation - Schools Financial Value Standard (SFVS)	<b>50</b>			<b>30</b>	<b>20</b>	To ensure Schools are adhering to the requirements of the SFVS (approximately 50 Schools).
Value for Money	<b>20</b>			<b>10</b>	<b>10</b>	Additional work undertaken to achieve Audit Services' income target.
Fraud	<b>260</b>	<b>65</b>	<b>65</b>	<b>65</b>	<b>65</b>	To undertake prevent, detect, investigate and resolve in accordance with the Fraud Action Plan.
Honorary	<b>20</b>	<b>10</b>	<b>10</b>			To complete external review of a number of honorary accounts.
External Contracts	<b>25</b>	<b>15</b>	<b>10</b>			Contract with a Multi-Academy Trust.

Corporate Governance	<b>10</b>	<b>10</b>				To facilitate a self assessment of the Council's governance processes against best practice guidance and update the Code of Corporate Governance. To facilitate the production of the Annual Governance Statement.
Risk Management	<b>120</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	To embed and administer the Council's risk management framework.
<b>Total</b>	<b>659</b>	<b>194</b>	<b>140</b>	<b>160</b>	<b>165</b>	
<b>TOTAL DAYS</b>	<b>1345</b>	<b>360</b>	<b>307</b>	<b>347</b>	<b>331</b>	

# **Appendix B**

## **Audit Plan Reserve List**

<b><u>Digital, Customer and Commercial Services</u></b> Dudley Council Plus Information at Work System ICT Configuration Management Liquid Logic Portals ICT Inventory Management M3 System ICT Infrastructure Commercial Strategy Cheque Process MyICT/Service Desk iTrent System Business Intelligence	<b><u>Adult Social Care</u></b> Adult Social Care Income Telecare Adults at Risk Team Community Equipment Service Adult Social Care Governance Adult Social Care Contract Management Learning and Development Transitions Living Independently Team Occupational Therapy
<b><u>Chief Executive's People and Inclusion</u></b> Apprenticeship Levy Absence Management Learning and Development People Strategy Governance HR Policies and Procedures Staff Wellbeing Time Recording  <b><u>Communication and Public Affairs</u></b> Community Engagement Communication and Public Affairs Team	<b><u>Finance and Legal Services</u></b> Insurance Land Charges Schools Financial Monitoring Freedom of Information/Subject Access Requests Capital Strategy and Capital Programme General Ledger/Bank Reconciliations/Control Accounts Debtors Income Management Hardship Support Benefits Records Management VAT

<b><u>Children's Services</u></b> Youth Offending Dudley Safeguarding People Partnership School Placement Planning Youth Services Care Leavers Connexions Education Support Service Dudley Performing Arts School Admissions Specialist Inclusion Service	<b><u>Housing and Community Services</u></b> Housing Occupational Therapy Housing Strategy Voids Leaseholders Housing Contract Management Sustaining Tenancies and Safeguarding Sheltered Housing Depot Safety and Security Housing Health and Safety Anti-Social Behaviour Statutory Disrepair Community Safety Community Cohesion/Prevent/Modern Slavery Housing Stores Contract Community Engagement and Participation Resource Management Centre
<b><u>Regeneration and Enterprise</u></b> Skills and Training Strategy and Delivery Adult Education Community Asset Transfer Building Control School Asset Management/ Capital Plan UKSPF Programme Dudley Town Hall Bar and Bistro Community Infrastructure Levy Section 106 Contract Management Corporate Estates Strategy/Asset Management	<b><u>Environment</u></b> Traffic Management Parking Management Street Cleansing Street Lighting Incab Waste Management System Depot Safety and Security Highways Structures Flood Management Fleet Management Waste Contract Management Enforcement Team Environment Health and Safety

<b><u>Public Health and Wellbeing</u></b> Public Health Programme Management Intelligence Team Business Continuity Public Health Commissioning Infection Control Occupational Health and Safety Contaminated Land Use of Volunteers Emergency Planning	<b><u>Schools</u></b> Brockmoor Primary Huntingtree Primary Wollescote Primary
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**Audit and Standards Committee – 20<sup>th</sup> April 2023**

**Report of the Director of Finance and Legal Services**

**Risk Management Report**

**Purpose**

1. To discuss the risks reported to Strategic Executive Board (SEB) and the status allocated by the Risk Owner.
2. To discuss other risks for possible inclusion on the SEB risk report.
3. To provide an update on the embedding of the Risk Management Framework.

**Recommendations**

4. It is recommended that Audit and Standards Committee:
  - Notes and comments on the risks detailed in paragraphs 11 and 13.
  - Identifies any additional risks that it considers should form part of the SEB risk report.
  - Identifies a risk for detailed scrutiny at the December 2023 meeting of this Committee.
  - Approves the changes to the Risk Management Framework as detailed in paragraph 6.

## **Background**

### **Risk Management Framework**

5. The Director of Finance and Legal Services has discussed some proposed changes to the Risk Management Framework with Strategic Executive Board. However, these changes need to be ratified by Audit and Standards Committee before they can take effect.
6. It is proposed for the risk thresholds to change as detailed in the table below. It is also proposed for the “red” description to change from Extreme to Very High and for the Council’s risk appetite to change from 16 to 20.

<b>Proposed</b>		<b>Current</b>	
<b>Risk Score</b>	<b>Overall Rating</b>	<b>Risk Score</b>	<b>Overall Rating</b>
<b>20 - 25</b>	<b>Very High</b>	<b>16 - 25</b>	<b>Extreme</b>
<b>12 - 19</b>	<b>High</b>	<b>10 - 15</b>	<b>High</b>
<b>5 - 11</b>	<b>Medium</b>	<b>6 - 9</b>	<b>Medium</b>
<b>1 - 4</b>	<b>Low</b>	<b>1 - 5</b>	<b>Low</b>

7. The Head of Audit and Risk Management has decided to delay the introduction of the completion of the Risk Assurance Protocol (RAP) by Directors and those Heads of Service who report directly to the Chief Executive. It is now proposed to send the RAP out in April 2023 and it will be in relation to the 2022-23 financial year. The RAP will form a key part of the Council’s assurance framework and will be discussed within the Annual Governance Statement.
8. The Head of Audit and Risk Management has delayed requesting assurance information for the Strategic Executive Board risks and directorate risks rated Very High. Assurance information helps to answer the question “How do we know ?” and detailed guidance is included within the Risk Management Framework. Assurance information needs to be obtained in order for Audit and Standards Committee to fulfil their responsibilities, particularly in relation to reviewing the Annual Governance Statement. The Head of Audit and Risk Management would now like to implement the obtaining of assurance from quarter 1 of the new financial year.

9. Another area where progress needs to be made during 2023-24 is linking key performance indicators to risks. This would provide greater insight on how risks are being managed.
10. The Council is looking to replace its online training platform. Once a system has been implemented, Audit Services will look to develop an online training course.

### Current SEB Risks

11. The risk ratings listed below have been scored by the Risk Owner in accordance with the Likelihood and Impact definitions in the Risk Management Framework (including changes proposed in paragraph 6). Full details of the Very High Net risks included on the SEB risk report are included at **Appendix A**.

