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## **Audit and Standards Committee – 8<sup>th</sup> July 2024**

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

### **Audit and Risk Management Services' Annual Performance Report 2023-24**

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

1. To give Members an overview of the performance of Audit and Risk Management Services for the financial year ending 31<sup>st</sup> March 2024. This will allow Audit and Standards Committee to assess the effectiveness of its internal audit provision in accordance with the Accounts and Audit Regulations 2015.

#### **Recommendations**

2. The Committee accept this report on the performance and effectiveness of Audit and Risk Management Services during 2023-24.
3. The Committee requests Members to complete the questionnaire included at **Appendix D** and forward to the Head of Audit and Risk Management Services.

#### **Background**

##### **Independence**

4. The Public Sector Internal Audit Standards require that Internal Audit is independent, and this is achieved by the Head of Audit and Risk Management Services reporting to the Audit and Standards Committee and having free and unfettered access to the Chief Executive and the Chair of the Audit and Standards Committee.

5. The Head of Audit and Risk Management Services is not aware of any issues that have impinged on the independence of Audit and Risk Management Services during 2023-24 or interference in determining the scope of internal auditing, performing work and communicating results.

### Resources

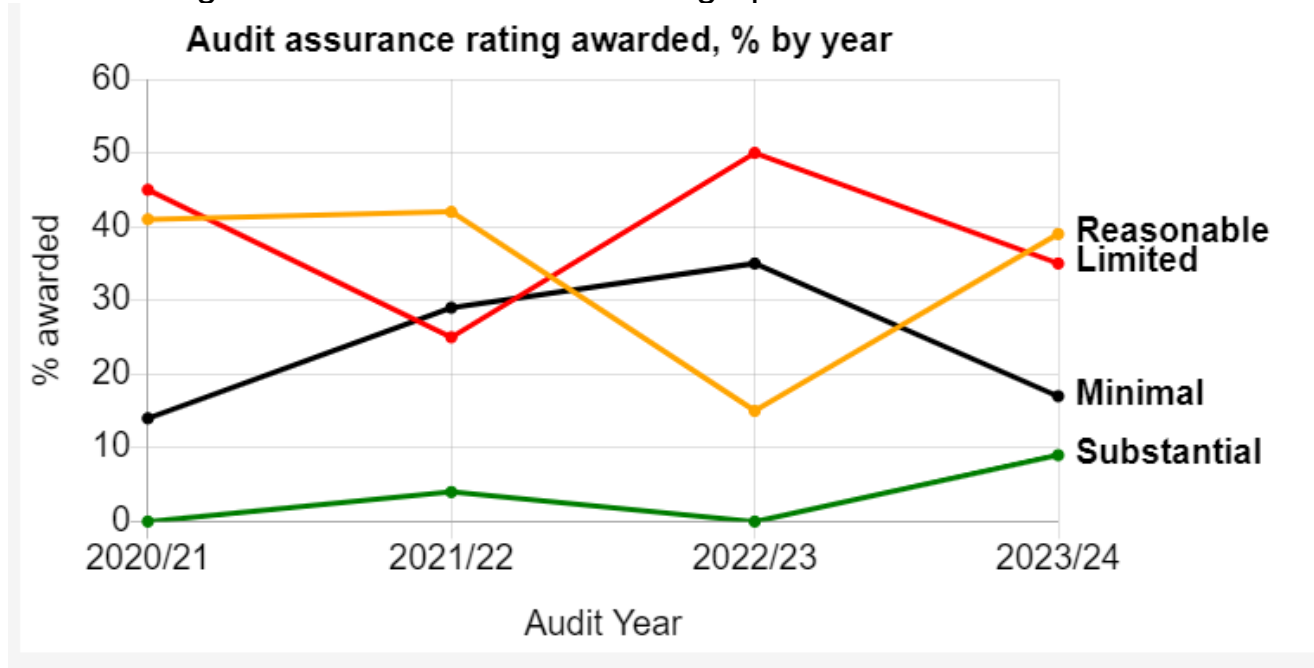
6. The establishment for Audit and Risk Management Services (7.8 FTE) has been stable during 2023-24. There have been no leavers and we still have a vacancy for a Principal Auditor, which we have attempted to fill on a number of occasions.
7. The Team has suffered an unusually high level of sickness during 2023-24. This has placed a great strain on an already stretched Team and has impacted on the achievement of the audit plan and development activity. These are discussed later in this report.

### Performance Management

8. Audit and Risk Management Services completed 86% of the audit plan as at 31<sup>st</sup> March 2024 (compared with 93% in 2022-23). The work outstanding at the year-end is being completed. The decline in performance is due to exceptional sickness being experienced during the year.
9. Audit and Risk Management Services carried out 42 internal audit reviews, which are summarised in **Appendix A**. Cancelled audits and audits completed during 2023-24 that were not in the original audit plan are shown in **Appendix B**. In addition to this, Audit and Risk Management Services carried out:
  - 3 Honorary audits (8 sets of individual accounts),
  - 40 School Financial Value Standard assessment reviews,
  - Work on 1 Multi - Academy Trust audit.
10. The Honorary audits (Stevens Trust, Astley Burf and Parks Charities) relate to the external audit of a number of charity accounts. The accounts are prepared by Accountancy, and Audit and Risk Management Services check that they have been prepared correctly (no material matters identified) and meet Charity Commission requirements.
11. The audit work carried out resulted in 412 Findings being raised. Of these, 4 were classified as Critical priority, 157 as High priority, 208 as Medium priority, and 45 as Advisory. In addition, there were also 41 actions that were unimplemented from the previous review. Please see **Appendix C**. The following assurance ratings were given for Council audits only:

