

Meeting of the Audit and Standards Committee

**Monday, 8th July, 2024 at 6.00pm
in Committee Room 3
at the Council House, Priory Road, Dudley**

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

1. Apologies for absence.
2. To report the appointment of any substitute members serving for this meeting of the Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. To confirm and sign the minutes of the meeting held on 24th April, 2024 as a correct record (Pages 4 – 16)
5. [Re-appointment of the Standards Sub-Committee \(Pages 17 – 19\)](#)
6. [Audit and Standards Committee Progress Tracker \(Page 20\)](#)
7. [Audit and Standards Committee Work Plan 2024-25 \(Pages 21 – 24\)](#)
8. [Treasury Management \(Pages 25 – 35\)](#)
9. [Audit and Risk Management Services' Annual Performance Report 2023-24 \(Pages 36 – 67\)](#)
10. [Fit for the Future Update Presentation](#)
11. 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).
12. Resolution to exclude the public and press



Chair to move:

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

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.

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

13. [Exemptions from the requirement for a competitive procurement process](#)
(Pages 68 – 246)

(The report contains exempt information relating to the financial or business affairs of any particular person (including the authority holding that information))



Chief Executive

Dated: 28th June, 2024

Distribution:

Members of the Audit and Standards Committee:

Councillor K Denning (Chair)

Councillor A Qayyum (Vice-Chair)

Councillors S Ali, J Cowell, T Creed, J Foster, S Henley, I Kettle and W Little

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**Minutes of the Audit and Standards Committee
Wednesday 24th April, 2024 at 6.00pm
In Committee Room 3, The Council House, Dudley**

Present:

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

Councillors S Ali, T Creed, J Cowell, M Evans, J Foster, S Henley and W Little.

Dudley MBC Officers:

I Newman (Director of Finance and Legal Services), G Harrison (Head of Audit and Risk Management Services), R Cooper (Head of Financial Services), M Granger (Corporate Fraud Manager), L Jones-Moore (Finance Manager), A Taylor (Senior Principal Auditor) and K Taylor (Senior Democratic Services Officer).

Dudley MBC Officers in Attendance via Microsoft Teams:

M Farooq (Monitoring Officer and Lead for Law and Governance), M Landy (Principal Auditor) and E Newman (Principal Auditor).

Also in Attendance:

A Smith (Key Audit Partner) and W Guest (Senior Manager) – External Auditors (Grant Thornton)

One Member of the Press.

57 Apology for Absence

There were no apologies submitted for this meeting of the Committee.

58 Appointment of Substitute Member

There were no substitute Members appointed for this meeting of the Committee.

59 **Declarations of Interest**

No Member made a declaration of interest in accordance with the Member's Code of Conduct.

60 **Minutes**

In referring to Minute No. 51 – Hybrid Working and Future Plans Presentation, Councillor J Foster requested that paragraph d (2) second sentence be amended to read “agile working could work if arrangements to cover workplaces were properly structured to give appropriate accessibility and visibility”.

That, subject to the amendment above, the minutes of the meeting held on 19th February, 2024 be approved as a correct record and signed.

61 **External Audit Grant Thornton Annual Audit Plan 2023-24**

The Committee considered a report of the Director of Finance and Legal Services on the External Auditor's Annual Audit Plan 2023-24.

In presenting a summary of the report submitted, W Guest (Grant Thornton) referred to the statutory recommendations that had been issued to the Local Authority on 30th January, 2024 reflecting concerns of the financial outlook for the Council. Risks that required special audit consideration and procedures to address the likelihood of a material financial statement error had been identified on risk of fraud in revenue recognition and expenditure due to the nature of the revenue streams at the Council; completeness of operating expenditure and payables; management override of controls; valuation of land and buildings (including council dwellings) and valuation of the net pension liability.

It was noted that work was progressing on the three recommendations reported in the 2022/23 audit of the Council's financial statements and a further update would be presented to the Committee later in the year.

It had also been determined that the planning materiality to the Council would amount to £11million, and that the findings of the Value for Money risk assessment would be presented to the Committee once completed.

Members were advised of the proposed timeline of the audit which was anticipated to commence in July, 2024, with the aim of completion in October, 2024, including the audit fees which had increased to £359,547 for 2023/24.

Reference was made to the Escalation policy proposed by the Department for Levelling Up, Housing and Communities to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future and outlined the steps that would be taken to address any delays in draft accounts or responding to queries and information requests.

Arising from the presentation, Members asked questions, made comments and responses were provided where necessary as follows:-

- a) In responding to a question raised by Councillor S Ali in relation to the increase of audit fees from £195,506 in 2022/23 to £377,097, A Smith confirmed that there had been a significant increase for 2023/24 as a result of this being the first year of the new PSAA contracts which had been re-tendered in 2023 to Grant Thornton, following a competitive tendering exercise by public sector appointments. Although recognising the significant increase, it was reported that this was not unique to Dudley and that similar increases had been made across local government.

In responding, Councillor S Ali considered this to be a significant increase and raised concerns of the Council being able to financially support future audit assessments taking into account the current financial challenges faced by the Council.

The Chair commented that the audit fees had not increased for 10 years and following the disbanding of the Audit Commission, a number of larger auditors had declined to continue undertaking Local Authority work due to the low fees and subsequent cost inflations.

- b) In responding to a question raised by Councillor J Foster as to whether the set fee determined the amount of work undertaken, A Smith confirmed that there would be an increase to the work undertaken this financial year compared to previous years in view of the increasing Council's risk profile. It was noted that the auditors had made significant losses on most local government audits within the past five years as they were not being remunerated for the work undertaken in previous years.

- c) Councillor J Foster queried whether auditors considered best practice as there was little reference within the report submitted and whether this information was provided in a different forum within the Local Authority in order to assist in addressing issues that had been highlighted as high risk.

In responding, A Smith confirmed that the purpose of the Audit Plan report was to outline the strategy for the coming audit, however the Auditor's Annual Report contained the Value for Money commentary, and as part of that work, the Local Authority arrangements were assessed and benchmarked against established good practice within the sector.

- d) Councillor S Ali referred to the valuation of lands and buildings and governance issues in relation to the Council's decision-making processes which was raised in July, 2023, specifically to the governance surrounding the sale of land at the former Dudley Leisure Centre site in Wellington Road, Dudley. He raised a number of concerns with regard to the steps taken before disposal of the asset, which had been raised with Officers with a request for further information and assurance. Councillor S Ali confirmed that the information requested, including a copy of the evaluation report, could not be disclosed due to confidentiality, despite a number of news articles being published on the matter, and suggested that the withholding of information did not instil any confidence in the public. He therefore sought clarification of the auditor's role in ensuring that these processes were being undertaken correctly.