Very High (20-25)
  High (12-19)
  Medium (5-11)
  Low (1-4)

#	Risk Event / Responsible Org Unit	Gross	Net	Target
1	R.398 "SEB: Failure to comply with HR related legislative requirements." Chief Executive's	20	8	8
<b>Reviewed: 09/02/2017</b>				
2	R.399 "SEB: The inability to recruit and retain staff particularly in professional areas where there is a national shortage of skills and expertise." Chief Executive's	25	20	8
<b>Reviewed: 05/12/2022</b>				
3	R.401 "SEB: Failure to adhere to the Equality Act 2010 and Public Sector Equality Duty." Chief Executive's	20	9	4
<b>Reviewed:</b>				
4	R.410 "SEB: Failure to identify and protect adults in positions of vulnerability from harm and serious abuse as required by the Care Act 2014." Directorate of Adult Social Care	25	15	15
<b>Reviewed: 07/12/2020</b>				



5	R.411 "SEB: Failure to identify and protect children in positions of vulnerability as required under legislation." Directorate of Children's Services	25	15	15
<b>Reviewed: 23/05/2021</b>				
6	R.402 "SEB: A major external information security breach takes place resulting in the loss/disclosure of a substantial amount of personal information or a ransomware attack." Directorate of Digital, Customer & Commercial Services	25	15	8
<b>Reviewed: 15/04/2022</b>				
7	R.404 "SEB: Failure to demonstrate compliance with Contract Standing Orders/Procurement legislation affects the council's ability to deliver effective procurement/value for money." Directorate of Digital, Customer & Commercial Services	20	16	6
<b>Reviewed: 20/04/2023</b>				
8	R.405 "SEB: Contracts are not managed effectively." Directorate of Digital, Customer & Commercial Services	20	20	3
<b>Reviewed:</b>				
9	R.414 "SEB: Failure to meet the targets for carbon reduction in all aspects of the Council's operation is seen not to be in accordance with the Council's commitment to the environment." Directorate of Environment	25	15	5
<b>Reviewed:</b>				
10	R.392 "SEB: The Council is unable to meet its commitments to deliver services as they fall due because annual income is insufficient and reserves have been fully depleted." Directorate of Finance & Legal Services	25	20	10
<b>Reviewed: 26/07/2017</b>				
11	R.393 "SEB: Do not deliver the appropriate and timely support to our residents in cases where they are experiencing increased hardship." Directorate of Finance & Legal Services	20	12	12
<b>Reviewed: 21/04/2021</b>				
12	R.394 "SEB: Major fraud against the Council." Directorate of Finance & Legal Services	15	10	5
<b>Reviewed: 15/04/2015</b>				





13	R.395 "SEB: Death, injury or ill health of Council staff, Members, service users and visitors when attending Council premise and/or Council staff undertaking their normal role." Directorate of Finance & Legal Services	25	15	10
<b>Reviewed: 20/09/2021</b>				
14	R.396 "SEB: Failure to comply with the requirements of the UK General Data Protection Regulation tailored by the Data Protection Act 2018 and associated legislation." Directorate of Finance & Legal Services	15	6	6
<b>Reviewed: 09/12/2014</b>				
15	R.413 "SEB: Failure to meet and evidence statutory building safety and compliance responsibilities " Directorate of Housing & Communities	25	25	5
<b>Reviewed:</b>				
16	R.406 "SEB: The Council does not respond effectively and recover quickly from major incidents." Directorate of Public Health & Wellbeing	20	15	9
<b>Reviewed: 21/12/2017</b>				
17	R.408 "SEB: Failure to seize the opportunities and exploit the benefits that are envisaged from the huge regeneration programme investment that impacts on the council's vision for 2030." Directorate of Regeneration & Enterprise	25	20	10
<b>Reviewed:</b>				
18	R.580 "SEB: Withdrawal of the proposed METRO route between Dudley Town Centre and Brierley Hill." Directorate of Regeneration & Enterprise	25	16	10
<b>Reviewed:</b>				
19	R.419 "CE's Office: Lack of oversight of programmes and projects across the Council, with no assurance and monitoring of progress against time, cost and quality." Chief Executive's	25	16	10
<b>Reviewed:</b>				

12. The table above shows the following:

- There are 16 risks rated Very High at the Gross level.
- There are 6 risks rated Very High at the Net level. The 6 risks are:
  - R.399 (recruitment and retention of staff)
  - R.405 (contract management)
  - R.392 (budget)
  - R.413 (statutory building safety and compliance responsibilities)
  - R.408 (regeneration benefits)
  - R.419 (programme management)

### Directorate Risks

13. The Risk Management Framework also requires that all directorate Net risks rated Very High are also notified to Strategic Executive Board and Audit and Standards Committee. Full details of the Very High Net risks included on Directorate reports are included at **Appendix B.**

 Very High (20-25)  High (12-19)  Medium (5-11)  Low (1-4)

#	Risk Event / Responsible Org Unit	Gross	Net	Target
1	R.553 "Planning: The Building Control service is unable to comply with the requirements of the new Building Safety Bill." Directorate of Regeneration & Enterprise	20	20	9
2	R.535 "Regen & Ent: Unable to recruit professional staff to deliver Corporate Landlord, Planning and Regeneration needs." Directorate of Regeneration & Enterprise	25	25	9

### Risk Reporting

14. All risks that are rated Very High (Net) are above the Council's risk appetite, are generally unacceptable and where it is possible to manage the risk down to acceptable levels, immediate action should be taken.
15. Audit and Standards Committee at its meeting of the 5<sup>th</sup> December 2022 selected risk R.404 "Failure to demonstrate compliance with Contract Standing Orders/Procurement legislation" for detailed scrutiny at this meeting.

16. The Committee is required to select another risk for review at its December 2023 meeting. The table at paragraph 11 shows the date when risks were last reviewed by this Committee.

### **Finance**

17. The Director of Finance and Legal Services is currently undertaking a review of the resources allocated to Audit Services.

### **Law**

18. The Accounts and Audit Regulations 2015 require each relevant authority to have a sound system of internal control which includes effective arrangements for the management of risk.

### **Risk Management**

19. This report does not create any new risks. Although, new risks are put forward for consideration for inclusion on the SEB risk report.

### **Equality Impact**

20. This report does not raise any equality issues.
21. An effective risk management framework will help protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of this report.

### **Human Resources/Organisational Development**

22. The lack of appropriate resources within Audit Services is affecting its ability to support the embedding of the Risk Management Framework.

### **Commercial/Procurement**

23. There are no commercial/procurement considerations relating to this report.

### **Environment/Climate Change**

24. There are no environmental/climate change considerations associated with this report. However, a risk has been identified in relation to climate change.

## **Council Priorities and Projects**

25. An effective risk management framework will help to ensure that Council priorities are met.



**Iain Newman**

**Director of Finance and Legal Services**

Contact Officer: Graham Harrison

Telephone: 01384 815105

Email: [graham.harrison@dudley.gov.uk](mailto:graham.harrison@dudley.gov.uk)


### **Background Documents**

Appendix A – Risks included on the SEB risk report that are rated Very High (Net)