Assurance	2019/20 %	2020/21 %	2021/22 %	2022/23 %	2023/24 %
Substantial	20	0	4	0	9
Reasonable	57	41	42	15	39
Limited	10	45	25	50	35
Minimal	13	14	29	35	17
TOTAL	100	100	100	100	100

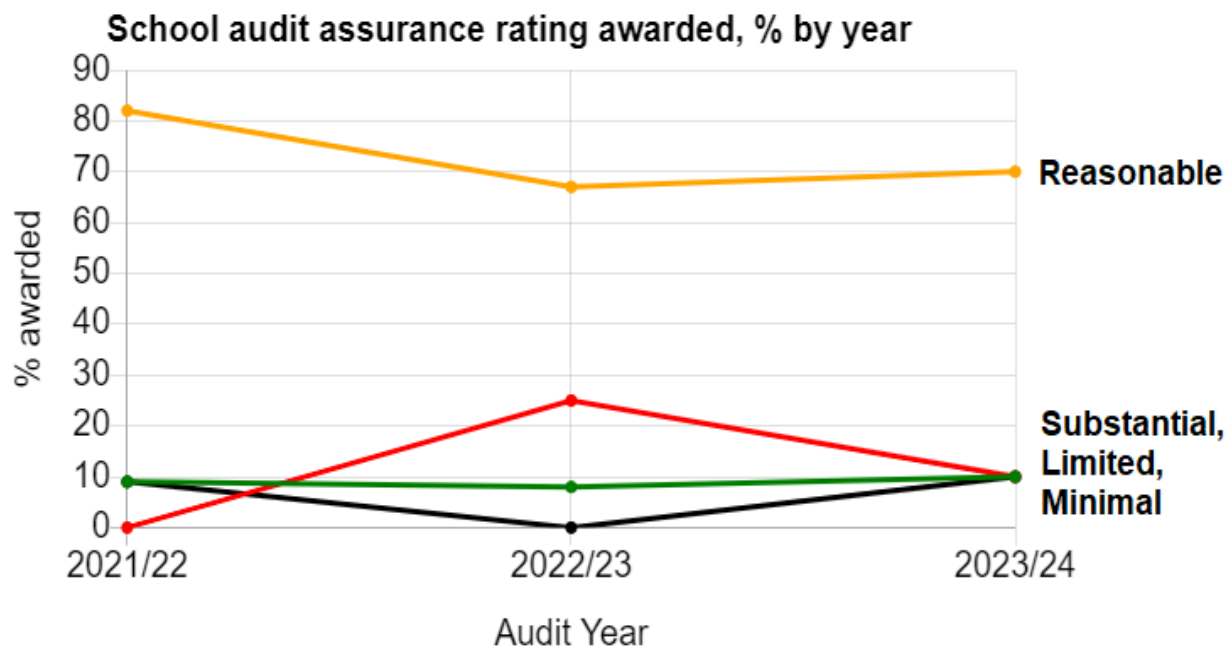
12. The figures above are shown in the graph below:



This highlights that a high proportion of audits receive a negative assurance opinion (Minimal or Limited). This has been the case since 2020/21. This has been previously discussed with Senior Management and Audit and Standards Committee and has recently been identified as part of the LGA Corporate Peer Review.

13. The assurance opinions for schools are shown in the table and graph below. We have only included the opinions for the last three years because prior to that a different rating system was used.

Assurance	2021/22 %	2022/23 %	2023/24 %
Substantial	9	8	10
Reasonable	82	67	70
Limited	0	25	10
Minimal	9	0	10
TOTAL	100	100	100



Most schools receive a Reasonable assurance opinion and this has been the case for a number of years.

14. Audit and Risk Management Services have a target of nine weeks to produce and issue the draft report from the start date of the audit. During 2023-24 (as at 31<sup>st</sup> March 2024), Audit and Risk Management Services achieved 88% (89% in 2022-23) against a target of 90%. Performance has again been impacted by sickness, the completion of some complex audits, and investigations where the Corporate Fraud Manager required additional support.
15. Managers are required to provide an initial response within four weeks of the date of the draft report. This is to encourage Managers to liaise with Audit and Risk Management Services on a more-timely basis. 67% of Managers (as at 31<sup>st</sup> March 2024) provided an initial response within four weeks (86% during 2022-23).
16. Audit and Risk Management Services currently have a target of issuing the final audit report within six weeks of the date of the draft report. This target requires the support and co-operation of Directors. During 2023-24 (as at 31<sup>st</sup> March 2024), 76% of final reports were issued within six weeks of the date of the draft report. This compares with 50% during 2022-23. Audit and Risk Management Services regularly remind Managers of this target and provide support if required.

## Fraud

17. The Annual Fraud Report details what work has been completed in line with the Fraud Action Plan on prevention, detection, investigation and resolution. This was presented to the April 2024 meeting of Audit and Standards Committee.

## Governance

18. Audit and Risk Management Services facilitated and managed the update of the Annual Governance Statement for 2022-2023, which was discussed at Strategic Executive Board (Corporate Management Team) on two occasions and was approved by Audit and Standards Committee in December 2023.
19. As part of the Fit for the Future Programme and in response to the External Auditor's Annual Report and LGA Corporate Peer Review, governance is being reviewed. Due to potential changes to the Council's governance framework a decision was taken not to update the Code of Corporate Governance during 2023-24.

