

AUDIT AND STANDARDS COMMITTEE

Thursday 13th February, 2014 at 6.00 p.m.
in Committee Room 3, The Council House, Dudley

PRESENT:-

Councillor Cowell (Chair)
Councillor Arshad (Vice-Chair)
Councillors Harris, J Martin, Taylor, K Turner and Tyler

Officers

Treasurer, Assistant Director (Law and Governance), Head of Audit Services,(Directorate of Corporate Resources);Interim Assistant Director, Education Services, Divisional Lead - Commissioning and Procurement (Directorate of Children's Services); Audit Managers, Principal Auditor and Mrs K Taylor (Directorate of Corporate Resources).

Also in Attendance

Ms. S. Joburns (Grant Thornton)

40. **APOLOGIES FOR ABSENCE**

Apologies for absence from the meeting were submitted on behalf of Councillors Mrs Martin, Russell and C Wilson.

41. **APPOINTMENT OF SUBSTITUTE MEMBER**

It was reported that Councillor J Martin had been appointed as substitute member for Councillor Russell for this meeting of the Committee only.

42. **DECLARATIONS OF INTEREST**

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

43. **MINUTES**

RESOLVED

That the minutes of the meeting held on 10th December, 2013, be approved as a correct record and signed.

44 CHANGE IN ORDER OF BUSINESS

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

RESOLVED

That the next item of business to be considered be Agenda Item No. 12.

45. EXCLUSION OF THE PUBLIC

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

<u>Description of Item</u>	<u>Relevant Paragraphs of Part I of Schedule 12A</u>
Annual Audit Report in relation to the Directorate of Children's Services	2 and 7

46. ANNUAL AUDIT REPORT IN RELATION TO THE DIRECTORATE OF CHILDREN'S SERVICES

A report of the Treasurer was submitted on the audit work undertaken in the Directorate of Children's Services for the financial year 2012/13 and incorporating details of the more important findings as indicated in Appendices 2 and 3 to the report submitted.

Arising from consideration of the report, and Appendices to the report, submitted concerns were raised about the number of unimplemented recommendations for the Directorate and Schools. The Head of Audit Services informed the Committee that there had been a number of issues over the years at particular schools, however following staff changes there had been some improvements.

Following concerns raised, the Divisional Lead - Commissioning and Procurement assured the Committee that the unimplemented recommendations would be addressed and robust management actions in place.

Members asked a number of questions and made comments, which were responded to, in particular in respect of the management responses highlighted in the report.

In responding to a question, the Head of Audit Services confirmed that the reduction of audits for the Directorate had been due to a reduction in staff, and that work undertaken over a number of years had improved the control environment.

RESOLVED

That the findings of the 2012/13 audit work be accepted.

47. GRANT THORNTON – FEE LETTER 2013/14

A report of the Treasurer was submitted on the planned audit fee for 2013/14 by the Council's external auditor, Grant Thornton. A copy of the letter was attached as an Appendix to the report submitted.

RESOLVED

That the information contained in the report, and Appendices to the report, submitted on the audit fee for 2013/14 be noted.

48. GRANT THORNTON REPORT: CERTIFICATION WORK 2012/13

A report of the Treasurer was submitted on the external auditor's Annual Report on Certification of Claims and Returns for 2012/13. A copy of the Annual Report was attached as an Appendix to the report submitted.

Ms Joburns was in attendance at the meeting and commented in particular that the Council continued to submit and certify claims and returns on time; however improvements were required in areas such as the teacher's pension return and the housing and council tax benefit claim.

RESOLVED

That the information contained in the report, and Appendices to the report, submitted on the Annual Report on Certification of Claims and Returns for 2012/13 be noted.

49. RISK MANAGEMENT

A report of the Treasurer was submitted on current corporate risks and other matters relating to risk management, and to provide closer scrutiny of the Council's corporate risk relating to the Budget (Risk ORG0002) that was identified for consideration by the Committee at a previous meeting, and to seek approval of the Risk Management Strategy for 2014/15. An information item of the Council's corporate risk relating to Carbon Reduction (Risk ORG0003) was appended to the report submitted.

The Treasurer gave a power point presentation in relation to the budget and associated controls.

Reference was made to the Council's statutory obligations to provide services and to manage within the resources available (Local Government Finance Act 2003, Section 25 and Local Government Finance Act 1998, Section 114.)

The Treasurer provided a breakdown in relation to the financial position, and in doing so stated that the risk rating was major and worsening. He then referred to the fact that Dudley has an above average "Start up Spending" per head (indicating an above average measure of need to spend adjusted for the ability to generate income) well below average Council Tax and below average actual spend per head.

It was anticipated that Revenue Support Grant would fall by 19% in 2014/15 and a further 28% in 2015/16.

The Treasurer further reported that Dudley Council (along with other Metropolitan Authorities) now retain 49% in relation to Business Rates, and the importance of maintaining this income.