Appendix B – Directorate risks rated Very High

# APPENDIX A

## SEB Very High Net Risks

<b>[1] R.399 “SEB: The inability to recruit and retain staff particularly in professional areas where there is a national shortage of skills and expertise.”</b> <b>Risk Owner: Assistant Director People &amp; Inclusion</b>				
<b>Cause(s) of Risk</b>				
Market supply difficulties as a result of a shortage of skills nationally . Potential employees choosing other Local government employers over Dudley due to perceptions about Dudley’s employment offer and the Council not being seen as a desirable place to work. Increasingly fluid market.				
<b>Consequence(s) of Risk</b>				
Services supporting vulnerable people at risk of failing to meet statutory requirements . A loss of potential regeneration investment into the borough. Increase in workforce stress, customer dissatisfaction and diminishing political support. Increased costs due to usage of agency workers. Reduction in quality of service.				
<b>Inherent Score (Gross)</b>	<b>Target Score</b>	<b>Previous Score (Net)</b>	<b>Current Score (Net)</b>	<b>Direction</b>
<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	<b>8: Medium</b> Likelihood: (2) Unlikely × Impact: (4) Significant	<b>16: High</b> Likelihood: (4) Very Likely × Impact: (4) Significant	<b>20: Very High</b> Likelihood: (5) Extremely Likely × Impact: (4) Significant	WORSE 
<ul style="list-style-type: none"> <li>Impact Category: Implications for Service and/or Achievement of Key Targets and Objectives.</li> <li>Corporate Priority: A sustainable, well-governed and forward-looking organisation.</li> <li>Very High: Not normally acceptable as this is above the risk appetite of the Council. Immediate action must be taken to manage the risk or specific approval gained to allow the risk to remain at this level. If the risk cannot be reduced further e.g. by the identification of additional controls or other treatment, then robust contingency plans must be prepared. Close monitoring must be undertaken.</li> </ul>				
<b>Latest Risk Status Update (01/10/2022 to 31/12/2022)</b>				
<ul style="list-style-type: none"> <li>Status: Appointment of a new Talent &amp; Future Workforce manager who will lead the work on career development and succession planning which will support our ability to retain staff. Work ongoing as per Q1 commentary. Net Likelihood increased to 5 following SEB Workshop.</li> <li>Entered by: Graham Harrison, 22/03/2023</li> </ul>				
<b>Mitigating Actions to be Progressed to Work Towards Target Score</b>				
<b>A.3818 Exploration of options for new application and candidate tracking systems for permanent recruitment via joint venture opportunity /partnership, with option appraisal presented to SEB for decisions.</b> Responsible Officer: Assistant Director People & Inclusion. Start Date: 01/01/2022. End Date: 30/09/2022.				
<ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: Work to scope the requirement for a new Applicant Tracking system has commenced.</li> <li>Entered by: Kelly Everett, 16/02/2023</li> </ul>				
<b>A.3816 Publish the Council’s People Plan</b>				

Responsible Officer: Assistant Director People & Inclusion. Start Date: 01/01/2022. End Date: 01/04/2022.
<ul style="list-style-type: none"> <li>▪ Status: COMPLETED (01/10/2022 to 31/12/2022)</li> <li>▪ Progress: Completed in a previous quarter.</li> <li>▪ Entered by: Audit Batch Process, 27/10/2022</li> </ul>
<b>A.3817 The benefits and lessons learned from the covid experience about smarter working</b> Responsible Officer: Assistant Director People & Inclusion. Start Date: 01/01/2022. End Date: 01/04/2022.
<ul style="list-style-type: none"> <li>▪ Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>▪ Progress: As per Q1 commentary, Work has continued under the direction of the Deputy CE.</li> <li>▪ Entered by: Kelly Everett, 16/02/2023</li> </ul>
<b>Summary of Mitigating Actions (Already in Place)</b>
1) The Council promotes the use of apprenticeships (“growing your own”). 2) The benefits of working for Dudley are promoted as part of the recruitment campaign. 3) Interim consultants are procured where appropriate to support the delivery of key services. 4) Managers are encouraged to review job specifications to ensure all requirements are needed. 5) Introduction of new workstyles and promotion of agile/flexible working to ensure we attract the best talent for roles who can work remotely 6) Implement grow our own initiatives e.g. senior practitioners progression pathway, training pathways for social workers, graduate trainees 7) Workforce planning at directorate level on an annual basis has enabled the identification of the roles that are difficult to recruit to and plans are developed to address/mitigate impact e.g. targeted MFS for key children social worker posts. 8) Regular Horizon scanning to anticipate changes and trends to professional areas across the council together with keeping up to date on national trends for hard to recruit professions.
<b>PIs for Risk</b>
No performance indicators linked.
<b>Assurances for Risk</b>
No sources of assurance identified.

<b>[2] R.405 “SEB: Contracts are not managed effectively.”</b> Risk Owner: Deputy Chief Executive				
<b>Cause(s) of Risk</b>				
Lack of guidance and training for staff responsible for managing contracts.				
<b>Consequence(s) of Risk</b>				
Contracts are not delivered as expected and statutory obligations may not be met.				
<b>Inherent Score (Gross)</b>	<b>Target Score</b>	<b>Previous Score (Net)</b>	<b>Current Score (Net)</b>	<b>Direction</b>
<b>20: Very High</b> Likelihood: (5) Extremely Likely × Impact: (4) Significant	<b>3: Low</b> Likelihood: (1) Extremely Unlikely × Impact: (3) Moderate	<b>15: High</b> Likelihood: (5) Extremely Likely × Impact: (3) Moderate	<b>20: Very High</b> Likelihood: (5) Extremely Likely × Impact: (4) Significant	WORSE 
<ul style="list-style-type: none"> <li>Impact Category: Implications for Service and/or Achievement of Key Targets and Objectives.</li> <li>Corporate Priority: A sustainable, well-governed and forward-looking organisation.</li> <li>Very High: Not normally acceptable as this is above the risk appetite of the Council. Immediate action must be taken to manage the risk or specific approval gained to allow the risk to remain at this level. If the risk cannot be reduced further e.g. by the identification of additional controls or other treatment, then robust contingency plans must be prepared. Close monitoring must be undertaken.</li> </ul>				
<b>Latest Risk Status Update (01/10/2022 to 31/12/2022)</b>				
<ul style="list-style-type: none"> <li>Status: Guidance is being produced around contract management that has included a segmentation tool. However this requires changes to the procurement process from ATP to ATA which need to be reviewed at the same time. The team are also beginning to look at training options and a wider programme of contract management training. It should be noted that the procurement team does not contain the required capacity to move at pace with contract management work. Impact increased to 4 following SEB Risk Workshop.</li> <li>Entered by: Graham Harrison, 22/03/2023</li> </ul>				
<b>Mitigating Actions to be Progressed to Work Towards Target Score</b>				
<b>A.3834 Deliver training on procurement to all relevant stakeholders</b> Responsible Officer: Head of Procurement. Start Date: 01/01/2022. End Date: 01/07/2022.				
<ul style="list-style-type: none"> <li>Status: COMPLETED (01/10/2022 to 31/12/2022)</li> <li>Progress: Training complete and recording available.</li> <li>Entered by: Tim Robbins, 18/01/2023</li> </ul>				
<b>A.3831 Delivery of the Procurement Action Plan.</b> Responsible Officer: Head of Procurement. Start Date: 01/01/2022. End Date: 31/03/2022.				
<ul style="list-style-type: none"> <li>Status: BEHIND (01/10/2022 to 31/12/2022)</li> <li>Progress: The procurement action plan is in progress and the team are working through the actions. However, some actions will not be completed until 2023/24.</li> <li>Entered by: Tim Robbins, 18/01/2023</li> </ul>				
<b>A.3832 Draft, consult on and implement revised Contract Standing Orders. Including revised procurement authorisation and delegation matrix</b> Responsible Officer: Head of Procurement. Start Date: 01/01/2022. End Date: 01/04/2022.				
<ul style="list-style-type: none"> <li>Status: COMPLETED (01/10/2022 to 31/12/2022)</li> <li>Progress: Completed in a previous quarter.</li> <li>Entered by: Audit Batch Process, 27/10/2022</li> </ul>				



**A.3833 Revise Terms of Reference for Procurement Management Group – publish to all DMTs and SEB**

Responsible Officer: Head of Procurement. Start Date: 01/01/2022. End Date: 01/04/2022.

- Status: ONTARGET (01/10/2022 to 31/12/2022)
- Progress: This is in progress to be completed in Q4.
- Entered by: Tim Robbins, 18/01/2023

**Summary of Mitigating Actions (Already in Place)**


- 1) An experienced Head of Procurement is supporting the Council.
- 2) A Procurement Action Plan has been produced, which is overseen by the Procurement Management Group.

**PIs for Risk**

No performance indicators linked.

**Assurances for Risk**


No sources of assurance identified.

