

Meeting of the Audit and Standards Committee

**Wednesday, 24th April, 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 meetings held on 19th February, 2024 as a correct record (Pages 4 – 21)
5. [External Audit Grant Thornton Annual Audit Plan 2023-24 \(Pages 22 – 55\)](#)
6. [Accounting Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty \(Pages 56 – 91\)](#)
7. [Risk Management Report \(Pages 92 – 117\)](#)
8. [Internal Audit Plan 2024-25 \(Pages 118 – 139\)](#)
9. [Audit and Standards Committee Annual Report 2023-24 \(Pages 140 – 152\)](#)
10. [Audit and Standards Committee Progress Tracker \(Pages 153 – 155\)](#)
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. [Annual Fraud Report \(Pages 156 – 180\)](#)

(The report contains exempt information which is likely to reveal the identity of an individual(s) and to the financial or business affairs of any particular person (including the authority holding that information))



Chief Executive

Dated: 16th April, 2024

Distribution:

Members of the Audit and Standards Committee:

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

Please note the following:

Health and Safety

- In view of ongoing health and safety requirements in the workplace, you are asked to comply with any safety instructions applicable to the venue. Various mitigating actions are in place to minimise any risks and to ensure we adhere to the latest guidance.

Public Gallery

- Seating in the public gallery is subject to limits on capacity and will be allocated on a ‘first come’ basis.

Toilets

- Toilet facilities are available on site.

No smoking

- There is no smoking on the premises in line with national legislation. It is an offence to smoke in or on the premises. You cannot use e-cigarettes and/or similar vaping devices.

In Case of Emergency

- In the event of the alarms sounding, please leave the building by the nearest exit. There are Officers who will assist you in the event of this happening, please follow their instructions.

Submitting Apologies for Absence

- Elected Members can submit apologies by contacting Democratic Services (see our contact details below).

Private and Confidential Information

- Any agendas containing reports with 'exempt' information should be treated as private and confidential. It is your responsibility to ensure that information containing private and personal data is kept safe and secure at all times. Confidential papers should be handed to Democratic Services for secure disposal. If you choose to retain the documents you should ensure that the information is securely stored and destroyed within six months.

Recording and Reporting

- The use of mobile devices or electronic facilities is permitted for the purposes of recording/reporting during the public session of the meeting. The use of any such devices must not disrupt the meeting – Please turn off any ringtones or set your devices to silent.

General

- Public Wi-Fi is available.
- Information about the Council and our meetings can be viewed on the website www.dudley.gov.uk

If you need advice or assistance

- If you (or anyone you know) requires assistance to access the venue, or if you have any other queries, please contact Democratic Services - Telephone 01384 815238 or E-mail Democratic.Services@dudley.gov.uk

If you are reading these documents on an electronic device, you have saved the Council £7.00 (on average) per printed agenda and helped reduce the Council's carbon footprint

**Minutes of the Audit and Standards Committee
Monday 19th February, 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 (From Minute No. 50), S Henley and W Little.

Dudley MBC Officers:

B Heran (Deputy Chief Executive), K Jones (Director of Housing and Communities), H Martin (Director of Regeneration and Enterprise), I Newman (Director of Finance and Legal Services), G Harrison (Head of Audit and Risk Management Services), T Robbins (Head of Procurement) and K Taylor (Senior Democratic Services Officer).

Dudley MBC Officers in Attendance via Microsoft Teams:

L Fulci (Director of Digital, Customer and Commercial Services), N McGurk (Director of Environment), G Aulakh (Head of Technology Systems and Services), S Denyer (Senior Systems Auditor), M Granger (Corporate Fraud Manager), M Landy (Principal Auditor), E Newman (Principal Auditor) and A Taylor (Senior Principal Auditor).

Also in Attendance:

A Paul (Head of Chief Executive's Office), R Gill-Dulai (Corporate Programme Manager) and A Petkevicius (Corporate Programme Manager) – for Agenda Item No. 5 – Corporate Portfolio Management Office Verto System Demonstration.

L Jones-Moore (Finance Manager) – for Agenda Item No. 7 – Treasury Management.

One Member of the Press.