It was reported that there had been £42 million savings over the last three years, and that £34 million savings were proposed over the next three years.

Reference was also made to the Medium Term Financial Strategy, in particular, that there remains a projected funding gap of £23 million by 2016/17.

The Treasurer then outlined the main mitigating controls under the headings of Professional, Business, Governance and Financial Strength. He reported that the main focus at Corporate Board meetings had been identifying areas that could be looked at to address the savings required, including alternative service delivery models, transformation, efficiencies and service prioritisation.

It was noted that further proposals would be submitted in June, 2014, and that all Scrutiny Committees had scrutinised the Budget in November, 2013.

Reference was then made to the significant reduction in the Budget and the impact on the financial strength of Dudley compared to other local authorities, and that Dudley's position was considerably better than the average for Metropolitan Borough Councils.

Arising from the presentation, Members asked a number of questions and the Treasurer responded as follows:-

- In relation to zero base budgeting, it was reported that although this terminology was not used, the process of challenging expenditure was substantially the same.

- That the key areas that had been adopted over a twelve month period were: -
 - The budget remaining constantly on the agenda allowing the issue to be challenged.
 - Identifying the relevant approach for addressing possible savings in each area including the possibility of out-sourcing in some services.
 - Ensuring that there were no areas that were considered immune to scrutiny including sensitive areas.
 - The possibility of prioritising services (in a structured way and taking account of public consultation) , as some services may as a last resort have to be reduced or cease to meet the savings required.
- The Treasurer outlined his role as Section 151 Officer, in circumstances where the Council were likely to exceed its available resources.
- In responding to a question, The Treasurer reported that Dudley Council was in a stronger financial position than a number of other local authorities .
- A survey in the Municipal Journal identified that 91% of councils would not consider holding a referendum.

During his presentation of the content of the report, and Appendix 1 to the report submitted, the Treasurer referred, in particular, to the Committee giving consideration to identifying and scrutinising a specific risk from those shown in Appendix 1, for consideration when the Committee next considered the issue of corporate risks at its meeting in July, 2014.

Following further discussion it was

RESOLVED

- (1) That the information contained in the report, and Appendix 1 to the report, submitted on current corporate risks, be noted.
- (2) That the risk ORG0002 – Budgets and associated controls, be noted.
- (3) That the information item - risk ORG0003 – Carbon Reduction, Appendix 2 to the report submitted, be noted.
- (4) That the risk ORG0021 – Children and Young People - be the particular risk identified for closer scrutiny the next time a risk report was referred for consideration by the Committee, in July, 2014.
- (5) That the Risk Management Strategy and Guidance, attached as Appendix 3 to the report submitted, be approved.
- (6) That the other matters relating to Risk Management be noted.

50. TREASURY MANAGEMENT

A report of the Treasurer was submitted on treasury activity during the financial year 2013/14, up to December, 2013, and also seeking approval of the Treasury Strategy Statement 2014/15.

RESOLVED

That, subject to the approval of Council:-

- (1) Treasury Management activities in 2013/14, as outlined in the report submitted be noted.
- (2) The Treasury Strategy 2014/15, attached as Appendix 2 to the report submitted, be approved.
- (3) The Treasurer be authorised to effect such borrowings, repayments and investments as were appropriate and consistent with the approved Treasury Strategy and relevant guidance.

51. EXCLUSION OF THE PUBLIC

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

<u>Description of Item</u>	<u>Relevant Paragraphs of Part I of Schedule 12A</u>
Audit Services Interim Performance Report	2 and 7

52. AUDIT SERVICES INTERIM PERFORMANCE REPORT

A report of the Treasurer was submitted on an update on Audit Services performance and other related information.

The Head of Audit Services stated that Audit Services had completed 64% of the audit plan against a target of 70%, and 93 audits against a target of 95.

The Head of Audit Services reported that the "Local Audit and Accountability Bill" had now been published, and an e-mail would be circulated to reflect this.

It was further noted that the Public Sector Internal Audit Standards required that an external review of compliance against the Standards should be undertaken every five years. It was noted that such a review would be undertaken in 2014/15.

Arising from a discussion on the use of a skills self assessment process for Members of the Committee, the Chair undertook to e-mail the Group Leaders informing them that all members of the Committee, from April 2014, would be required to complete a skills self assessment questionnaire. This would also enable training sessions to be provided in a tailored way.

RESOLVED

- (1) That the information contained in the report, and Appendix A to the report, submitted, be noted.
- (2) The Treasurer be authorised to organise an external review of Audit Services in 2014/15.
- (3) The implementation of a skills self assessment process as set out in Appendix D to the report, submitted, be approved, and that the Chair be requested to e-mail all Group Leaders in relation to the implementation of the process in readiness for the next municipal year.

The meeting ended at 7.50 p.m.

CHAIR