<b>[3] R.392 “SEB: The Council is unable to meet its commitments to deliver services as they fall due because annual income is insufficient and reserves have been fully depleted.”</b> <b>Risk Owner: Director of Finance &amp; Legal Services</b>				
<b>Cause(s) of Risk</b>				
Demand for certain statutory services continues to increase e.g. Adult Social Care and Looked after Children which is not met by increased government funding and/or the inability to raise council tax above a certain level.				
<b>Consequence(s) of Risk</b>				
Services are not delivered as required and possible government intervention.				
<b>Inherent Score (Gross)</b>	<b>Target Score</b>	<b>Previous Score (Net)</b>	<b>Current Score (Net)</b>	<b>Direction</b>
<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	<b>10: Medium</b> Likelihood: (2) Unlikely × Impact: (5) Severe	<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	<b>20: Very High</b> Likelihood: (4) Very Likely × Impact: (5) Severe	<b>BETTER</b> 
<ul style="list-style-type: none"> <li>Impact Category: Implications for Service and/or Achievement of Key Targets and Objectives.</li> <li>Corporate Priority: A sustainable, well-governed and forward-looking organisation.</li> <li>Very High: Not normally acceptable as this is above the risk appetite of the Council. Immediate action must be taken to manage the risk or specific approval gained to allow the risk to remain at this level. If the risk cannot be reduced further e.g. by the identification of additional controls or other treatment, then robust contingency plans must be prepared. Close monitoring must be undertaken.</li> </ul>				
<b>Latest Risk Status Update (01/10/2022 to 31/12/2022)</b>				
<ul style="list-style-type: none"> <li>Status: The Local Government Finance Settlement 2023/24 and indications for funding in 2024/25 are better than expected. However, there is still significant economic uncertainty, a challenging pay and recruitment environment and risk on the delivery of savings proposals.</li> <li>Entered by: Iain Newman, 03/02/2023</li> </ul>				
<b>Mitigating Actions to be Progressed to Work Towards Target Score</b>				
<b>A.4304 Directorates targeted to identify options to deliver £24m of additional savings over the next three years.</b> Responsible Officer: Director of Finance & Legal Services. Start Date: 18/07/2022. End Date: 30/11/2022.				
<ul style="list-style-type: none"> <li>Status: COMPLETED (01/10/2022 to 31/12/2022)</li> <li>Progress: Sufficient savings were identified to set a balanced MTFS.</li> <li>Entered by: Iain Newman, 03/02/2023</li> </ul>				
<b>Summary of Mitigating Actions (Already in Place)</b>				
1) Regular reviews are undertaken to ensure statutory services/all services are delivered as efficiently and effectively as possible. 2) The Council has made representations to the government on how funding is allocated. 3) Council Tax is raised by the maximum percentage possible. 4) Regular reports to Council, Cabinet, Scrutiny Committee, Audit & Standards on budget management. 5) All directorates are required to identify savings.				
<b>PIs for Risk</b>				


No performance indicators linked.

**Assurances for Risk**

- Annual Auditors' Report to Cabinet and Audit and Standards 2022/23

<b>[4] R.413 “SEB: Failure to meet and evidence statutory building safety and compliance responsibilities ”</b> <b>Risk Owner: Director for Housing &amp; Communities</b>				
<b>Cause(s) of Risk</b>				
Inadequate building safety framework, associated policies and procedures, and data quality and monitoring arrangements in place.				
<b>Consequence(s) of Risk</b>				
Inability to evidence and provide assurance of compliance with legal and regulatory standards. . Likelihood that significant opportunities to ensure our homes are warm and efficient have been missed.				
<b>Inherent Score (Gross)</b>	<b>Target Score</b>	<b>Previous Score (Net)</b>	<b>Current Score (Net)</b>	<b>Direction</b>
<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	<b>5: Medium</b> Likelihood: (1) Extremely Unlikely × Impact: (5) Severe	<b>15: High</b> Likelihood: (3) Possible × Impact: (5) Severe	<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	WORSE 
<ul style="list-style-type: none"> <li>Impact Category: Major Programmes and Projects.</li> <li>Corporate Priority: Dudley Borough the destination of choice.</li> <li>Very High: Not normally acceptable as this is above the risk appetite of the Council. Immediate action must be taken to manage the risk or specific approval gained to allow the risk to remain at this level. If the risk cannot be reduced further e.g. by the identification of additional controls or other treatment, then robust contingency plans must be prepared. Close monitoring must be undertaken.</li> </ul>				
<b>Latest Risk Status Update (01/10/2022 to 31/12/2022)</b>				
<ul style="list-style-type: none"> <li>Status: Ongoing work underway to mitigate risk Net Likelihood increased to 5 following SEB Risk Workshop.</li> <li>Entered by: Graham Harrison, 22/03/2023</li> </ul>				
<b>Mitigating Actions to be Progressed to Work Towards Target Score</b>				
<b>A.3846 Complete Compliance Action Plan [R]</b> Responsible Officer: To be confirmed. Start Date: 01/01/2022. End Date: 30/09/2022.				
<ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: Interim Compliance Lead in post and driving forward compliance review and associated action plan</li> <li>Entered by: Kathy Jones, 06/02/2023</li> </ul>				
<b>A.3847 Corporate / Service lead training [R]</b> Responsible Officer: To be confirmed. Start Date: 01/01/2022. End Date: 30/09/2022.				
<ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: Being progressed through compliance action plan</li> <li>Entered by: Kathy Jones, 06/02/2023</li> </ul>				
<b>Summary of Mitigating Actions (Already in Place)</b>				
1) Property Compliance Roadmap 2) Compliance re-structured to new team 3) Compliance lead appointed 4) FLEGAL Duty Holders appointed 5) Compliance Scorecard in place, and monitored monthly 6) Monthly Compliance Meeting reviews position and determines Actions				
<b>PIs for Risk</b>				
No performance indicators linked.				

<b>Assurances for Risk</b>
No sources of assurance identified.

<b>[5] R.408 “SEB: Failure to seize the opportunities and exploit the benefits that are envisaged from the huge regeneration programme investment that impacts on the council’s vision for 2030.”</b> Risk Owner: Director of Regeneration & Enterprise				
<b>Cause(s) of Risk</b>				
Due to a lack of a strategic approach, ineffective governance and insufficient resources.				
<b>Consequence(s) of Risk</b>				
Unfulfilled economic prosperity and social benefits.				
<b>Inherent Score (Gross)</b>	<b>Target Score</b>	<b>Previous Score (Net)</b>	<b>Current Score (Net)</b>	<b>Direction</b>
<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	<b>10: Medium</b> Likelihood: (2) Unlikely × Impact: (5) Severe	<b>20: Very High</b> Likelihood: (5) Extremely Likely × Impact: (4) Significant	<b>20: Very High</b> Likelihood: (5) Extremely Likely × Impact: (4) Significant	SAME 
<ul style="list-style-type: none"> <li>Impact Category: Implications for Service and/or Achievement of Key Targets and Objectives.</li> <li>Corporate Priority: Dudley the borough of ambition and enterprise.</li> <li>Very High: Not normally acceptable as this is above the risk appetite of the Council. Immediate action must be taken to manage the risk or specific approval gained to allow the risk to remain at this level. If the risk cannot be reduced further e.g. by the identification of additional controls or other treatment, then robust contingency plans must be prepared. Close monitoring must be undertaken.</li> </ul>				
<b>Latest Risk Status Update (01/10/2022 to 31/12/2022)</b>				
<ul style="list-style-type: none"> <li>Status: Programme Portfolio lead has concluded the process review on the scope of projects and governance. They will report and recommend on portfolio optimization and planning, risk management and on resourcing. Regeneration audit has recently been completed which considered if the benefits of a number of schemes/bids were maximised.</li> <li>Entered by: Helen Martin, 10/01/2023</li> </ul>				
<b>Mitigating Actions to be Progressed to Work Towards Target Score</b>				
<b>A.3838 A bid has been made for additional resources to support the regeneration programme.</b> Responsible Officer: Director of Regeneration & Enterprise. Start Date: 01/01/2022. End Date: 31/03/2022.				
<ul style="list-style-type: none"> <li>Status: BEHIND (01/10/2022 to 31/12/2022)</li> <li>Progress: Due to the level of financial pressures in addition to the savings to be found growth for additional resource does not form part of the current MTFS proposals. Any new successful bids will allow the recruitment of temporary resource.</li> <li>Entered by: Helen Martin, 10/01/2023</li> </ul>				
<b>A.3840 A review of resources is to be undertaken to align where possible to the needs of the regeneration programme.</b> Responsible Officer: Director of Regeneration & Enterprise. Start Date: 01/01/2022. End Date: 31/03/2022.				
<ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: On going review as per last quarters update. Seeking to appoint an interim regeneration lead and to commission a regeneration strategy to create the</li> </ul>				