In responding, A Smith confirmed that this area could be reviewed as part of the Value for Money work and specifically in terms of the decision-making process that was undertaken before the sale was agreed.

- e) Councillor S Ali emphasised the importance of investigating this matter and referred to the governance issues associated with MIPIM and raised concerns of the announcements made by the Leader of the Council in relation to the Local Authority considering options before due diligence and money laundering checks had been completed. He suggested that the issues raised by External Auditors in July 2023 were still being ignored and therefore, he queried how the auditors would ensure that the statutory recommendations that had been placed were being actioned.

In responding, A Smith confirmed that recommendations raised would be followed up as part of the audit work for this year and undertook to investigate the matter raised by Councillor S Ali further.

Councillor S Ali confirmed that he had also requested that the Audit and Risk Management Services investigate the entire process undertaken, and further suggested that the public had lost confidence in the Council following the sale of the former Dudley Leisure Centre and land.

- f) Councillor J Foster sought clarification on whether the additional investigatory work would be incorporated into the normal reporting processes detailing the specifics of the case and whether Members were able to refer similar cases to Grant Thornton as appropriate.

In responding, A Smith confirmed that Members could contact him directly if they considered there was a matter that was relevant to the work undertaken by the External Auditors, and that any findings from investigatory work would be reported through the Auditor's Annual Report.

- g) Councillor M Evans suggested that Members should refer matters through the Local Authority in the first instance to highlight any areas of concern.

Resolved

That the report on the External Auditor's Annual Audit Plan 2023-24 be noted.

62 Accounting Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Committee considered a report of the Director of Finance and Legal Services explaining the accounting policies, critical accounting judgements and key sources of estimation uncertainty to be used in preparing the 2023/24 Statement of Accounts.

The Committee was provided with an overview of the processes for making significant accounting estimates for the Council's Statement of Accounts. It was noted that a change had been made reflecting further guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFRA) concerning the application of IFRIC 14, as a significant number of authorities moved from a net defined benefit liability to a net defined benefit asset position in 2022/23 in relation to the Pensions Liability.

Resolved

- (1) That the Accounting Policies that will be used to complete the 2023/24 Statement of Accounts be approved.
 - (2) That the Critical Accounting Judgements made and Key Sources of Estimation Uncertainty, which will be disclosed in the Statement of Accounts, be noted.
 - (3) That the processes for making significant accounting estimates for the Statement of Accounts be noted.
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63 **Risk Management Report**

The Committee considered a report of the Director of Finance and Legal Services on the risks reported to Strategic Executive Board (SEB) and the status allocated by the Risk Owner as at the 31st December, 2023 (end of Quarter 3). Appendix B to the report, outlined full details of risks reported to SEB, and in addition to risks tabled in Appendix B, the Committee were requested to identify any additional risks that it considered should be included on the SEB risk report and identify any particular risk for detailed scrutiny at the December, 2024 meeting of the Committee.

In presenting the report, the Head of Audit and Risk Management Services stated that there were eighteen risks rated very high at the gross level and four rated very high at net level which related to budget, regeneration benefits, programme management, and non-compliance with CQC inspection framework.

It was noted that R.607 “There is a risk of non-compliance with the CQC inspections assessment framework” had been added to the SEB Risk Report and that it had been agreed by SEB to merge R.580 (funding for the proposed METRO route) with R.408 (regeneration benefits).

Further details in relation to the directorate Net risks that were rated Very High was outlined in Appendix C of the report submitted. Risks that were currently rated Very High at the Net level and the ratings for the previous quarters was outlined in Appendix A of the report submitted, which identified that there were a number of risks where the rating had not changed in three or more quarters.

Councillor J Cowell commented that the number of risks that were rated very high, particularly at net level, was indicative of the current position of the Council and referred to the significant number of risks within the report with a target end date of 2099 and suggested that Directors and officers should be encouraged to consider a more realistic and meaningful date on all action points with that target date. In responding, the Head of Audit and Risk Management Services confirmed that as part of this year's work, they would ensure that appropriate dates were entered on mitigating actions.

With regard to the merging of R.580 and R.408, Councillor S Ali stated that he had previously raised concerns with regard to the Wednesbury-Brierley Hill Metro Extension, particularly regarding the updated Business Case which was required as part of the additional funding from Government, to enable the extension from Dudley to Brierley Hill which had not yet been approved. It was stated that a significant amount of money was required to support the project and that the Local Authority was requested to identify an additional £15million to close the gap, which was a significant risk to the Council given the current financial situation. He therefore, queried whether any other external funding could be identified to cover the budget deficit.

In responding, the Director of Finance and Legal Services confirmed that the funding gap still needed to be resolved and that it had not been built into the Medium-Term Financial Strategy.

At this juncture, the Director of Finance and Legal Services gave a detailed presentation on Risk R.392 relating to the Council being unable to meet its commitments to deliver services (including those funded from ringfenced funds) due to annual income being insufficient and reserves having been fully depleted, triggering a requirement to issue a Section 114 notice. It was reported that the current net risk score was rated as Very High at 25 which was the maximum score on the risk model.

The forecasted unallocated General Fund Reserve was outlined, excluding assumptions about functional review savings, exceptional (or more general) financial support or Council Tax freedoms. The figures presented the position implied by the reporting that was submitted to the Cabinet in March, 2024 where the unallocated general fund was expected to decline over years to come. Both optimistic and pessimistic view scenarios was presented however, it was noted that a decline was still expected in future years should aspirations and savings not be delivered.

The Chair considered the figures presented demonstrated a depressing trend and queried that should savings improve the position where the provision of frontline services could be afforded, where in the future would there be any opportunity to rebuild reserves.

The Director of Finance and Legal Services confirmed that the net spending for Dudley was 10% lower than that of the average Metropolitan council and 5% lower than the deprivation-adjusted trend line, therefore any savings that would be required would be difficult to achieve. It was noted that the Medium-Term Financial Strategy report submitted to the Council in March, 2024, highlighted the risk of needing to increase Council Tax by more than the Council Tax Referendum limit set for councils, however no decision or agreement had been made for the freedom.

It was noted that the current rate of Council Tax in Dudley was around 10% lower than that of the average Metropolitan council, which if set at the same level as the average of all Metropolitan Councils, would increase the annual spending power to Dudley by around £15-16million.