46 **Apology for Absence**

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

47 **Appointment of Substitute Member**

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

48 **Declarations of Interest**

Councillor J Cowell declared a non-pecuniary interest in relation to Agenda Item No. 11 (Annual Audit Report for the Deputy Chief Executive) as a Council tenant.

49 **Minutes**

That the minutes of the meetings held on 6th and 18th December, 2023 be approved as correct records and signed.

50 **Corporate Portfolio Management Office Verto System Demonstration**

Following a previous request by the Committee an overview and demonstration of the functionality of the Corporate Portfolio Management Office Verto System was provided.

A Petkevicius, Corporate Performance Manager, reported that a one council approach to Project Management had been developed and supported by four separate elements including the Corporate Project Management Framework, Project Management Toolkit, Agents for Change Network and the Dudley Project Portal.

The Corporate Project Management Framework ensured consistency and continuity and contained the processes and steps needed to manage a project through the four stages of a project lifecycle namely, concept, definition, delivery, and closure. The Framework was developed following consultation and feedback from project managers and key stakeholders from across the Council together with building on best practice and engagement with other Local Authorities. It was noted that the Project Management Toolkit stockpiled all key Dudley templates for each stage during project management which were based on industry standards and best practice.

Members were advised of the Agents for Change informal network that had been established to allow project managers to share resources, experiences and provide peer support. It was noted that over 200 members had joined the network, with three events being held to launch the Framework and Portal. A variety of key speakers attended the events to help build and promote the one council approach and ensure consistency and governance across the board for all projects.

It was noted that the Dudley Project Portal was primarily developed to support the Framework and was a cloud-based project management system to support project governance and reporting throughout the project lifecycle and a single location for the storage of all project documentation, with real-time dashboard reporting available.

Extensive training had been provided to over 100 employees across the Council on the Project Management Framework and Portal and Back2Basics Project and Change Management with more sessions being planned. It was noted that a Project Management module would also be included in the new Dudley Manager programme launched in Thrive and future Council Inductions. A YouTube channel had also been launched with training videos and guides on the Dudley Project Portal.

R Gill-Dulai, Corporate Performance Manager, advised that work would be continuing to ensure that colleagues were working collaboratively to align project management with the Council Plan priorities linking in with the Improvement and Sustainability Programme and the Medium-Term Financial Strategy proposals. Work was also being undertaken to provide enhanced reporting by maximising the use of a business intelligence tool, namely Power BI, by consolidating all information and existing data sets and systems into one place to help inform decision makers.

The need to identify areas for continuous improvement was acknowledged to ensure project governance and assurance without causing any unnecessary delays. Focus would also be given to resolving actions that were identified in both internal and external audit reports and ensure that projects and programmes were delivered effectively and efficiently.

In concluding, Members were provided with a demonstration of the Dudley Project Portal including live dashboard reporting.

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

- a) Councillor S Ali welcomed the presentation given and emphasised the need for project management in the Local Authority and hoped that the new system would improve this area moving forward, and requested clarification on who would be responsible for monitoring projects and officers' participation to date.

In responding, R Gill-Dulai confirmed that the definition of roles on projects and programmes within the Corporate Project Management Framework had been aligned and that it was mandatory for each project to include one named Project Management and one named Project Sponsor. It was noted that Project Sponsors would be accountable for projects, and Project Managers responsible for the day-to-day management of the project or programme. Members were advised that officers that were managing a project in addition to their core duties were supported by the Corporate Performance Management Office together with tools and guidance as appropriate.

- b) Councillor D Borley fully supported the system and processes and hoped that the new system would address a number of issues that had been identified. He emphasised the need to support Project Managers to ensure that Projects and Programmes were being delivered correctly.

In responding, A Petkevicius referred to the training provided on the four key elements throughout a project lifecycle, and it was confirmed that notifications were generated to Project Sponsors through checkpoint reports built in at approval points. Monthly highlight reports were also generated from the system with the ability to prompt officers to complete any outstanding work.

- c) In responding to a question raised by Councillor W Little in relation to allowing Project Managers to delegate elements of work to help support and deliver projects, A Petkevicius confirmed that there was some flexibility within the system for the Project Manager to allocate additional roles and delegate access permissions as appropriate.
- d) The Chair commented positively on the presentation given and queried how many projects were currently running in the system and whether focus was being given to implementing new projects only at this stage.