## Advice and Support

20. Audit and Risk Management Services' staff have supported Council Managers during the year with advice on procedures/systems, IT security, fraud prevention and detection, risk management and compliance with Financial Regulations. Members of the team also attended a number of corporate and external groups. Examples of advice provided is as follows:
  - Advice to the Corporate Portfolio Management on project risk management and project management generally.
  - Advice on the new Lloyds Banking System particularly in relation to reporting.
  - A lot of advice was given to schools on financial and governance processes including banking arrangements and banking processes.
  - Advice to the Regeneration Team on the Long-Term Plan for Towns and associated governance arrangements.
  - Advice to Adult Social Care on their Quality Assurance Framework.
  - Input into the sensitivity labelling pilot, electronic signatures project, and identify verification via the MyDudley platform.
  - Data analysis support including spending control information to Accountancy.
  - Fraud prevention, detection and investigation advice to Council officers and schools.
  - Advice on the proposed write-off of missing ICT equipment and the disposal of furniture and equipment.
  - Advice on reviewing Council Tax permanent suppressions.

## Risk Management

21. Due to the dynamic nature of risk management, the key risks recorded on the Corporate Management Team (CMT) Risk Report may change during the year, but as at 31<sup>st</sup> March 2024 (Report to CMT in March 2024), the following risk areas were rated as “Very High” at the residual level (the rating above the Council’s Risk Appetite):
  - Budget Management (R392),
  - Regeneration Benefits (R408),
  - Programme and project management oversight and assurance (R419),
  - Non-compliance with CQC inspection framework (R617).
22. During 2023-24 Audit and Risk Management Services have supported compliance with the Council’s Risk Management Framework by undertaking the following:
  - Training and support provided to Officers on request.
  - Continued support to officers with the identification and management of their risks.
  - Further changes have been made to the Risk Management System (Spectrum).
  - Further enhancements have been made to the Risk Management Dashboards.
  - Risk Management reports have been provided to Corporate Management Team and this Committee,
  - We have facilitated the completion of Risk Assurance Statements by Directors for 2023-24.
  - We have provided comments on risk management paragraphs in Committee Reports and Decision Sheets/Memorandums.
  - We have ensured that quarterly risk and mitigating action updates have been provided by officers.
  - We continue to challenge officers on their risk and mitigating action updates and any changes to their risks to ensure compliance with the Risk Management Framework.
  - We regularly suggest new risks that should be included on the Corporate Management Team Risk Report.
  - We benchmark Corporate Management Team risks to risks identified and reported by other Councils.
23. The lack of resources has prevented further work being undertaken to embed the Risk Management Framework. An area where limited progress has been made is the identification of sources of assurance against risks. This was an area identified as part of the External Quality Assessment on internal audit.

Although this information has been requested to be recorded on the Spectrum Audit System, a lack of understanding by Managers of what needs to be recorded has meant very little progress has been made. Audit and Risk Management Services are hoping to find time during 2024-25 to provide training and support to officers so that this key requirement can be met. Once assurance information is recorded, we will be able to understand more effectively where there are gaps in the Council's assurance processes.

#### Follow Up of Previous Actions

24. It was previously resolved by this Committee, that Audit and Risk Management Services would follow up audit reports which had an overall assurance rating of Minimal within six months of the date the final report was issued, and the results would be presented to this Committee. This was to enable the Committee to assess management action, in appropriate cases on a more-timely basis. During the year the following Minimal assurance reports were issued or followed up:

<b>Audit</b>	<b>Follow Up Stage</b>	<b>Assurance Rating</b>	<b>Date of next Follow Up</b>
Housing Property Compliance	N/A	N/A	TBA
<b>Comment:</b> The Regulator for Social Housing requested that an external audit be carried out of Housing Property Compliance if the regulatory notice was to be lifted. This audit has recently been undertaken and provided "adequate" assurance on compliance. For this reason, the internal audit follow up review has been postponed. The Head of Audit and Risk Management Services is to review the report before deciding what further action to undertake. A report from the Housing Assurance Board is scheduled to be presented to Audit and Standards Committee in September 2024.			
<b>Audit</b>	<b>Follow Up Stage</b>	<b>Assurance Rating</b>	<b>Date of next Follow Up</b>
Employee Warning System	Second	Minimal	February 2025
<b>Comment:</b> The second follow up review has found that limited progress has been made to address the Audit Actions. This appears to be due to the officer leading on this work leaving the Council and a lack of capacity within Technology Systems to make the required changes to the application.			

Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Corporate Building Compliance	First	Limited	N/A
<b>Comment:</b> Good progress has been made to address the Audit Actions. Further follow work will be undertaken in relation to the High priority findings.			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Early Years Funding and Childcare Sufficiency	N/A	N/A	June 2024
<b>Comment:</b> The follow up review has been delayed due to capacity within the team.			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Electoral Services	N/A	N/A	August 2024
<b>Comment:</b> This follow up has been delayed due to local and national elections.			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
BACS	First	Limited	N/A
<b>Comment:</b> Good progress has been made to address the Audit Actions. Further follow work will be undertaken in relation to the High priority findings.			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Children in Care Sufficiency Strategy	N/A	N/A	August 2024
<b>Comment:</b> The follow up review has been delayed due to capacity within the team.			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Regeneration Project Management Governance	N/A	N/A	August 2024
<b>Comment:</b> The follow up review has been delayed due to capacity within the team.			



<b>Audit</b>	<b>Follow Up Stage</b>	<b>Assurance Rating</b>	<b>Date of next Follow Up</b>
Children's Services Contract Management	N/A	N/A	July 2024
<b>Comment:</b> N/A			
<b>Audit</b>	<b>Follow Up Stage</b>	<b>Assurance Rating</b>	<b>Date of next Follow Up</b>
Property Maintenance Contract Payments	N/A	N/A	September 2024
<b>Comment:</b> N/A			
<b>Audit</b>	<b>Follow Up Stage</b>	<b>Assurance Rating</b>	<b>Date of next Follow Up</b>
Collections Management	N/A	N/A	December 2024
<b>Comment:</b> N/A			
<b>Audit</b>	<b>Follow Up Stage</b>	<b>Assurance Rating</b>	<b>Date of next Follow Up</b>
St James' C of E Primary School	N/A	N/A	July 2024
<b>Comment:</b> N/A			

**Note** – In line with Audit and Risk Management Services' Follow Up Procedure, where an audit assurance rating has improved from a Minimal rating, then future follow up work will be undertaken on the High Priority findings to ensure that these are fully implemented.