In concluding, the Director of Finance and Legal Services advised of the new mitigating actions identified including, restoring proper budgetary decision making in line with the annual timetable and consideration of the Council's financial position; introduction of spending controls with defined exceptions which was introduced in October, 2023 and enhanced in March, 2024. It was anticipated that the controls would remain in place until unringfenced reserves increased to 20% of spend. It was noted that the Improvement and Assurance Board and Improvement and Assurance Plan had been established with a strong focus on financial sustainability.

Arising from the presentation, Members asked questions, made comments and responses were provided where necessary as follows:-

- a) Councillor S Ali commented that the graphs and information given presented a deeply worrying situation in the Council's financial position, and in considering the number of projects that had been deferred until 2027/28, it was unrealistic that these could be progressed any further. Reference was made to a question he had raised earlier in relation to the funding gaps for the Metro Extension, and further reiterated that it was apparent that the Council was not in the position to match fund the £15million deficit. Councillor S Ali also referred to comments he had made at a previous Council meeting imploring the administration that the public should be made fully aware of the Council's financial situation. Although acknowledging that there had been some slight improvements made, this was not sufficient for the Council to be financially sustainable and it was anticipated that there would be some difficult years ahead with difficult decisions to be made.
- b) Councillor M Evans referred to the challenges faced by a number of Local Authorities that were in the same position as Dudley in particular as a result of the increase in adult social care and children's services payments.

Resolved

- (1) That the information contained in the report and Appendix A to the report submitted detailing the SEB risks, be noted.
 - (2) That the information contained in the presentation on risk R.392 relating to the Council being unable to meet its commitments to deliver services (including those funded from ringfenced funds) due to annual income being insufficient and reserves having been fully depleted, triggering a requirement to issue a Section 114 notice, and comments made by Members as outlined above, be noted.
 - (4) That risk R.607 be identified as the specific risk for in-depth scrutiny at the December, 2024 meeting of the Committee for consideration.
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64 **Internal Audit Plan 2024/25**

The Committee considered a report of the Director of Finance and Legal Services of the proposed Internal Audit Plan for 2024/25, which was attached as Appendix A to the report submitted.

In presenting the report, the Head of Audit and Risk Management Services advised that the Plan was produced to enable him to deliver an internal audit opinion on the overall effectiveness of the Council's framework of governance, risk management and internal control.

The detailed process to produce the Audit Plan was then presented, as set out in paragraphs 7 to 10 of the report. It was noted that Audit and Risk Management Services ensured that the list of auditable areas was complete and priority was then determined taking account of the risk status, the last internal audit review and other key assurance received.

Members were advised that Heads of Service had received a questionnaire requesting them to identify any changes to their service area, projects that they were involved with, any emerging risks, any assurance received, and suggestions for inclusion in the 2024-25 audit plan.

It was noted that meetings had been held with the Chief Executive, Deputy Chief Executive, Directors, and a number of Heads of Service to discuss their risks and any emerging risks and proposals for inclusion in the audit plan. The proposed Audit Plan for 2024/25, which had been approved by the Strategic Executive Board (SEB) was attached as Appendix A to the report and included a brief description of each audit.

The Head of Audit and Risk Management Services advised that due to the current financial situation facing the Council, a decision was made to undertake more audits in relation to financial systems, and more time allocated for contingency to support the Fit for the Future Programme.

Reference was made to Appendix B to the report submitted which detailed the audit plan reserve list and it was noted that the list would be utilised if an audit that was currently in the plan had to be cancelled, or additional resources allocated to the team. It was noted that Directorates had been informed of the list.

In conclusion, the Head of Audit and Risk Management presented a breakdown of the Audit Plan by Directorates, Schools, and other work.

Arising from the presentation of the report, Members asked questions, made comments and responses were provided where necessary as follows:-

- a) In responding to a request by Councillor J Cowell to include Housing Contract Management and Community Engagement and Participation to the Plan, the Head of Audit and Risk Management Services referred to the extensive work already undertaken in relation to Housing Contract Management and findings identified which would be followed up during the year and undertook to circulate a copy of the report to the Committee for information.
- b) In responding to a question raised by Councillor S Ali, the Head of Audit and Risk Management Services confirmed that there was contingency built into the plan to respond and include any significant risk that emerged during the year that was not considered within the audit planning process.
- c) In responding to a question raised by Councillor J Foster on the process for reporting any issues that may require further investigation, the Head of Audit and Risk Management Services encouraged Members to contact him directly in the first instance and if dissatisfied with the work undertaken, then they could progress the matter further to the External Auditors.

Resolved

- (1) That the proposed Internal Audit Plan for 2024/2025, attached as Appendix A to the report, be approved.
- (2) That the Head of Audit and Risk Management Services be requested to circulate a copy of the findings identified following a review of Housing Contract Management.

65 **Audit and Standards Committee Annual Report 2023/24**

A report of the Director of Finance and Legal Services was submitted on the Annual Report for Audit and Standards Committee 2023-2024, attached as Appendix A to the report. The report would be submitted to Full Council in July, 2024 for approval.

Resolved

That the Annual Report for Audit and Standards Committee 2023/2024, be approved and referred to full Council at its meeting in July 2024.

66 **Audit and Standards Committee Progress Tracker and Future Business**

A report on the Progress Tracker and Future Business was submitted and in responding to a question raised by Councillor S Ali, the Chair circulated a copy of the e-mail he had sent outlining concerns and comments raised by the Committee in relation to the External Auditors Grant Thornton Annual Audit Plan 2022-23 and Annual Risk Assessment 2022-23.

Following further discussion, the response by the Cabinet Member of Finance, Legal and Human Resources acknowledging the concerns raised by the Committee was displayed at the meeting. Although welcoming a copy of the e-mail and response, Councillor S Ali raised concern regarding the brief response and suggested that an explanation of a comprehensive plan or proposed measures to be undertaken would have been more appropriate, and that it was apparent that there had been no action following concerns raised in July, 2023.

Councillor J Foster supported the comments made by Councillor S Ali and raised further concerns with regard to the governance of the Council and welcomed the introduction of the Independent Advisory Board to work with the Council to improve this area.

Resolved

That the information contained in the report submitted on the Audit and Standards Committee Progress Tracker and Future Business, be noted.

67 **Questions Under Council Procedure Rule 11.8**

There were no questions to the Chair pursuant to Council Procedure Rule 11.8.