In responding, R Gill-Dulai confirmed that there were currently 95 projects within the Portal, however this was a fluctuating figure due to the level of understanding of officers recognising projects against every-day activity that was part of core services. A significant amount of work had been undertaken to ensure that all major projects were programmed into the Portal.

- e) In responding to a question by the Chair, the Head of Audit and Risk Management Services confirmed that the Team would review the Corporate Performance Management Office to ensure that work was being undertaken effectively and also undertake more in-depth reviews on certain key projects as appropriate.

Resolved

That the overview and demonstration of the functionality of the Corporate Portfolio Management Office Verto System, be received and noted.

51 Hybrid Working and Future Plans Presentation

Following a previous request by the Committee, the Deputy Chief Executive gave a presentation on an update on the Council's flexible working arrangements. It was emphasised that working patterns for each member of staff were determined by each Director in accordance with their business needs and employees.

A detailed overview of the four workstyles that had been adopted by the Local Authority namely, Agile Worker; Fixed Location Worker; Field Worker and Community Based Worker was provided at the meeting. The workstyles helped identify which technology, equipment and office bases were needed to help support individual roles and work requirements.

The positives and perceived negatives associated with flexible working were referred to, in particular, the issues in relation to recruitment and retention for the Local Authority, and particular reference was made to specific roles where there was a skills shortage. The need to offer flexible working to attract skilled workers from across the country to widen the pool of candidates was critical in reducing the reliance on employing agency staff.

In considering the perceived impact to the local economy, work was ongoing to utilise office spaces that had full capacity in order to dispose of any assets that may allow for other developments, including residential, which could help regenerate towns and increase footfall.

The ability to offer flexible working hours to allow employees to work in accordance with the business needs was acknowledged. In recognising the possibility of mental health and wellbeing issues for people working remotely, Directors had requested staff to attend face to face meetings and collaboration days to ensure interaction with colleagues. Members were assured that no member of staff was forced to work from home, and those that wanted to work in an office base were facilitated. Further work was being undertaken in developing community hubs across the Borough to allow employees the flexibility to work in locations that was more suitable.

The Deputy Chief Executive referred to perceived parity across the workforce and confirmed that the Local Authority was looking at alternative ways to address those concerns including identifying alternative roles to allow more flexible working.

The challenges faced with recruitment was acknowledged, and in view of the number of vacancies currently, interim appointments had been made. However due to the financial pressures faced by the Local Authority, further work was being undertaken to reduce the reliance on those appointments where possible. Reference was also made to the low pay rate compared to neighbouring councils and the financial and environmental benefits in reducing commuting and parking time.

Members were advised that the correct technology had been issued to employees to allow all telephone calls to be taken at home and that all calls were monitored. It was evident that in some of the harder to recruit positions, candidates would enquire about flexible working before they applied for a role, demonstrating the need to achieve the right work/life balance for recruiting the right staff.

Benchmarking information against other authorities was displayed and highlighted that the majority of Councils were offering more flexibility working and, in some cases, total remote working.

The Deputy Chief Executive referred to the Estate Strategy and that it had been evident that flexible working helped to facilitate the rationalisation of assets and Members were advised of the offices that would be retained and disposed. It was expected that the office space at Ladies Walk and Brierley Hill LIFT Centre would no longer be utilised once the lease had expired. Consideration would also be given to alternative uses of assets including Studley Court by external partners including West Midlands Police and the National Health Service to enable more community-based partnership working. The disposal of assets would stimulate opportunities for regeneration; create budget savings by removing revenue liability; generate capital receipts from sales; mitigate housing demand for green belt and green space, and provide environmental benefits by reduced commuting. The introduction of the community hubs and ability to maximise space throughout the Borough including using libraries as touch down spaces was welcomed.

It was noted that a review of the future of the Leys Depot was being undertaken to potentially redevelop the site and smaller depots to generate receipts and on-going revenue savings.