<p>conditions for a more strategic approach and demonstrate resource requirements.</p> <ul style="list-style-type: none"> <li>■ Entered by: Helen Martin, 10/01/2023</li> </ul>
<p><b>A.3837 Creation of a clear regeneration statement/plan on a page on the vision for the borough, linked to the Council Plan and local plan to show that activity is aligned. The statement will clearly show the benefits expected from the regeneration programme</b></p> <p>Responsible Officer: Director of Regeneration &amp; Enterprise. Start Date: 01/01/2022. End Date: 31/03/2022.</p>
<ul style="list-style-type: none"> <li>■ Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>■ Progress: Ongoing work which needs to be aligned to the Portfolio review and awaiting appointment of regeneration lead</li> <li>■ Entered by: Helen Martin, 10/01/2023</li> </ul>
<p><b>A.3839 Town Fund Boards that include key external stakeholders are to be set up in each of the major towns (already set up in Dudley and Brierley Hill). These will act as a consultation and communication forum.</b></p> <p>Responsible Officer: Director of Regeneration &amp; Enterprise. Start Date: 01/01/2022. End Date: 31/03/2022.</p>
<ul style="list-style-type: none"> <li>■ Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>■ Progress: Boards are established in Dudley, Brierley Hill and Halesowen. ToR for Dudley revised January 2023 in light of revised government guidance. As and when required a board will be established for Lye/Stourbridge</li> <li>■ Entered by: Helen Martin, 10/01/2023</li> </ul>
<p><b>Summary of Mitigating Actions (Already in Place)</b></p>
<p>1) Robust governance process has been established with regular reporting on regeneration opportunities and progress on projects to SEB and Major Capital Investment Board.</p> <p>2) Member and key stakeholder involvement in decisions to bid and bid submission. Use of scrutiny process to ensure Member oversight.</p> <p>3) Where capacity is insufficient interims and consultants will be used.</p> <p>4) All projects have individual Risk registers and steering groups that report into SEB/MCIB.</p>
<p><b>PIs for Risk</b></p>
<p>No performance indicators linked.</p>
<p><b>Assurances for Risk</b></p>
<p>No sources of assurance identified.</p>

**[1] R.419 “CE's Office: Lack of oversight of programmes and projects across the Council, with no assurance and monitoring of progress against time, cost and quality.”**

**Risk Owner:** Head of Chief Executives Office

**Cause(s) of Risk**

- No centralised corporate PMO function for effective Programme/ Project Governance which is tailored to the Council and its specific needs when driving change.
- Absence of a standardised corporate approach to Programme/Project governance and assurance.
- Independent / SILO resource allocation and monitoring of programmes and projects without holistic prioritisation against the Corporate strategic needs.
- Learning from change activity is not consistently undertaken and/or not shared.
- Shortage of PM skillset and/or experience across the Council.

**Consequence(s) of Risk**

- Absence of a holistic corporate view of change activity across the Council with no transparency of major programmes/ projects / change activity.
- Programmes and projects are not aligned to the Corporate Strategy and associated business plans.
- Lack of objective and transparent prioritisation of programmes/ projects leading to potential duplication of effort, inability to prioritise resource and/or poor investment justification.
- Objectives of programmes/projects are not delivered or monitored effectively.
- Success criteria is not defined therefore, programmes/projects are not delivered to time/ budget and/ or quality.
- Without shared learning, mistakes are repeated and/or best practise not shared corporately or consistently.

Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	<b>8: Medium</b> Likelihood: (2) Unlikely × Impact: (4) Significant	<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	<b>20: Very High</b> Likelihood: (4) Very Likely × Impact: (5) Severe	BETTER ↗

- Impact Category: Major Programmes and Projects.
- Corporate Priority: A sustainable, well-governed and forward-looking organisation.
- Very High: Not normally acceptable as this is above the risk appetite of the Council. Immediate action must be taken to manage the risk or specific approval gained to allow the risk to remain at this level. If the risk cannot be reduced further e.g. by the identification of additional controls or other treatment, then robust contingency plans must be prepared. Close monitoring must be undertaken.

**Latest Risk Status Update (01/10/2022 to 31/12/2022)**

- Status: Progress: 30 colleagues registered for internal PM Network launching early 2023. Launched CPMO SharePoint and Connect Page in September 2022. Shared CPMO key messages to all DMTS (September to November 2022) We have developed a suite of tools and templates and still in the process of developing more to support those managing projects. We are improving on these as we go along, taking into consideration user feedback. We are in the process of developing: framework, linking with existing processes – working with Procurement, Internal Audit & Risk (Project risk management links in with Corporate Risk Framework), Information Governance, People & Inclusion, EDI (EIA Project screening form), Digital, Technology and Democratic Services/ Strategic Governance Developing back to basics PM training on processes, project plans, business cases, project risk, tools and evaluation (first training session to take place with Regeneration & Enterprise in December) Managing Successful Programmes (MSP) training to take place with representation from across the council in December Project risk training has taken place with c.20 members of staff across various service areas Developing




<p>the Dudley Project Portal (Verto 365): centralised PM system for Council-wide adoption The system has been reviewed, redesigned and reconfigured Workshops held in October and December Pilot underway in several areas across the council with wider rollout from end of January 2023 Developing a project baseline of all major and directorate projects across the council and first major projects status update reporting on some identified projects - to be presented to SEB on 31 January and Informal Cabinet in February 2023.</p> <ul style="list-style-type: none"> <li>Entered by: Reena Gill-Dulai, 13/01/2023</li> </ul>
<p><b>Mitigating Actions to be Progressed to Work Towards Target Score</b></p>
<p><b>A.3857 Develop, embed and promote the PMO as of a 'centre of excellence'</b> Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/04/2024.</p> <ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: Supported training for Regeneration and Enterprise directorate (2/12/2022). Trained Digital and Customer Services project managers in project risk management. Building a baseline of all projects in the council. Working with support services (example being Information Governance Team) to enable the signposting to existing processes and services for PMs.</li> <li>Entered by: Reena Gill-Dulai, 27/02/2023</li> </ul>
<p><b>A.3853 Development of a centralised PMO function – stakeholder engagement.</b> Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/04/2022.</p> <ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: PM Survey out to wider council to capture stakeholder requirements for CPMO. Results shared with SEB on 30 November 2022. Also captured interested parties for PM Network. 30 colleagues registered for internal PM Network launching early 2023. Launched CPMO SharePoint and Connect Page in September 2022. Shared CPMO key messages to all DMTS (September to November 2022) Developed a suite of tools and templates, more to come, taking into consideration user feedback. (templates developed for business case, PID, RAID, reports etc.) Developing framework, linking with existing processes – working with Procurement, Internal Audit &amp; Risk, Information Governance, People &amp; Inclusion, EDI, Digital, Technology and strategic governance</li> <li>Entered by: Reena Gill-Dulai, 27/02/2023</li> </ul>
<p><b>A.3854 Development, approval and launch of the use of a tailored Programme/ project Management Framework</b> Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/04/2023.</p> <ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: Core PM templates in test and refine –building into Project Portal where possible Developed CPMO Share Point page with PM toolkit Shared a variety of freely available tools (in PM toolkit)</li> <li>Entered by: Reena Gill-Dulai, 27/02/2023</li> </ul>
<p><b>A.3858 PMO function sharing best practice</b> Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/04/2024.</p> <ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: Encouraging PMs to log lessons on projects. Exploring how to develop a centralised lessons learnt log.</li> <li>Entered by: Reena Gill-Dulai, 27/02/2023</li> </ul>
<p><b>A.3855 Review that the Programme/ project Management Framework is in place and embedded across the Council.</b> Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/04/2024.</p>