68 Exclusion of the Public and Press

Resolved

That the public and press be excluded from the meeting for the following item of business, on the grounds of 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) as defined under Part I of Schedule 12A to the Local Government Act 1972, as amended.

69 Annual Fraud Report

A report of the Director of Finance and Legal Services was submitted, on the work that Audit and Risk Management Services, and other Council teams, had undertaken and was planning to undertake to manage the risk of fraud and corruption across the Council. Appended to the report submitted was the proposed Fraud Action Plan for 2024/25 and further details of Fraud Investigations undertaken during 2023.

Arising from the presentation of the report submitted, Councillor J Foster queried whether future reports could be considered in public session and areas that were considered exempt under commercial sensitivity or references to individuals could be outlined in a separate private report.

In responding, the Monitoring Officer referred to the communication he had circulated following the last Committee meeting which included some benchmarking information to review the approaches taken by other West Midlands Councils and confirmed that further discussions would be held with the Head of Audit and Risk Management Services in advance of the new municipal year to further consider future reporting. Assurance was given that work was progressing in ensuring more information was publicly disclosed.

Members commended the work undertaken and made comments and raised questions with regard to action taken in relation to Blue Badge misuse enforcement, which was responded to at the meeting, and the Corporate Fraud Manager agreed to refer comments made to the team for consideration. The Corporate Fraud Manager also agreed to provide Members with comparative data prior to Covid on types of cases relating to abuse of position and employees suspected of not working all paid hours on designated duties.

Resolved

- (1) That the information contained in the report, be noted.
 - (2) That the Fraud Action Plan for 2024, attached as Appendix A to the report, be approved.
 - (3) That Officers provide Members with responses to questions raised at the meeting.
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70 **Chairman's Remarks**

As this was the last meeting of the municipal year, the Chair thanked Members for their attendance and contribution at the meetings and expressed thanks to officers for their assistance and valuable work contribution during the year.

The meeting ended at 7.40pm

CHAIR

Audit and Standards Committee – 8th July, 2024

Report of the Lead for Law and Governance (Monitoring Officer)

Re-appointment of the Standards Sub-Committee

Purpose of Report

1. To confirm the re-appointment of the Standards Sub-Committee.

Recommendation

2. That the re-appointment of the Standards Sub-Committee for 2024/25, with its existing terms of reference, be confirmed.
3. That the Membership of the Sub-Committee comprise the Chair (Councillor K Denning), the Vice-Chair (Councillor A Qayyum) together with a Labour Member and two Conservative Members to be nominated at the meeting.

Background

4. In accordance with the Localism Act 2011 and the Council's Standards Arrangements, this Committee has previously agreed to appoint a Standards Sub-Committee.
5. The purpose of the Standards Sub-Committee is to hear and determine complaints against Members and Co-opted Members under the provisions of the Members' Code of Conduct and in accordance with local procedures.
6. The Sub-Committee comprises five elected members. Political proportionality is waived as to Membership and it is a matter for this Committee to decide the composition and membership.

7. In 2023/24, the Sub-Committee comprised the Chair (Former Councillor A Lees), the Vice-Chair (Former Councillor D Borley), Councillor J Cowell, Councillor J Foster and Councillor W Little.

Finance

8. The cost of holding meetings of the Sub-Committee are met from within existing resources.

Law

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

Risk Management

10. There are no material risks arising from this proposal in relation to the Council's Risk Management Framework.

Equality Impact

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

Human Resources / Organisational Development

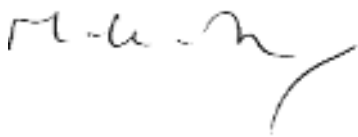
12. There are no direct Human Resources / Organisational Development implications.

Commercial / Procurement

13. There are no commercial or procurement implications.

Council Plan

14. The Standards Sub-Committee is part of the Council's governance arrangements in relation to Member Conduct. The Constitution underpins the delivery of key Council priorities.



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Mohammed Farooq
Lead for Law and Governance (Monitoring Officer)

Report Author: Karen Taylor (Telephone: 01384 818116)
Email: karen.taylor@dudley.gov.uk

List of Background Papers
[The Council's Constitution](#)

Progress Tracker – Audit and Standards Committee 2024/25

Subject (Date of Meeting)	Recommendation/action	Responsible Officer/Area	Status/Notes
Internal Audit Plan 2024/25 (24 th April, 2024)	Minute No. 64 (2) - That the Head of Audit and Risk Management Services be requested to circulate a copy of the findings identified following a review of Housing Contract Management.	G Harrison	Circulated to Members 8th May, 2024
Annual Fraud Report (24 th April, 2024)	Minute No. 69 (3) - The Corporate Fraud Manager provide Members with comparative data prior to Covid on types of cases relating to abuse of position and employees suspected of not working all paid hours on designated duties.	M Granger	Circulated to Members 8th May, 2024

Audit and Standards Committee – 8th July 2024

Report of the Director of Finance and Legal Services

Audit and Standards Committee Work Plan 2024-25

Purpose of the Report

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

Recommendation

2. The Committee notes the contents of this report and approves the agenda schedule at **Appendix A**.

Background

3. The Committee has previously agreed to the introduction of a work plan report setting out scheduled agenda items for the Committee at the first meeting in the Municipal year.
4. Attached at **Appendix A** is a draft schedule of agenda items for the five meetings in the new Municipal year.

Finance

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

Law

6. The Accounts and Audit Regulations 2015 require the council to maintain 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. The meetings of Audit and Standards Committee help to ensure that a sound system of internal control is in place.

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 of Audit and Standards Committee 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

10. There are no human resources/organisational development implications arising from 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 Plan

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
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List of Background Papers

Appendix A - Schedule of Agenda items – Municipal Year 2024-25

APPENDIX A

Schedule of Agenda items – Municipal Year 2024-25

8th July 2024	Committee Work Plan 2024-25
	Re-appointment of Standards Sub-Committee
	Audit and Risk Management Services' Annual Performance Report 2023-24
	Treasury Management
	Exemptions from the requirement for a competitive procurement process
	Fit for the Future Programme
30th September 2024	Grant Thornton Annual Auditors' Report 2023-24
	Grant Thornton Audit Findings Report 2023-24
	Statement of Accounts 2023-24
	Annual Governance Statement 2023-24
	Housing Assurance Board Annual Report
	Whistleblowing Policy
	Standing Orders relating to Contracts Update
4th December 2024	Treasury Management
	Annual Report of the Committee on Standards in Public Life
	Risk Management Report
	Suspensions
	Audit and Risk Management Services' Interim Performance Report
	Annual Audit Report 2023-24 – Chief Executive (public and private reports)
17th February 2025	Treasury Management
	Annual Audit Report 2023-24 – Deputy Chief Executive (public and private reports)

28th April 2024	Grant Thornton Audit Plan 2024-25 including informing the Audit Risk Assessment
	Annual Fraud Report
	Audit and Risk Management Services' Annual Audit Plan 2025-26
	Risk Management Report
	Audit and Standards Committee Annual Report 2024-25
	Accounting Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty
	Treasury Management

Audit and Standards Committee – 8th July 2024

Report of the Director of Finance and Legal Services

Treasury Management

Purpose

1. To outline treasury activity during the financial year 2023/24 and in the current financial year up to the end of May 2024.