25. In addition to the follow up of Minimal audit reports, Audit and Risk Management Services also follows up all High priority findings (see **Appendix C**), approximately six months after the issue of the final audit report. However, due to capacity issues within the Team some of these reviews have been delayed. During the period up to the 31<sup>st</sup> March 2024, Audit and Risk Management Services undertook 15 Stage 1 Follow Up reviews and 11 Stage 2 Follow Up reviews and the outcome is shown below:

<b>Follow Up Stage</b>	<b>Findings Followed Up</b>	<b>Findings Implemented</b>	<b>% Implemented</b>
Stage 1	83	33	40%
Stage 2	97	28	29%

### Budget

26. The cost of providing Audit and Risk Management Services during 2023-24 was approximately £490,000 (excluding overhead recharges) which was underspent by approximately £73,000. The underspend has been achieved due to money received following a Proceeds of Crime Act investigation after a successful prosecution, Value Added Tax recovered following value for money work and a reduction in expenditure on training and subscriptions due to spending controls.
27. Audit and Risk Management Services have an income target of £71,000, which is normally difficult to achieve and the budget is usually only balanced by not appointing to the Principal Auditor vacancy.
28. Income is generated by supporting schools complete their School Financial Value Standard Assessments (SFVS), work for a large Multi-Academy Trust and value for money type work, which mainly relates to the checking for duplicate payments and where Value Added Tax (VAT) has not been recovered (where appropriate to recover).

### Customer Feedback

29. To obtain feedback about the quality of work, post-audit questionnaires are issued to customers after most audits. They are asked to respond to questions relating to the various stages of the audit process and also to provide an overall rating. Of the 16 questionnaires returned (response rate of 62%), except one, these indicated that either a "Very Good" or "Good" service had been received. The other questionnaire reported a "Satisfactory" service. Audit and Risk Management Services have made it as easy as possible to complete the questionnaire and also chase Managers for a response. We will continue to try and improve the return rate.
30. Audit and Risk Management Services also received 22 compliments during 2023-24 and no complaints.

## Quality Assurance and Improvement Programme

31. From the 1<sup>st</sup> April 2013, CIPFA endorsed the new Public Sector Internal Audit Standards (PSIAS) which are based on the international standards for the professional practice of internal auditing but provide additional requirements and interpretations for UK public sector bodies.
32. The Head of Audit and Risk Management Services maintains a quality assurance and improvement programme that covers all aspects of internal audit activity and includes both internal and external assessments. Internal assessments would include the following:
  - The Head of Audit and Risk Management Services would review all audit planning documentation and audit terms of reference (except for Schools) prior to them being issued. For Schools, a methodology is agreed in advance of the annual audit plan commencing to determine which areas are to be considered,
  - All internal audit work is reviewed by a more senior officer,
  - The Head of Audit and Risk Management Services reviews all draft reports and agrees all final reports before they are issued,
  - Post audit questionnaires are returned to the Head of Audit and Risk Management Services for review,
  - The Head of Audit and Risk Management Services undertakes a detailed review of a number of audit files each year,
  - The Head of Audit and Risk Management Services monitors the quality reports generated from the audit electronic system (Galileo),
  - The Head of Audit and Risk Management Services monitors the time spent on audits and the timeliness of audits being completed and ensures key performance indicators are being achieved,
  - The Head of Audit and Risk Management Services meets with Directors and Heads of Service on a regular basis and views on the internal audit service are obtained,
  - Benchmarking of procedures and activities are undertaken with other council internal audit teams on a regular basis,
  - Internal Audit Plans and Corporate Risk Registers are compared with similar organisations,
  - An Action Plan detailing all improvement and quality activity is maintained,
  - The Head of Audit and Risk Management Services monitors the internal audit press/media to understand developments in the profession.
  - Self-assessments are undertaken against the Public Sector Internal Audit Standards, Local Government Application Note and other applicable guidance issued by CIPFA.

33. The internal quality assurance programme has not identified any significant non-conformances with the Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics. Regular discussions are held in Management and Team meetings on procedures and issues that have been identified.
34. Resource issues during the year (exceptional sickness and Principal Auditor vacancy) and spending controls have impeded progress on the improvement programme. Training in line with the agreed training priorities has been affected and a revision to the audit report format has been delayed. It is hoped the new report format will be implemented shortly.
35. Public Sector internal audit functions are required to have an external assessment to confirm compliance with the Public Sector Internal Audit Standards every five years. The last assessment was undertaken by Business Risk Solutions (external assessor) in April 2020. The external assessor concluded that “Dudley MBC Internal Audit Division is delivering a service to a standard that meets the Public Sector Internal Audit Standards.”
36. Global Internal Audit Standards that are part of the International Professional Practice Framework (IPPF) have recently been revised. The UK Public Sector Internal Audit Standards Advisory Board (IASAB) are carrying out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. This material has not yet been published for consultation but the indicative implementation date is the 1st April 2025.
37. Audit and Risk Management Services are due to have an external quality assessment during 2025-26 to check conformance with the standards, but this may need to be delayed so that a self-assessment can be carried out against the new standards and accompanying guidance and ensure the required changes are made to procedures. The Head of Audit and Risk Management Services will keep Audit and Standards Committee informed of progress to develop the new Public Sector Internal Audit Standards.