<ul style="list-style-type: none"> <li>▪ Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>▪ Progress: This will be actioned following the development and launch of the framework</li> <li>▪ Entered by: Reena Gill-Dulai, 27/02/2023</li> </ul>
<p><b>A.3856 Review the market for a PM tool to support the new approach and framework. Develop, launch and roll-out.</b></p> <p>Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/04/2023.</p>
<ul style="list-style-type: none"> <li>▪ Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>▪ Progress: Confirmed that the existing tool that Dudley has access to will be used: VERTO365 but rebranded to be the Dudley Project Portal. Initial configuration completed to developed (but draft) PM Documentation. Testing tool with pilot users to ensure requirements are captured and refined/ prioritised. ensure stakeholder feedback is utilised to improve user features/ functions. Booked administrator training with system provider in January 2023 for team.</li> <li>▪ Entered by: Reena Gill-Dulai, 27/02/2023</li> </ul>
<p><b>Summary of Mitigating Actions (Already in Place)</b></p>
<ol style="list-style-type: none"> <li>1) Early engagement with Programme and Project Managers to understand current governance and assurance measures in place</li> <li>2) Renewed licence with TMI for the VERTO project management tool.</li> <li>3) Commenced the recruitment process for a Corporate Programme Manager</li> </ol>
<p><b>PIs for Risk</b></p>
<p>No performance indicators linked.</p>
<p><b>Assurances for Risk</b></p>
<p>No sources of assurance identified.</p>

# APPENDIX B

## Directorate Very High Net Risks

<b>[7] R.553 “Planning: The Building Control service is unable to comply with the requirements of the new Building Safety Bill.”</b> Risk Owner: Head of Planning				
<b>Cause(s) of Risk</b> Training requirements cannot be satisfied and work not undertaken. Staff do not, for whatever reason, become Registered Building Inspectors and so cannot practice. Also, staff may be seconded to the BSR, thus leaving the Local Authority short staffed and, by definition, the officers seconded will be the most qualified and experienced.				
<b>Consequence(s) of Risk</b> The Building Safety Regulator will have powers to issue monetary fines, restriction of activities, suspension of registration or cancellation of registration against individual Registered Building Inspectors.				
<b>Inherent Score (Gross)</b> <b>20: Very High</b> Likelihood: (5) Extremely Likely x Impact: (4) Significant	<b>Target Score</b> <b>9: Medium</b> Likelihood: (3) Possible x Impact: (3) Moderate	<b>Previous Score (Net)</b> <b>20: Very High</b> Likelihood: (5) Extremely Likely x Impact: (4) Significant	<b>Current Score (Net)</b> <b>20: Very High</b> Likelihood: (5) Extremely Likely x Impact: (4) Significant	<b>Direction</b> SAME 
<ul style="list-style-type: none"> <li>Impact Category: Failure to provide statutory duties / meet Legal Obligations.</li> <li>Corporate Priority: Dudley the borough of ambition and enterprise.</li> <li>Very High: Not normally acceptable as this is above the risk appetite of the Council. Immediate action must be taken to manage the risk or specific approval gained to allow the risk to remain at this level. If the risk cannot be reduced further e.g. by the identification of additional controls or other treatment, then robust contingency plans must be prepared. Close monitoring must be undertaken.</li> </ul>				
<b>Latest Risk Status Update (01/10/2022 to 31/12/2022)</b>				
<ul style="list-style-type: none"> <li>Status: Major concerns with staffing resources, agencies approached for support the situation remains ongoing</li> <li>Entered by: Jane Lamine, 08/02/2023</li> </ul>				
<b>Mitigating Actions to be Progressed to Work Towards Target Score</b>				
<b>A.4070 Identifying training options and timeframe to develop training plan/programme for Dudley Building Control Team. {DISABLED}</b> Responsible Officer: Head of Planning. Start Date: 01/01/2022. End Date: 30/09/2022.				
<ul style="list-style-type: none"> <li>Status: COMPLETED (01/10/2022 to 31/12/2022)</li> <li>Progress: Completed in a previous quarter.</li> <li>Entered by: Audit Batch Process, 05/11/2022</li> </ul>				
<b>A.4069 Programme of work to discuss options with all members of the Building Control Team. {DISABLED}</b> Responsible Officer: Head of Planning. Start Date: 01/01/2022. End Date: 30/09/2022.				
<ul style="list-style-type: none"> <li>Status: COMPLETED (01/10/2022 to 31/12/2022)</li> <li>Progress: Completed in a previous quarter.</li> <li>Entered by: Audit Batch Process, 05/11/2022</li> </ul>				
<b>A.4071 Programme to review workforce planning and resourcing implications.</b> Responsible Officer: Head of Planning. Start Date: 01/01/2022. End Date: 30/09/2022.				

<ul style="list-style-type: none"> <li>▪ Status: BEHIND (01/10/2022 to 31/12/2022)</li> <li>▪ Progress: Meeting with Emma Wright scheduled for end Feb 2023</li> <li>▪ Entered by: Jane Lamine, 10/02/2023</li> </ul>
<b>Summary of Mitigating Actions (Already in Place)</b>
1) An awareness of the legislation requirements and a timeframe for resolution.
<b>Pls for Risk</b>
No performance indicators linked.
<b>Assurances for Risk</b>
No sources of assurance identified.

<b>[9] R.535 “Regen &amp; Ent: Unable to recruit professional staff to deliver Corporate Landlord, Planning and Regeneration needs.”</b> <b>Risk Owner: Head of Corporate Landlord Services</b>				
<b>Cause(s) of Risk</b>				
Unable to offer competitive salaries and terms to those offered within the private sector and other Local Authorities/Public Sector.				
<b>Consequence(s) of Risk</b>				
Use of agency staff where available to complete key professional roles which impacts upon the budget position and ability to complete all required work delaying regeneration and the effective management of the corporate estate.				
<b>Inherent Score (Gross)</b>	<b>Target Score</b>	<b>Previous Score (Net)</b>	<b>Current Score (Net)</b>	<b>Direction</b>
<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	<b>9: Medium</b> Likelihood: (3) Possible × Impact: (3) Moderate	<b>16: High</b> Likelihood: (4) Very Likely × Impact: (4) Significant	<b>25: Very High</b> Likelihood: (5) Extremely Likely × Impact: (5) Severe	WORSE 
<ul style="list-style-type: none"> <li>Impact Category: Implications for Service and/or Achievement of Key Targets and Objectives.</li> <li>Corporate Priority: A sustainable, well-governed and forward-looking organisation.</li> <li>Very High: Not normally acceptable as this is above the risk appetite of the Council. Immediate action must be taken to manage the risk or specific approval gained to allow the risk to remain at this level. If the risk cannot be reduced further e.g. by the identification of additional controls or other treatment, then robust contingency plans must be prepared. Close monitoring must be undertaken.</li> </ul>				
<b>Latest Risk Status Update (01/10/2022 to 31/12/2022)</b>				
<ul style="list-style-type: none"> <li>Status: Recruitment remains concerning within the service area</li> <li>Entered by: Jane Lamine, 09/02/2023</li> </ul>				
<b>Mitigating Actions to be Progressed to Work Towards Target Score</b>				
<b>A.4047 Working with the Commercial Team to ensure that the new recruitment agency partnership covers all service needs.</b> Responsible Officer: Head of Culture, Leisure & Bereavement Services. Start Date: 01/01/2022. End Date: 30/09/2022.				
<ul style="list-style-type: none"> <li>Status: ONTARGET (01/10/2022 to 31/12/2022)</li> <li>Progress: Recruitment fair review took place 17/10. Agreed that Connect2Dudley will meet with managers individually to assess their service needs.</li> <li>Entered by: Stuart Connelly, 18/10/2022</li> </ul>				
<b>Summary of Mitigating Actions (Already in Place)</b>				
1) Interim Consultants/Staff are procured where needed to support the delivery of key services/projects 2) Implementing grow our own initiatives such as supporting professional training and development for staff with senior management support 3) Review of professional market place to support recruitment and training offerings				
<b>PIs for Risk</b>				
No performance indicators linked.				
<b>Assurances for Risk</b>				
No sources of assurance identified.				