Recommendations

2. It is recommended that the Audit and Standards Committee:
 - Comments and notes the treasury activities outlined in this report;
 - Refers all of the above to full Council for noting at its meeting on 15th July.

Background

3. The Treasury Management strategy for 2024/25 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice (2021 edition).
4. Treasury Management entails the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
5. The Council undertakes treasury management activity on its own behalf and as administering authority for the West Midlands Debt Administration Fund (WMDAF). We are responsible for administering capital funding of approximately £730m on our own account and another £43m on behalf of other West Midlands councils in respect of the WMDAF. The treasury function is governed by the Council's Treasury Policy Statement and Treasury Management Practices.

Treasury activity in 2023/24 on the Dudley fund

6. Our treasury activities were undertaken in the context of the Treasury Strategy Statement 2023/24 approved by Audit and Standards Committee and Full Council in February 2023. The Strategy Statement stated:

“The primary factor in determining whether we undertake new long-term borrowing will be cash flow need. We will seek to minimise the time between borrowing and anticipated cash flow need, subject to the need to maintain day to day liquidity”.
7. In 2023/24 our investments averaged £30.9 million (with significant day to day variation as a result of cash flow). The average return on these investments was 4.71% and total interest received was £1.5m. All investments were placed with institutions that satisfied the criteria for creditworthiness set out in the Treasury Strategy Statement 2023/24. Our investment activity for 2023/24 is set out in more detail in Appendix 1.
8. The average value of long-term borrowings in 2023/24 was £622.2 million. The average rate of interest on these borrowings was 3.93% and total interest paid was £24.4m. The loans were due to mature on dates ranging from 2023 to 2073. In 2023/24 we took out 7 long/medium-term loans with the shortest having a duration of 2.5 years and the longest had a duration of 10 years. Five of these loans (totalling £38m) were for the General Fund and two loans (totalling £8m) were for the Housing Revenue Account.
9. Due to cash flow requirements in 2023/24, it was necessary to undertake short-term borrowing on 1 occasion. This necessitated the undertaking of two short-term loans across a 14 day period. The average value of these loans was £1.5m at a rate of 5.65%.

Treasury activity in 2023/24 on the WMDAF

10. It was necessary to undertake short-term borrowing on 4 occasions for cashflow purposes for the WMDAF, at an average value of £8.5m at an average rate of 5.52% for an average duration of 62 days. Six investments were made in 2023/24 for the WMDAF at an average value of £2.73m at an average rate of 5.17% for an average duration of 54 days.

Prudential indicators 2023/24

11. The 2021 Prudential Code for Capital Finance in Local Authorities sets out a framework for the consideration and approval of capital spending plans. In so doing, it requires the Council to set a number of prudential indicators, some of

which concern matters of treasury management. Appendix 2 outlines those indicators for 2023/24.

12. To comply with the revised Prudential Code we will also be issuing quarterly updates of the Prudential and Treasury Indicators from April 2024.

Treasury activity 2024/25 to May

13. Treasury activities in the current year have been undertaken in the context of the Treasury Strategy Statement 2024/25 approved by Audit and Standards Committee and Council in February of this year. In that document we anticipated that long term borrowing would be required in the next 12 months due to cash flow need.
14. Our investments up to the end of May have averaged £20.0 million (with significant day to day variation as a result of cash flow). The average return on these investments was 5.03%. All investments were placed with institutions that satisfied the criteria for creditworthiness set out in the Treasury Strategy Statement 2024/25. Our investment activity for 2024/25 is set out in more detail in Appendix 3.
15. The Monetary Policy Committee (MPC) has left the Bank of England base rate unchanged at every meeting since the last report to this Committee (the latest rate change was agreed in August 2023 which put the rate to 5.25%). The MPC appears to be more confident that the rate of inflation will fall back to its 2% target and our treasury advisors, Link, are forecasting that the base rate will come down later in 2024/25.
16. The average value of long-term borrowings up to the end of May has been £652.9 million. The average rate of interest on Dudley's loans is 3.99%. The maturity dates for the loans range from the current year to 2073. To the end of May no new long-term loans have been taken out in 2024/25. We have borrowed short-term twice so far in 2024/25. The average value of these two loans was £5.5m, with an average interest rate of 5.4% and average duration of 3.5 days.
17. We are monitoring interest rates and cash flow closely and anticipate that some new long term borrowing may be required before the end of the current financial year. Initial monitoring suggests that this borrowing will not need to be undertaken until later in the financial year however an updated forecast of anticipated borrowing and associated costs will be presented at the next Audit and Standards Committee. Quarterly treasury forecasts will feed into the Corporate reporting process so that the revenue impact of these changes can be reflected in both forecast outturn and future budgets.
18. On the WMDAF up to end May 2024 it has been necessary to undertake short-term borrowing on 1 occasion for cashflow purposes, at a value of

£1.5m at a rate of 5.30% for a duration of 50 days. There have been no investments made on WMDAF to end May 2024.

Finance

19. Forecasts of performance against budget for treasury management activities are highly sensitive to movements in cash flow and interest rates.

Law

20. These matters are governed by Part IV of the Local Government and Housing Act 1989 and Section 111 of the Local Government Act 1972, which empowers the Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its various statutory functions.

Risk Management

21. Treasury Management, by its nature entails the management of financial risks, specifically credit risk for investments which is mitigated by limiting acceptable counterparties to those of the highest credit quality and imposing counterparty limits for non-government institutions; and interest rate risk which is mitigated by prudential indicators detailed in Appendix 2.