#### Audit and Standards Committee

38. CIPFA published revised guidance on Audit Committees (June 2022), and a new position statement on the role of the Audit Committee. A self-assessment against this guidance was due to be undertaken during 2023-24 but has been delayed due to resourcing issues. It will be undertaken during the coming municipal year and the results will be presented to Audit and Standards Committee.
39. CIPFA also suggests Members of the Audit Committee should evaluate their skills and knowledge on a regular basis and have developed a questionnaire for the purpose that is included at **Appendix D**. Although some Members of this Committee may have completed the questionnaire in the past, there may

be benefit in updating the assessment, which will then be used to identify training needs.

### External Audit

40. Audit and Risk Management Services have regular dialogue with Grant Thornton and provide access to working papers and reports. This helps to co-ordinate audit activity and avoids unnecessary duplication. In their Annual Report for 2021-22 and 2022-23 they state:

**“The Council has an adequate and effective internal audit function to monitor and assess the operation of internal controls in 2021/22 and 2022/23. The internal audit is run by Audit Services. Internal audit carry out an appropriate level of work and work is of a satisfactory standard.”**

### Head of Audit and Risk Management Services’ Opinion

41. The Head of Audit and Risk Management Services is required by Public Sector Internal Audit Standards to deliver an annual report which contains an internal audit opinion. The internal audit opinion must conclude on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.
42. This opinion is based upon the work carried out by Audit and Risk Management Services during 2023-24 and any significant external assurance received by the Council that has been relied upon. It must be acknowledged, however, that it is not possible to review all aspects of governance, risk management and control within a single year. In giving the opinion it should be noted that assurance can never be absolute due to the inherent nature of internal controls systems. In assessing the level of assurance, the following have been taken into account:
- All internal audit reviews undertaken including consultancy, advice and fraud/irregularity investigations for the year ending 31st March 2024,
  - Follow up reviews undertaken on Critical and High priority findings and audits that have been given a Minimal assurance rating,
  - Continuing work being undertaken by Management to respond to actions arising from internal audit work on a timely basis,
  - Whether any Critical or High priority findings have not been accepted by Management,
  - The oversight and work undertaken in relation to risk management,

- Any other assurance opinion given by other providers that Audit and Risk Management Services have relied upon.

43. The Head of Audit and Risk Management Services' opinion is as follows:

**I am satisfied that sufficient work has been carried out to allow me to form a reasonable conclusion as to the adequacy and effectiveness of Dudley MBC's overall internal control environment and there has been no limitations to the scope of our activity or resource constraints imposed on Audit and Risk Management Services which have significantly impacted on our ability to meet the full internal audit needs of the Council. Taking into account what is detailed in paragraph 42, for the 12 months ended 31st March 2024, I am able to provide 'Limited' (*Significant weaknesses in system design or control application*) assurance on Dudley MBC's framework of governance, risk management and internal control, which is required in order to achieve the Council's priorities.**

44. The 'Limited' opinion is based on the following:

- A high proportion of the assurance reviews undertaken have delivered a negative opinion (Minimal or Limited) on the effectiveness of the control environment. This has been the case for a number of years and although raised with Senior Management and Audit and Standards Committee very little improvement has been made.
- Agreed Audit Actions are not being addressed by Management on a timely basis and in line with the timescales set. This is evidenced through follow up reviews undertaken by Audit and Risk Management Services, reports to Audit and Standards Committee and completion of the Spectrum Audit System.
- The External Auditor's Annual Reports for 2021-22 and 2022-23 presented to Audit and Standards Committee in December 2023. In line with their responsibilities under the National Audit Office Code of Audit Practice, they raised some significant weaknesses in relation to Financial Sustainability, Governance and improving economy, efficiency and effectiveness, resulting in key recommendations being raised concerning: financial management and the sustainability of reserves, Members recognising the scale of the Council's financial challenge, a reset in the relationship between Officers and Members, and addressing the requirements of the Regulatory Notice issued by the Regulator for Social Housing. The External Auditor also identified instances where the risk management processes were not effective e.g. Housing Property Compliance issues.

- An LGA Corporate Peer review took place in September 2023. They raised similar concerns to External Audit but also stated: “There is evidence of good work within the Internal Audit Team but there is an urgent need to ensure this is acted on to improve the internal control and assurance environment. DMBC needs visibility on and a strengthened approach to responding to Internal Audit and increasing the profile of risk and the importance of delivery of audit recommendations, ensuring assurance levels are increased.”

### Spectrum Audit and Risk Management System

45. The Spectrum System was developed by Technology Systems and Services approximately 12 years ago. Initially it was used as a performance and risk management system, but more recently a facility was developed to monitor Audit Actions. Audit and Risk Management Services have developed the Risk System so that it operates in accordance with the revised Risk Management Framework. Also Risk and Audit Dashboards have been created that allow Managers to quickly view their risks and Audit Actions they have not addressed.
46. Once an internal audit report is finalised the information is transferred to the Spectrum Audit System. Managers are then required to provide progress updates in terms of addressing the Audit Actions until they have been fully implemented. Audit and Risk Management Services remind Managers on a quarterly basis that updates need to be provided. There are some Audit Actions that have been outstanding for two years or more. Corporate Management Team have recently requested that Managers either confirm that Actions have been implemented or discuss with Audit and Risk Management Services why Actions should be closed because they are no longer applicable.
47. Audit and Risk Management Services administer the Risk Management System. This means that Audit and Risk Management Services set up new risks and mitigating actions or amend existing risks/mitigating actions on behalf of officers. Officers are required to provide their quarterly risk and mitigating action updates.

### Finance

48. There are no direct financial implications arising from this report. The cost of Audit and Risk Management Services is met from within the base budget of the Council.