The gaps in customer service were accepted, however it was noted that the Director of Digital, Customer and Commercial Services was working on a more robust performance management arrangement for the key performance indicators, including monitoring of phone calls, responding to e-mails, and adopting digital solutions to help to respond to queries. In cases where performance did not improve, work would continue with Human Resources through the range of interventions identified within the People Strategy.

Members were assured of the commitment in continually improving and delivering customer services and addressing concerns raised by putting the customer first by responding and processing queries efficiently and understanding customer's needs.

It was noted that there were currently 40 home-based permanent workers across the Local Authority who had reported increased productivity and that the majority of teams attended an office base on average 2 days per week. A significant number of employees worked within the community and with customers and used home working to undertake their administrative tasks.

National data had identified that the main causes of stress at work related to volume of work, management styles, attending work when unwell, taking annual leave when sick, and the cost of living increase. The work undertaken by the Local Authority to facilitate and support staff through flexible working arrangements was mentioned.

In concluding, the Deputy Chief Executive advised that the Cabinet had resolved to retain agile working based on agreed workstyles and Directors owning performance of their respective Directorates. The need to continue to build on customer performance and Member response times was emphasised and reference was made to the new MyDudley platform which had received positive feedback with work ongoing on Elected Member elements which would ensure an improved responsive service.

The need to remove territorial space where possible to facilitate more opportunities for teams to work from the Council House and other buildings that were being retained was also mentioned.

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

- a) Councillor J Cowell referred to the disposal of assets and queried whether consideration had been given to employees that were working within the community that required a base for comfort breaks.

In responding, the Deputy Chief Executive confirmed that consideration was being given to maximising existing bases such as libraries and the introduction of community hubs, and discussions were taking place with external partners including the West Midlands Police and National Health Service with regard to access to buildings.

- b) Councillor J Cowell also referred to the proposed disposal of Studley Court and Wollescote Hall which were both situated in Trust Land and queried how those properties would be managed considering restrictions in the way that they were used and an obligation on the Council to maintain those buildings.

In responding, the Deputy Chief Executive assured Members that the Local Authority were aware of the restrictions placed with Trust buildings and any proposals would be in line with the trustees and covenants of those buildings.

The Director of Regeneration and Enterprise acknowledged the additional challenges associated with Trust buildings and stated that the disposal of those assets would likely be leased which may appeal more to a community related resource.

- c) In responding to a question raised by Councillor J Cowell, the Deputy Chief Executive confirmed that if an employee was working from home, there was no expectation for them to work whilst ill. There continued to be clear guidelines with regard to working practices such as taking breaks and undertaking workstyle risk assessments. There was however some flexibility if somebody felt slightly unwell where they preferred to work at home, however ultimately it was the responsibility of the individual to inform their manager if they were unwell.
- d) Councillor J Foster considered that overall hybrid working and home working was positive however, emphasised that monitoring and support was essential to avoid it becoming disruptive or negative. In some cases, many employees may not be working with the correct equipment which may impact them physically, therefore it was important that the Local Authority consider the need for a good and supported physical working environment for employees working from home.

Councillor Foster also stated that flexible working should not be used to avoid managing and addressing difficult working relationships between colleagues. By people having an omnipresent in the office provided the opportunity to ensure days working in the office were structured and helped develop relationships and resolve any outstanding issues. It was unclear whether these areas had been considered by the Local Authority.

Councillor Foster also referred to feedback she had received following the closure of the Leys Depot where employees had been unable to find suitable places for comfort breaks, with managers advising them to visit public supermarkets instead which was not acceptable.

- e) In responding to comments made by Councillor J Foster, the Deputy Chief Executive advised that members of staff working from home were expected to undertake a workstation risk assessment and agreed with comments made with regard to the physical working environment for employees working from home. She reiterated that no employee was forced to work from home therefore if any member of staff felt uncomfortable or their home environment did not allow the space to work, then office accommodation would be facilitated. It was also accepted that difficult working relationships between colleagues would occur however, effective management would be essential in addressing those issues.

With regard to the closure of the Leys Depot, the Director of Housing and Communities confirmed that the depot had been closed for some time and office-based staff had been relocated to the Council House. She advised that Trade Teams should not be instructed to use supermarkets or any other public building for comfort breaks as there were a number of Housing Hubs located throughout the Borough which employees were encouraged to use.