Equality Impact

22. The treasury management activities considered in this report have no direct impact on issues of equality.

Human Resources/Organisational Development

23. There are no Human Resources/Organisational Development implications associated with this report.

Commercial/Procurement

24. The over-riding purpose of the Council's Investment Strategy is day to day cash management and not income generation. The strategy prioritises security and liquidity of cash investments over yield. Once those are met, we aim to secure the maximum yield from our investments held with the small number of counterparties that meet the strict criteria laid out in our Annual Investment Strategy.

Council Plan

25. Treasury Management supports the Council's capital investment priorities as set out in the approved Capital Strategy.



Iain Newman
Director of Finance and Legal Services

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Appendices

- Appendix 1 – Investment Activity (2023/24) and Investment and Borrowing Portfolios as at 31st March 2024
- Appendix 2 – Prudential and Treasury Indicators 2023/24
- Appendix 3 – Investment Activity to May 2024
- Appendix 4 – Glossary of terms and acronyms used in the report

List of Background Papers

Treasury Strategy Statement, Treasury Management Practices and Schedules to the Treasury Management Practices.

Investment Activity 2023/24 (Dudley only)

Counterparty name	Number of investments	Average value £ million	Average rate %	Average duration (days)
Debt Management Office	432	24.33	4.88	9
HSBC Call Account	N/A	0.53	0.53	Call Account
HSBC 31 Day Notice	N/A	0.00	3.58	Deposit Account
Santander Call Account	N/A	2.20	3.16	Call Account
Santander 35 Day Notice	N/A	0.02	4.55	Deposit Account
Barclays Call Account	N/A	0.19	4.04	Call Account
Lloyds Call Account	N/A	3.29	5.13	Call Account

Investment Portfolio (Dudley)

Investments	31.03.23 Actual £'000	31.03.24 Actual £'000
Banks	1,594	3,417
Local Authorities	0	0
Debt Management Office	9,400	5,000
Total Treasury Investments	10,994	8,417
Airport Shares	32,302	35,342
Total non-Treasury Investments	32,302	35,342
Total	43,296	43,759

Borrowing Portfolio

	31.03.23 Actual £'m	31.03.24 Actual £'m
HRA Borrowing		
Public Works Loan Board	453.6	457.9
Other loans	16.2	13.7
Total HRA borrowing	469.8	471.6
General Fund Borrowing		
Public Works Loan Board	152.7	178.8
Other loans	13.8	3.8
Total General Fund borrowing	166.5	182.6
Total Borrowing	636.3	654.2

N.B. All the loans above have a fixed interest rate

Appendix 2

Prudential and Treasury Indicators 2023/24

1. PRUDENTIAL INDICATORS	2022/23	2023/24	2023/24
	Actual	Original Estimate*	Actual
	£'m	£'m	£'m
Capital Expenditure			
Non - HRA	41.4	66.3	46.5
HRA	57.9	58.0	52.2
TOTAL	99.3	124.3	98.7
Ratio of financing costs to net revenue stream			
Non - HRA	8.4%	8.4%	8.7%
HRA	43.2%	42.8%	42.9%
Gross borrowing General Fund			
brought forward 1 April	136.7	166.5	166.5
carried forward 31 March	166.5	196.6	182.6
in year borrowing movement	29.8	30.1	16.1
Gross borrowing HRA			
brought forward 1 April	456.6	469.8	469.8
carried forward 31 March	469.8	463.6	471.6
in year borrowing movement	13.2	-6.2	1.8
Gross debt (total HRA and General Fund)	636.3	660.2	654.2
Capital Financing Requirement			
Non – HRA	256.2	264.9	241.3
HRA	474.8	483.8	492.8
TOTAL	731.0	748.7	734.1
Annual change in Cap. Financing Requirement			
Non – HRA	-13.8	+8.7	-14.9
HRA	+4.6	+9.0	+18.0
TOTAL	-9.2	+17.7	+3.1

*N.B. Originals are as per the indicators reported to Cabinet or Audit and Standards Committee in February 2024 in either the Capital Strategy or Treasury Management Strategy Statement

2. TREASURY MANAGEMENT INDICATORS	2022/23	2023/24	2023/24
<i>All actuals are gross external debt including Dudley's proportion of the WMDAF debt (£47.5m at 31.03.24)</i>	Actual	Original*	Actual
	£'m	£'m	£'m
Authorised Limit for external debt -			
borrowing	703	810	702
other long-term liabilities	12	12	11
TOTAL	715	822	713
Operational Boundary for external debt -			
borrowing	703	738	702
other long-term liabilities	12	12	11
TOTAL	715	750	713

For a full explanation of all of the terms referred to in tables 1 and 2 of Appendix 2 please refer to Appendix 4.

Interest rate exposures and maturity structure of borrowing and investments

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

Dudley MBC

	Indicator	Outturn
Upper limit for fixed interest rate exposure	100%	100%
Upper limit for variable rate exposure	10%	0%
Upper limit of principal maturing in any one year for sums invested for over 364 days	£10m	Nil
Maturity structure of fixed rate borrowing:-		
under 12 months	0-15%	2.5%
12 months and within 24 months	0-15%	3.1%
24 months and within 5 years	0-20%	7.8%
5 years and within 10 years	0-25%	15.3%
10 years and above	50-100%	71.3%

West Midlands Debt Administration Fund

	Indicator	Outturn
Maturity structure of fixed rate borrowing:-		
under 12 months	25-55%	47.5%
12 months and within 24 months	20-55%	52.5%
24 months and within 5 years	0-40%	0%

Investment Activity (Dudley) 2024/25 to May

Counterparty name	Number of investments	Average value £ million	Average rate %	Average duration (days)
Debt Management Office	58	16.56	5.19	6
HSBC Call Account	N/A	0.00	0.51	Call Account
Santander Call Account	N/A	1.44	3.18	Call Account
Santander 35 Day Notice	N/A	0.02	4.78	Deposit Account
Barclays Call Account	N/A	0.67	4.84	Call Account
Lloyds Call Account	N/A	2.03	5.15	Call Account

Definition of abbreviations and terminology used in this report

Actual financing Costs as a proportion of net revenue stream – this indicator identifies the trend in the cost of capital against the net revenue stream.

Authorised Limit – The authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set the Council does not have the power to borrow above this level. The table in Appendix 2 demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit

CFR – Capital Financing Requirement – this is the Council’s underlying need to borrow for capital expenditure.

CIPFA – Chartered Institute of Public Finance and Accountancy

HRA – Housing Revenue Account – this records the income and expenditure related to running the Council’s housing stock and closely related services or facilities, which are provided primarily for the benefit of the Council’s own tenants.