## **Law**

49. 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.
50. Accounts and Audit Regulations 2015 state a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

## **Risk Management**

51. The proposals contained in this report do not create any “material” risks.

## **Equality Impact**

52. This report does not raise any equal opportunities issues.
53. The work of Audit and Risk Management Services helps to protect the interests of children and young people, albeit they were not consulted on, or involved, with the production of this report.

## **Human Resources/Organisational Development**

54. This report does not contain any human resources/organisational development implications. However, as stated in the report we have been unable to appoint to the Principal Auditor vacancy and the Team have experienced significant sickness during the year.

## **Commercial/Procurement**

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

## **Environment/Climate Change**

56. There are no environmental/climate change issues associated with this report. Although, a consultancy report on climate change has been undertaken.

## **Council Plan**

57. An effective framework of governance, risk management and internal control will greatly assist the council in achieving its priorities.





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

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**List of Background Papers**

Appendix A – Audit work carried out during 2023-24  
Appendix B – Cancelled audits and additional audits  
Appendix C – Follow Up - Stage1 and Stage 2  
Appendix D – Member Core Areas of Knowledge  
Public Sector Internal Audit Standards  
CIPFA's Audit Committees Practical Guidance for Local Authorities and Police (2022)  
Audit and Risk Management Services' Reports  
Risk Management Framework

# Appendix A

## INTERNAL AUDIT WORK CARRIED OUT DURING 2023-24

Status	Audit	Level of Assurance	T	C	H	M	A	U
<b>Adult Social Care (4 audits)</b>								
Final	Adult Mental Health	Reasonable	19	0	5	10	4	0
Final	Better Care Fund Policy Framework Review	Substantial	3	0	0	3	0	1
Final	Welfare Benefits Team	Reasonable	4	0	0	3	1	1
Final	Adult Commissioning and Market Sustainability	Reasonable	1	0	1	0	0	0
		<b>TOTAL</b>	<b>27</b>	<b>0</b>	<b>5</b>	<b>17</b>	<b>5</b>	<b>2</b>
<b>Chief Executive's (3 audits)</b>								
Final	Performance Data Quality	Reasonable	2	0	1	0	1	1
Draft	Events Management	Limited	16	0	4	11	1	0
Draft	Recruitment	Limited	11	0	5	4	2	0
		<b>TOTAL</b>	<b>29</b>	<b>0</b>	<b>10</b>	<b>15</b>	<b>4</b>	<b>1</b>
<b>Children's Services (5 audits)</b>								
Final	Children's Services Contract Management	Minimal	19	0	13	5	1	0
Final	Children's Services Information Governance and Records Management	Limited	6	0	4	1	1	0
Final	Family Hub Grant Certification	Grant Claim	0	0	0	0	0	0
Final	Strengthening Families Grant Certification	Grant Claim	0	0	0	0	0	0
Draft	School Improvement	Limited	8	0	3	4	1	0
		<b>TOTAL</b>	<b>33</b>	<b>0</b>	<b>20</b>	<b>10</b>	<b>3</b>	<b>0</b>

Status	Audit	Level of Assurance	T	C	H	M	A	U
<b>Digital, Customer and Commercial Services (5 audits)</b>								
Final	Council Wide Procurement	Limited	24	0	13	8	3	6
Final	Unit4 ERP (Agresso Business World)	Reasonable	9	0	4	5	0	3
Draft	Banking System (Lloyds Commercial Banking Online)	Reasonable	3	0	1	2	0	0
Draft	Digital Roadmap Governance	Limited	11	0	4	7	0	0
WIP	Access and Identity Management	TBA						
		<b>TOTAL</b>	<b>47</b>	<b>0</b>	<b>22</b>	<b>22</b>	<b>3</b>	<b>9</b>
<b>Environment (3 audits)</b>								
Final	Biodiversity Net Gain Grant Certification	Grant Claim	0	0	0	0	0	0
Final	Climate Change	Consultancy	7	0	4	2	1	0
Final	Licensing	Reasonable	21	0	4	12	5	1
		<b>TOTAL</b>	<b>28</b>	<b>0</b>	<b>8</b>	<b>14</b>	<b>6</b>	<b>1</b>

Finance and Legal (3 audits)								
Final	Business Rates	Limited	6	0	3	3	0	0
Final	Treasury Management	Substantial	1	0	0	1	0	0
WIP	Budget Management	TBA						
		<b>TOTAL</b>	<b>7</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>0</b>
Housing and Community Services (5 audits)								
Final	Green Homes LAD Phase 3 Grant Certification	Grant Claim	0	0	0	0	0	0
Final	Home Upgrade Grant Phase 1 (HUG1)	Grant Claim	0	0	0	0	0	0
Final	Property Maintenance Contract Payments	Minimal	24	2	15	7	0	0
Final	Rent Accounting	Reasonable	5	0	1	4	0	0
Draft	Employee Warning System	Minimal	12	0	11	1	0	10
		<b>TOTAL</b>	<b>41</b>	<b>2</b>	<b>27</b>	<b>12</b>	<b>0</b>	<b>10</b>
Public Health and Wellbeing (1 audits)								
Final	Food Safety	Reasonable	7	0	2	5	0	0
		<b>TOTAL</b>	<b>7</b>	<b>0</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>0</b>
Regeneration and Enterprise (3 audits)								
Final	Collections Management	Minimal	20	1	10	6	3	0
Final	Himley Hall Income Management	Consultancy	21	0	10	8	3	9
Final	Leisure Centre Management	Limited	38	0	17	15	6	0
		<b>TOTAL</b>	<b>79</b>	<b>1</b>	<b>37</b>	<b>29</b>	<b>12</b>	<b>9</b>