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**Audit and Standards Committee – 20<sup>th</sup> April 2023**

**Report of the Director of Finance and Legal Services**

**Audit and Standards Committee Annual Report**

**Purpose of the Report**

1. To discuss and approve the Annual Report for Audit and Standards Committee (attached as Appendix A).

**Recommendations**

2. Audit and Standards Committee to approve the Annual Report for 2022/23 for submission to Full Council.

**Background**

3. A CIPFA self-assessment completed by the Head of Audit and Risk Management on the Audit and Standards Committee identified the production of an Annual Report as best practice. The production of an annual report will promote the good work completed by Audit and Standards Committee and will also be line with the Council's Scrutiny Committees.
4. The annual report for 2022/23 is attached to this report.

**Finance**

5. There are no direct financial implications arising from this report.

**Law**

6. There is no legal requirement to complete an Annual Report, but it is considered best practice.

## **Risk Management**

7. The proposals contained within this report do not raise any “material” risks.

## **Equality Impact**

8. This report does not raise any equal opportunities issues.
9. The work carried out by Audit and Standards Committee will help to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the Annual Report.

## **Human Resources/Organisational Development**

10. There are no human resources/organisational developments implications relating to this report.

## **Commercial/Procurement**

11. This report does not have any commercial/procurement implications.

## **Environment/Climate Change**

12. There are no environmental/climate change issues associated with this report.

## **Council Priorities and Projects**

13. The work undertaken by Audit and Standards Committee helps to ensure Council priorities are achieved by ensuring the Council has an effective framework of governance, risk management and internal control.



**Iain Newman**  
**Director of Finance and Legal Services**

**Contact Officer:** Graham Harrison  
Telephone: 01384 815105  
Email: [graham.harrison@dudley.gov.uk](mailto:graham.harrison@dudley.gov.uk)

**List of Background Papers:**  
Audit and Standards Committee Annual Report – Appendix A



## Annual report of the Audit and Standards Committee



**Chair -  
Councillor  
Angus Lees**

**2022/23 Municipal Year**



**Vice-Chair -  
Councillor  
Dave  
Borley**

This annual report gives a summary of the work completed by Audit and Standards Committee during the 2022/2023 municipal year.

The overarching purpose of this 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 governance processes.

To fulfil this responsibility the Committee oversees the work of Internal and External Audit, the Risk Management Framework, Fraud, Governance including approving the Code of Corporate Governance, Whistleblowing Policy and Annual Governance Statement (including assurance framework), Treasury Management, approval of the annual Statement of Accounts, approving Contract Standing Orders, Financial Regulations and Codes of Conduct and dealing with the misconduct of Members.

As you can see the Committee has wide ranging responsibility covering many aspects of the Council's work. If the Council is to achieve its priorities it must have effective systems of governance, risk management and internal control. The Committee plays a pivotal role in ensuring that this is the case.

We commend this annual report to the Council. We would like to place on record our appreciation of all the hard work and support given by Councillors, Officers, and External Audit who have contributed to our work during 2022/2023.

Full details of Audit and Standards Committee meetings, including agendas, minutes and reports, can be viewed online by accessing the [Committee Management Information System](#).

Alternatively, please contact Democratic Services on 01384 815238 or e-mail [democratic.services@dudley.gov.uk](mailto:democratic.services@dudley.gov.uk).

## **Internal Audit**

The main role of the Audit and Standards Committee in relation to internal audit is to:

- oversee its independence, objectivity, performance and professionalism.
- support the effectiveness of the internal audit process.
- promote the effective use of internal audit within the assurance framework.

During the year, the Committee have received for approval the Internal Audit Plan 2022-23, the Internal Audit Annual Report 2021-22, reports on the performance of Audit Services and Annual Audit Reports for the Chief Executive and the Deputy Chief Executive.

### **Outcomes:**

- Approved the Internal Audit Plan for 2022/23 and ensured that it was based on the Council's key risks.
- Monitored the performance of Audit Services and the achievement of key performance indicators.
- Approved the Annual Audit Report for 2021/22 and acknowledged the Head of Audit and Risk Management's annual opinion on the effectiveness of governance, risk management and internal control. This would then be used to inform the Annual Governance Statement.
- Discussed progress in addressing the recommendations that came out of the external quality assessment on Audit Services.
- Challenged the Chief Executive, Deputy Chief Executive, Directors and Senior Managers on the Chief Executive and Deputy Chief Executive's annual reports and emphasised the importance of matters raised being addressed on a timely basis. Also, supported Audit Services by challenging why Actions raised in previous audit reports were still outstanding. The Committee made it clear that Audit Services must be taken seriously, and Audit Actions should be addressed as soon as possible. The Chief Executive and Deputy Chief Executive agreed to implement processes to ensure Directors are held to account if Audit Actions are not addressed on a timely basis.

- Members supported the follow up work undertaken by Audit Services on Minimal opinion audits and Critical and High priority Audit Actions and recognised that resources were not available to follow up Medium priority Actions on the same frequency.
- The Chartered Institute of Public Finance and Accountancy (CIPFA's) latest position statement on Audit Committees was noted.
- The Committee requested Members complete an Audit Committee skills and knowledge questionnaire and return it to the Head of Audit and Risk Management.
- Due to the size of the annual reports, Committee requested that a summary of findings is included at the start of the report. This change was reflected in the Deputy Chief Executive's Annual Report that was presented to the March 2023 meeting.
- The Committee recommended that the Children and Young People Scrutiny Committee receive a report on the work and progress of the Children's Transport Team as part of their annual scrutiny programme.

## **External Audit**

The main role of the Audit and Standards Committee in relation to External Audit is:

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

During the year, the Committee have received the External Auditor's Annual report 2020-21, the Statement of Accounts 2021-22 and an updated Audit Findings Report 2020-21.

## **Outcome:**

### **Annual Report 2020-21**

- In presenting the Annual Report for 2020-21 the Committee were made aware that the External Auditors are no longer required to provide a Value for Money (VFM) opinion. Instead, the External Auditors are required to consider whether there are any significant weaknesses in the Authority's financial sustainability, governance, and arrangements for securing the economy, efficiency, and effectiveness in its use of resources.
- The External Auditors raised concerns on the use of reserves to fund services and considered that this was not a sustainable position and the Authority would have to make savings to balance out the expenditure. Members commented that Dudley is a low council tax and low spending Council and questioned how this would be achieved.
- In relation to governance, the External Auditors noted that all core areas are now in place. However, a few areas of concern were raised around management of the Very Light Railway project, the role of the Monitoring Officer and particularly, Member/Officer relationships. If relationships between Members and Officers were not satisfactory, this could have an impact on the ability of the Authority to provide services. The External Auditors stated that the position of the Monitoring Officer was normally at Director level and recommended that this should be reviewed. The Committee resolved to refer this recommendation to the Chief Executive for consideration.
- Although the External Auditors did not identify any significant weaknesses in the Authority's arrangements for securing value for money and no key recommendations were made, a number of improvement recommendations were raised. Council Senior Management provided a response to each of these recommendations and these will be monitored by the Committee going forward.