MPC – Monetary Policy Committee – this is an independent Committee which makes decisions about the operation of monetary policy.

MRP – Minimum Revenue Provision – an annual charge made to reduce the capital financing requirement to ensure that capital assets are broadly charged to revenue over the life of the asset.

Operational Boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or above the boundary are acceptable subject to the authorised limit not being breached.

WMDAF – West Midlands Debt Administration Fund – the Council is the administering body of the ex-West Midlands County Council debt.

Audit and Standards Committee – 8th 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 31st 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

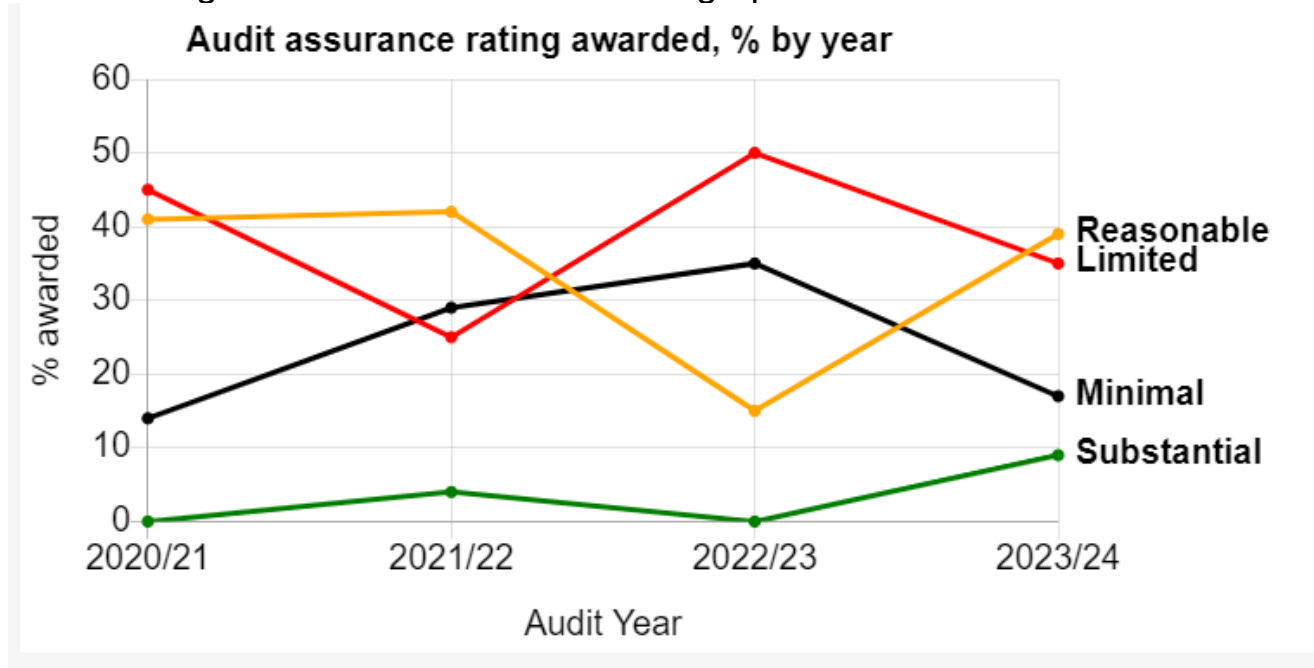
6. The establishment for Audit and Risk Management Services (7.8 FTE) has been stable during 2023-24. There have been no leavers and we still have a vacancy for a Principal Auditor, which we have attempted to fill on a number of occasions.
7. The Team has suffered an unusually high level of sickness 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 31st 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

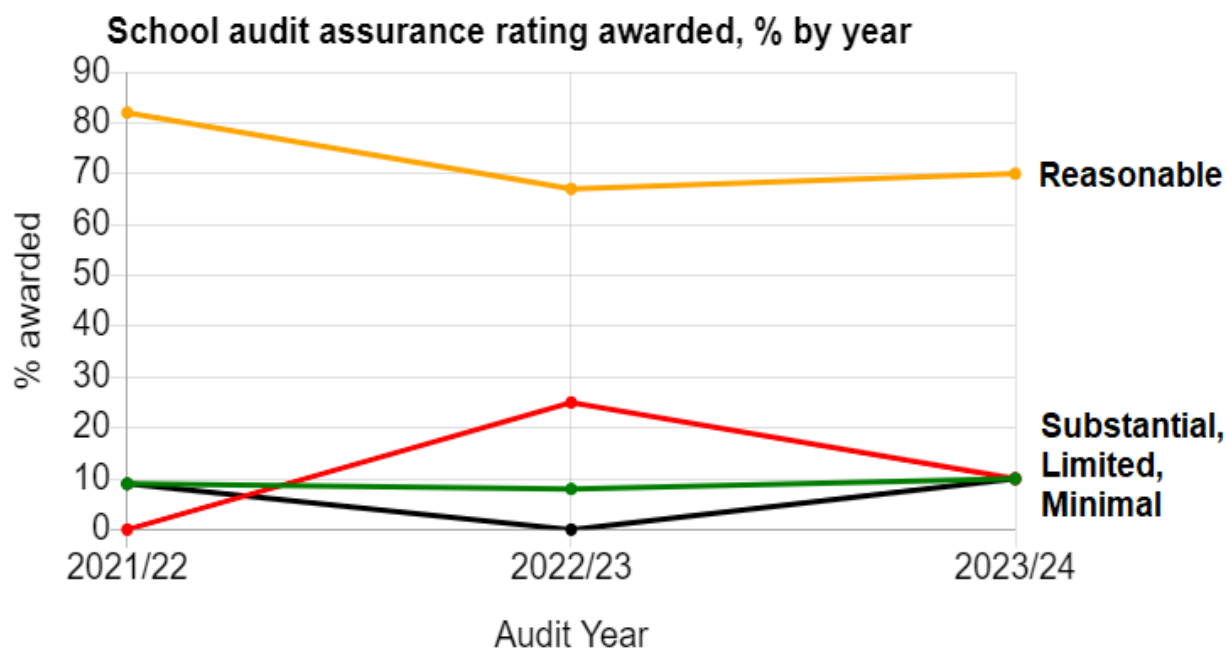
12. The figures above are shown in the graph below:



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 31st 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 31st 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 31st 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 31st 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:

Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Housing Property Compliance	N/A	N/A	TBA
Comment: 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.			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Employee Warning System	Second	Minimal	February 2025
Comment: 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
Comment: 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
Comment: 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
Comment: 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
Comment: 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
Comment: 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
Comment: The follow up review has been delayed due to capacity within the team.			

Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Children's Services Contract Management	N/A	N/A	July 2024
Comment: N/A			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Property Maintenance Contract Payments	N/A	N/A	September 2024
Comment: N/A			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
Collections Management	N/A	N/A	December 2024
Comment: N/A			
Audit	Follow Up Stage	Assurance Rating	Date of next Follow Up
St James' C of E Primary School	N/A	N/A	July 2024
Comment: 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 31st 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:

Follow Up Stage	Findings Followed Up	Findings Implemented	% Implemented
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 1st 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.



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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
Adult Social Care (4 audits)								
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
		TOTAL	27	0	5	17	5	2
Chief Executive's (3 audits)								
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
		TOTAL	29	0	10	15	4	1
Children's Services (5 audits)								
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
		TOTAL	33	0	20	10	3	0

Status	Audit	Level of Assurance	T	C	H	M	A	U
Digital, Customer and Commercial Services (5 audits)								
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						
		TOTAL	47	0	22	22	3	9
Environment (3 audits)								
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
		TOTAL	28	0	8	14	6	1

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						
		TOTAL	7	0	3	4	0	0
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
		TOTAL	41	2	27	12	0	10
Public Health and Wellbeing (1 audits)								
Final	Food Safety	Reasonable	7	0	2	5	0	0
		TOTAL	7	0	2	5	0	0
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
		TOTAL	79	1	37	29	12	9

Schools (10 audits)								
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
		TOTAL	114	1	22	81	10	9
TOTAL FINDINGS RAISED			412	4	157	208	45	41

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.

Finding Ratings	
T	Total
C	Critical
H	High
M	Medium
A	Advisory
U	Unimplemented
Other Ratings	
WIP	Work in Progress
TBA	To be Agreed
Other Work Completed	
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
Chief Executive	
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.
Finance and Legal	
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.
Regeneration and Enterprise	
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.
Housing and Community Services	
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)

DIRECTORATE	AUDIT
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

Audit	No. high findings	Highs not fully implemented
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
TOTAL (15)	83	33

Follow Up – Stage 2

Audit	No. high findings	Highs not fully implemented
Public Health Contract Management	8	0
Comment: N/A		
Special Educational Needs and Disabilities (SEND)	12	6
Comment: A SEND Sufficiency Strategy is still to be produced. For many of the outstanding actions good progress has been made.		
Purchase Cards	5	0
Comment: All Actions have been implemented.		
Corporate Governance including Ethical Behaviour	5	1
Comment: 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.		
Foster Care Payments	8	5
Comment: 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.		
Firewalls and Network Traffic	3	2
Comment: 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.		
Workforce Planning	3	0
Comment: All Actions have been implemented.		

Pest Control	2	2
Comment: Strategic and Marketing plans have not been prepared. Work is being undertaken to review the commercial position of the service.		
Transport Team	24	7
Comment: 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.		
Childrens with Disabilities Direct Payments	16	3
Comment: Although, there is still work to do, good progress has been made.		
LiquidLogic and Controcc Systems	11	2
Comment: Although, there is still work to do, good progress has been made.		
TOTAL (11)	97	28

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"> • An overview of the authority's governance structures and decision making processes. • Knowledge of the organisational objectives and major functions of the authority. 	<ul style="list-style-type: none"> • 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. 	
Audit committee role and functions	<ul style="list-style-type: none"> • An understanding of the audit committee's role and place within the governance structures. • Familiarity with the committee's terms of reference and accountability arrangements. • Knowledge of the purpose and role of the audit committee. 	<ul style="list-style-type: none"> • 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. • It will help the committee undertake a self-assessment and prepare its annual report. 	
Governance	<ul style="list-style-type: none"> • Knowledge of the seven principles as outlined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). • The requirements of the AGS. • How the principles of governance are implemented locally as set out in the local code of governance. 	<ul style="list-style-type: none"> • The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework. • The committee will plan the assurances it is to receive to adequately support the AGS. • The committee will review the AGS and consider how the authority is meeting the principles of good governance. • The committee will receive audit reports and information on risks relating to governance. 	

Internal audit	<ul style="list-style-type: none"> • An awareness of the key principles of the PSIAS and the LGAN. • Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. • How the role of the head of internal audit is fulfilled. • Details of the most recent external assessment and level of conformance with the standards. • Internal audit's strategy, plan and most recent annual opinion. 	<ul style="list-style-type: none"> • The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. • The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. • The committee will also receive the annual report, including an opinion and information on conformance with professional standards. • In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. • 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. 	
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Financial management and financial reporting	<ul style="list-style-type: none"> • Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • 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. • 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). • An overview of the principal financial risks the authority faces 	<ul style="list-style-type: none"> • Reviewing the financial statements prior to publication, asking questions. • Receiving the external audit report and opinion on the financial audit. <ul style="list-style-type: none"> • Reviewing both external and internal audit recommendations relating to financial management and controls. • 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. 	
External audit	<ul style="list-style-type: none"> • Knowledge of the role and functions of the external auditor and who currently undertakes this role. • Knowledge of the key reports and assurances that external audit will provide. • Familiarity with the auditor's most recent plan and the opinion reports. • Knowledge about arrangements for the appointment of auditors and quality management undertaken. 	<ul style="list-style-type: none"> • The audit committee will meet with the external auditor regularly and receive their reports and opinions. • Monitoring external audit recommendations and maximising the benefit from the audit process. <ul style="list-style-type: none"> • The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service 	

Risk management	<ul style="list-style-type: none"> • Understanding of the principles of risk management, including how it supports good governance and decision making. • Knowledge of the risk management policy and strategy of the organisation. • Understanding of risk governance arrangements, including the role of members and of the audit committee. • Knowledge of the current risk maturity of the organisation and any key areas of improvement. 	<ul style="list-style-type: none"> • In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements. • 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. • The committee should also review reports and action plans to develop the application of risk management practice 	
Counter fraud	<ul style="list-style-type: none"> • An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. • 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). • Knowledge of the organisation's arrangements for tackling fraud 	<ul style="list-style-type: none"> • 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. • 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. 	

Values of good governance	<ul style="list-style-type: none"> • Knowledge of the Seven Principles of Public Life. • Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). • Knowledge of the whistleblowing arrangements in the authority. 	<ul style="list-style-type: none"> • The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. • 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 	
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny 	