<b>Schools (10 audits)</b>								
Final	Amblecote Primary	Reasonable	5	0	1	4	0	0
Final	Dormston School	Reasonable	11	0	2	9	0	0
Final	Hurst Green Primary	Reasonable	10	0	3	6	1	2
Final	Mount Pleasant Primary	Reasonable	9	0	3	6	0	0
Final	Newfield Park Primary	Limited	14	0	6	8	0	5
Final	St James' C of E Primary	Minimal	9	1	2	6	0	0
Final	Summerhill School	Reasonable	14	0	2	10	2	0
Final	The Wordsley School	Reasonable	20	0	2	15	3	0
Final	Withymoor Primary	Substantial	2	0	0	2	0	0
Draft	Oldswinford Hospital School	Reasonable	20	0	1	15	4	2
		<b>TOTAL</b>	<b>114</b>	<b>1</b>	<b>22</b>	<b>81</b>	<b>10</b>	<b>9</b>
<b>TOTAL FINDINGS RAISED</b>			<b>412</b>	<b>4</b>	<b>157</b>	<b>208</b>	<b>45</b>	<b>41</b>

**Note** – All grant claims reviewed have to be certified by the Head of Audit and Risk Management Services to ensure the amount claimed is in line with the grant determination.

<b>Finding Ratings</b>	
<b>T</b>	Total
<b>C</b>	Critical
<b>H</b>	High
<b>M</b>	Medium
<b>A</b>	Advisory
<b>U</b>	Unimplemented
<b>Other Ratings</b>	
<b>WIP</b>	Work in Progress
<b>TBA</b>	To be Agreed
<b>Other Work Completed</b>	
Honorary Audits	See Paragraph 10
Follow Up – Minimals	See Paragraph 24
Follow Up – Highs	See Paragraph 25

Advice and Support	See Paragraph 20
Income Generation	See Paragraph 28
Value for Money	See Paragraph 28
External Contracts	See Paragraph 28
Corporate Governance	See Paragraph 18
Fraud	See Paragraph 17
Risk Management	See Paragraph 21

# Appendix B

## CANCELLED AND ADDITIONAL AUDITS

### Cancelled Audits

DIRECTORATE	REASON
<b>Chief Executive</b>	
Corporate Portfolio Management Office (CPMO)	The CPMO has moved to the Fit for the Future Programme Delivery Office to support delivery of the programme and their procedures and approach are being reviewed. Included again in the 2024-25 audit plan.
<b>Finance and Legal</b>	
Legal Services	The Director of Finance and Legal Services asked for this audit to be delayed and is being covered as part of the 2024-25 audit plan.
<b>Regeneration and Enterprise</b>	
Very Light Railway	The Director of Regeneration and Enterprise requested for the audit to be postponed due to changes taking place in relation to the Very Light Railway.
<b>Housing and Community Services</b>	
Housing Repairs Management	Management requested that an audit be undertaken on Property Maintenance Contract Payments due to serious concerns within this area. This was agreed and the Housing Repairs Management audit was moved to 2024-25.

**Additional Audits (Not included in the original Audit Plan)**

<b>DIRECTORATE</b>	<b>AUDIT</b>
Children's Services	Family Hub Grant Certification
Digital, Customer and Commercial Services	Banking System (Lloyds Commercial Banking Online)
Environment	Biodiversity Net Gain Grant Certification
Housing and Community Services	Green Homes LAD Phase 3 Grant Certification
Housing and Community Services	Home Upgrade Grant Phase 1 (HUG1)
Housing and Community Services	Property Maintenance Contract Payments
Regeneration and Enterprise	Himley Hall Income Management



# APPENDIX C

## Follow Up – Stage 1

<b>Audit</b>	<b>No. high findings</b>	<b>Highs not fully implemented</b>
Council Property Lettings	3	3
Central Purchasing Team	7	3
Adult Safeguarding	3	0
Payroll Processes	2	1
Adoptions Payments	4	4
Dawley Brook Primary School	1	0
Woodsetton Special School	1	0
Caslon Primary School	1	1
Straits Primary School	1	0
Brierley Hill Primary School	2	0
Sycamore Short Stay School	4	2
Rosewood Special School	6	4
Social Media	6	2
Sycamore Adventure	14	3
ICT Patch Management	3	1
Management of Information Governance	5	2
Corporate Building Compliance	20	7
<b>TOTAL (15)</b>	<b>83</b>	<b>33</b>

## Follow Up – Stage 2

<b>Audit</b>	<b>No. high findings</b>	<b>Highs not fully implemented</b>
<b>Public Health Contract Management</b>	8	0
<b>Comment:</b> N/A		
<b>Special Educational Needs and Disabilities (SEND)</b>	12	6
<b>Comment:</b> A SEND Sufficiency Strategy is still to be produced. For many of the outstanding actions good progress has been made.		
<b>Purchase Cards</b>	5	0
<b>Comment:</b> All Actions have been implemented.		
<b>Corporate Governance including Ethical Behaviour</b>	5	1
<b>Comment:</b> The publication of a document detailing the agreed Downward Delegations process remains outstanding. All directorates had not provided their downward delegations to the Lead for Law and Governance.		
<b>Foster Care Payments</b>	8	5
<b>Comment:</b> Progress to address the actions has been delayed due to the lack of trained staff and resources within ICT and the Management Information Team. This has meant that carers receiving payments under Special Guardianship Orders are not means tested annually as stated by legislation and that checks are not being undertaken to ensure Annual Statements are received.		
<b>Firewalls and Network Traffic</b>	3	2
<b>Comment:</b> The last published review of the Firewall Management and Configuration Policy did not update the content to reflect current processes and the described firewall reviews are not currently carried out.		
<b>Workforce Planning</b>	3	0
<b>Comment:</b> All Actions have been implemented.		