## **Statement of Accounts 2021-22**

- The Statement of Accounts for 2021-22 was discussed with Committee. The Director of Finance and Legal Services stated that the External Auditors had not completed their review and only identified relatively minor issues to date.
- The Committee approved the Annual Statement of Accounts but acknowledged that if the External Auditors identify other changes that do not affect useable reserves, then the Chair can approve the revised accounts.

## **Updated Findings Report 2020-21**

- It was noted that there were a number of amendments to the 2020/21 Audit Findings report in particular relating to property valuations, since it was originally presented to the Committee on 20<sup>th</sup> September 2021. Issues identified in relation to council housing and land and buildings valuations had delayed the audit being finalised and also required significant changes to the two previous years' accounts.
- Members raised questions in relation to the property valuation process and were informed that an external company had been appointed to carry out the valuations and this should help to alleviate the current workload pressures.
- The External Auditor raised recommendations in relation to land and buildings valuations and the need for a formal process for routine authorisation of journals. The Head of Financial Services confirmed that processes had been developed and would be implemented retrospectively on journal authorisations for a specified limit by the 2023/24 financial year.
- A member questioned the £20,000 spend on digital forensics work. The External Auditor confirmed that the Digital Forensics Group within Grant Thornton UK LLP had provided Freeths LPLP with a data hosting platform in order to undertake an investigative review on behalf of the Council. Members were advised that this was in relation to a legal case and assurances were given that there was no conflict of interest in this area.
- The updated Audit Findings Report 2020-21 was noted by Committee
- The External Auditor's draft Letter of Representation was noted and the Chair was authorised to sign following consultation with the Director of Finance and Legal Services.

## **Risk Management**

The main role of the Audit and Standards Committee in relation to risk management is to:

- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the committee.

During the year, the Committee have received two reports on the Council's Risk Management Framework and the Council's Corporate Risks.

### **Outcome:**

- Received two risk management reports during the year and reviewed the action being taken to address the key risks.
- Acknowledged the action undertaken to embed the new Risk Management Framework and supported the work currently being undertaken on this by the Head of Audit and Risk Management.
- Selected two risks (Recruitment and Retention and Procurement) for detailed scrutiny and questioned the appropriate Director/Senior Manager on the management of the risks.

## **Fraud**

The main role of the Audit and Standards Committee in relation to fraud is to:

- To monitor the Anti-Fraud and Corruption Strategy and Fraud Action Plan.
- To understand the fraud risk and potential harm to the Council from fraud and corruption.

During the year, the Committee have received an Annual Fraud Report and an Interim Performance Report, that also includes significant fraud matters.



## **Outcomes:**

- Discussed and commented on the Annual Fraud Report, which is a report of fraud work completed by Audit Services in relation to prevention, detection, investigation and resolution. It also lists fraud work undertaken by other Council teams.

## **Governance**

The main role of the Audit and Standards Committee in relation to governance is to:

- To review the Council's corporate governance arrangements and approve the local code of corporate governance.
- To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the Head of Audit and Risk Management's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives

During the year, the Committee have received reports on the Code of Corporate Governance, Annual Governance Statement, the re-appointment of the Standards Sub-Committee and the Annual Report of the Committee of Standards in Public Life.

## **Outcome:**

- Approved the re-appointment of the Standards Sub-Committee for 2022/23 with its existing terms of reference and membership to deal with complaints against Members.
- The Annual Report of the Committee on Standards in Public Life was discussed and noted.
- Discussed and approved a revised Local Code of Corporate Governance. Members asked questions in relation to the Council's digital programme and how it would affect residents who are not able/or do not want to transact with the Council in a digital way.

The Deputy Chief Executive agreed to discuss with the Committee the strategy on how the Council will support residents, particularly the elderly and vulnerable, to access services online. A report was subsequently brought to the April meeting of the Committee.

- Discussed the Annual Governance Statement 2021-22. The Committee asked for the statement to include the outcome of the special review that was discussed at the November meeting of the Committee. Committee also agreed for the same change to be made to the 2020-21 Annual Governance Statement as the issues were also present during 2020-21.
- It was raised with Committee during the March 2023 meeting that issues had been identified with Housing compliance data and a referral to the Regulator of Social Housing had been made. The Committee agreed a change to the Annual Governance Statement for 2021-22.
- During the discussion of the Annual Governance Statement, Members' also asked questions in relations to race equality, sickness levels, breaches of the Employees' Code of Conduct, exit interviews, Special Education Needs and Disabilities budget and Dudley Integrated Health and Care NHS Trust.
- In relation to the Annual Governance Statement, the Committee asked the Assistant Director People and Inclusion to provide a breakdown of the different reasons for sickness absences and for leaving the Local Authority, and further information in relation to the number of Employee Code of Conduct breaches, what these breaches related to and how these had been dealt with by the Local Authority.

## **Whistleblowing**

The main role of the Audit and Standards Committee in relation to whistleblowing is to:

- Review the effectiveness of the whistleblowing process
- Approve the Whistleblowing Policy

During the year, the Committee have received a whistleblowing monitoring report.



**Outcome:**

- Discussed and commented on the annual report on whistleblowing and the whistleblowing referrals received during the year.
- Members were concerned whether whistleblowers were victimised or disadvantaged as a result of their complaint. The Monitoring Officer advised that whistleblowers (if name known) were not generally followed up but he would take this into account when he carries out a comprehensive review of the Whistleblowing Policy later in the year.

**Treasury Management**

The main role of the Audit and Standards Committee is in relation to scrutiny of the treasury management strategy and policies.

During the year, the Committee have received two treasury management reports.

**Outcome:**

- Discussed and commented on treasury management activities undertaken during the year.
- Members raised questions on the reasons for additional borrowing, why there had been a decrease in investment and long-term borrowing, why gross borrowing was significantly higher than benchmarked authorities, the rationale for using surplus grant money when it needed to be repaid to the government, and why three loans were taken out in January and where the Council's investments are held.

## **Suspensions**

The main role of the Audit and Standards Committee is in relation to scrutiny of the suspensions process.

During the year, the Committee have received a suspensions report.

### **Outcome:**

- Discussed and provided comments on employees who were suspended pending an investigation into an allegation(s) of gross misconduct during the period 1 October 2021 to 30 September 2022 inclusive. Also, reviewed medical suspensions.
- Members suggested that information on key themes identified because of suspensions in any particular service area, and the learning and training provided, be included in future reports.

## **Special Review**

The Committee considered a report of the Deputy Chief Executive on the findings of an internal audit report.

### **Outcome:**

- The recommendations included in the report were agreed.
- The Committee requested further work be undertaken on the issues identified concerning compliance with formal processes, policies and the Constitution and that the following additional recommendations be made:
  - That the findings in relation to any individual or individuals be investigated under appropriate procedures to ascertain whether any further action is required and that this investigation include interviews with Members as appropriate.
  - That the Head of Procurement submit a report to the Committee by April 2023 concerning exceptions to contract standing orders.
  - That the appropriate Director review the current capacity within internal audit to determine whether this is sufficient.

- The Committee requested a further report be submitted to the Committee in due course to give an update on any actions required and/or any further processes or steps considered to be appropriate.