<b>Pest Control</b>	2	2
<b>Comment:</b> Strategic and Marketing plans have not been prepared. Work is being undertaken to review the commercial position of the service.		
<b>Transport Team</b>	24	7
<b>Comment:</b> A formal and structured approach is not in place for the programmed visits to school sites to check the taxi service being delivered. DBS checks (disclosure and barring service), first aid training and child protection training appeared to be out of date for many drivers/personal assistants.		
<b>Childrens with Disabilities Direct Payments</b>	16	3
<b>Comment:</b> Although, there is still work to do, good progress has been made.		
<b>LiquidLogic and Controcc Systems</b>	11	2
<b>Comment:</b> Although, there is still work to do, good progress has been made.		
<b>TOTAL (11)</b>	<b>97</b>	<b>28</b>

Note 1 - Following the second follow up review, if there are any outstanding high findings, these need to be monitored by Management until implementation. Audit and Risk Management Services will review at the next scheduled audit.

Note 2 – In some cases both the Stage 1 and Stage 2 Follow Ups are undertaken in the same financial year. If this is the case, they are only shown under Stage 2 above.

# Appendix D

## Audit Committee members – knowledge and skills framework CORE AREAS OF KNOWLEDGE

Knowledge Area	Details of core knowledge required	How the Audit Committee member is able to apply the core knowledge	Required (Y or N)
Organisational knowledge	<ul style="list-style-type: none"> <li>• An overview of the authority's governance structures and decision making processes.</li> <li>• Knowledge of the organisational objectives and major functions of the authority.</li> </ul>	<ul style="list-style-type: none"> <li>• This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.</li> </ul>	
Audit committee role and functions	<ul style="list-style-type: none"> <li>• An understanding of the audit committee's role and place within the governance structures.</li> <li>• Familiarity with the committee's terms of reference and accountability arrangements.</li> <li>• Knowledge of the purpose and role of the audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>• This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</li> <li>• It will help the committee undertake a self-assessment and prepare its annual report.</li> </ul>	
Governance	<ul style="list-style-type: none"> <li>• Knowledge of the seven principles as outlined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).</li> <li>• The requirements of the AGS.</li> <li>• How the principles of governance are implemented locally as set out in the local code of governance.</li> </ul>	<ul style="list-style-type: none"> <li>• The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework.</li> <li>• The committee will plan the assurances it is to receive to adequately support the AGS.</li> <li>• The committee will review the AGS and consider how the authority is meeting the principles of good governance.</li> <li>• The committee will receive audit reports and information on risks relating to governance.</li> </ul>	

Internal audit	<ul style="list-style-type: none"> <li>• An awareness of the key principles of the PSIAS and the LGAN.</li> <li>• Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter.</li> <li>• How the role of the head of internal audit is fulfilled.</li> <li>• Details of the most recent external assessment and level of conformance with the standards.</li> <li>• Internal audit's strategy, plan and most recent annual opinion.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</li> <li>• The audit committee will review the assurances from internal audit work and will review the risk-based audit plan.</li> <li>• The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</li> <li>• In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</li> <li>• The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.</li> </ul>	
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Financial management and financial reporting	<ul style="list-style-type: none"> <li>• Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</li> <li>• An understanding of good financial management practice as set out in the CIPFA Financial Management Code (FM Code) and the level of compliance with it.</li> <li>• Knowledge of how the organisation meets the requirements of the role of the CFO as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and The Role of CFOs in Policing (2021).</li> <li>• An overview of the principal financial risks the authority faces</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewing the financial statements prior to publication, asking questions.</li> <li>• Receiving the external audit report and opinion on the financial audit. <ul style="list-style-type: none"> <li>• Reviewing both external and internal audit recommendations relating to financial management and controls.</li> </ul> </li> <li>• The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.</li> </ul>	
External audit	<ul style="list-style-type: none"> <li>• Knowledge of the role and functions of the external auditor and who currently undertakes this role.</li> <li>• Knowledge of the key reports and assurances that external audit will provide.</li> <li>• Familiarity with the auditor's most recent plan and the opinion reports.</li> <li>• Knowledge about arrangements for the appointment of auditors and quality management undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee will meet with the external auditor regularly and receive their reports and opinions.</li> <li>• Monitoring external audit recommendations and maximising the benefit from the audit process. <ul style="list-style-type: none"> <li>• The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service</li> </ul> </li> </ul>	

Risk management	<ul style="list-style-type: none"> <li>• Understanding of the principles of risk management, including how it supports good governance and decision making.</li> <li>• Knowledge of the risk management policy and strategy of the organisation.</li> <li>• Understanding of risk governance arrangements, including the role of members and of the audit committee.</li> <li>• Knowledge of the current risk maturity of the organisation and any key areas of improvement.</li> </ul>	<ul style="list-style-type: none"> <li>• In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements.</li> <li>• Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</li> <li>• The committee should also review reports and action plans to develop the application of risk management practice</li> </ul>	
Counter fraud	<ul style="list-style-type: none"> <li>• An understanding of the main areas of fraud and corruption risk that the organisation is exposed to.</li> <li>• Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</li> <li>• Knowledge of the organisation's arrangements for tackling fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</li> <li>• An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</li> </ul>	

Values of good governance	<ul style="list-style-type: none"> <li>• Knowledge of the Seven Principles of Public Life.</li> <li>• Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct).</li> <li>• Knowledge of the whistleblowing arrangements in the authority.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</li> <li>• Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported</li> </ul>	
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <li>• Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: – regulatory requirements – treasury risks – the organisation's treasury management strategy – the organisation's policies and procedures in relation to treasury management. See also Treasure your assets (Centre for Governance and Scrutiny, 2017)</li> </ul>	<ul style="list-style-type: none"> <li>• Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny</li> </ul>	