The Deputy Chief Executive referred to the partnership working with local partners within the public sector in sharing accommodation with consideration being given to implementing a desk and room booking system across the Borough to help inform staff of possible work base locations.

- f) Councillor D Borley supported flexible working and emphasised the importance of team ethics for employee satisfaction in working for the Local Authority and welcomed the flexibility associated with working at home and attending the office for face-to-face meetings. It was essential for Dudley to become a leader in this field compared to other authorities in order to improve recruitment and retention.
- g) In responding to a question raised by Councillor D Borley, the Deputy Chief Executive confirmed that there were facilities available on the Council's Intranet Site, Connect, where employees submit suggestions for improvements which were then considered and responded to by Senior Management.
- h) Councillor M Evans, although acknowledging that flexible working was appropriate for employees that worked within the community, shared his concerns of the significant decline in responses to queries and telephone calls he had experienced by employees working from home.

In responding, the Deputy Chief Executive acknowledged comments made and undertook to review specific performance management in areas of concern raised by Councillor Evans and address any issues that may be evident.

- i) In referring to comments made with regard to Housing Hubs for comfort breaks, Councillor J Cowell queried what consideration had been given for access for members of staff that worked out of hours.

In responding, the Director of Housing and Communities stated that in order to support employees, it would be essential to understand the demand and identify areas that were causing the most difficulty as it would not be feasible to provide a large number of rest facilities across the Borough.

- j) Councillor W Little referred to comments made in relation to customer satisfaction and queried whether there was an opportunity to use automated technology systems to collect data and metrics in order to assess customer performance management.

In responding, the Deputy Chief Executive referred to the existing facilities provided by MyDudley which would continue to be developed and confirmed that automated digital processes could be utilised to gather any feedback and acknowledge submission of paperwork and applications as necessary.

The Director of Digital, Customer and Commercial Services confirmed that statistical information for all call centres and the Repairs Management Centre for Housing was shared with the Cabinet Member on a monthly basis. The information evidenced calls that were being answered, abandoned, and the average length of a call which could also be categorised by each member of staff. All calls were also recorded for training and management purposes. The implementation of MyDudley allowed officers to identify when a service request had been submitted; the progress of the request through the system and kept informed on each individual stage with full live reporting through Power BI.

Resolved

That the update on the Local Authorities flexible working arrangements be received and noted.

52 Treasury Management

A report of the Director of Finance and Legal Services was submitted outlining the treasury activity in the year 2023/24 up to the end of December 2023 and seeking approval of the Treasury Strategy Statement 2024/25, which was attached as Appendix 2 of the report submitted.

In presenting a summary of the report submitted, the Director of Finance and Legal Services referred to the Treasury Activity 2023/24 – Dudley Fund in particular that Dudley’s investments up to 31st December, 2023, averaged £34.9 million, with an average return of 3.87%. It was also reported that the average value of long-term borrowings up to the 31st December, 2023, equated to £318.9 million, with an average return of 3.92%, which were due to mature on dates ranging from the current year to 2072.

It was noted that whilst the Authority undertook treasury management activity on its own behalf, it was also responsible for administering the treasury management for the West Midlands Debt Administration Fund (WMDAF), which would conclude on 31st March, 2026. Members were advised that at the start of 2023/24 the WMDAF held a Lender Option Borrower Option (LOBO) of £10m. During August, 2023, the Council was approached by the lender who wished to increase the interest rate to 7.37% therefore the Council exercised its option to repay the loan in full to avoid the increased rate. A new loan with the PWLB was taken out at a rate of 5.68% with the same principal value and maturity date.

The Treasury Management Statement for 2024/25 outlined the strategy for borrowing and investing and it was noted that there was a change from previous years in relation to extending the lending criteria of banks to include non-UK banks. It was noted that the Local Authority would prioritise institutions with higher credit quality and their ability to repay debt. In practice, the Strategy would still be limited by the Council's low level of investments and cashflow, however it was anticipated that the changes should improve return.

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 question raised by Councillor J Foster, the Director of Finance and Legal Services confirmed that Lloyds Plc met the Council's credit criteria.
- b) Following a request by Councillor J Cowell, the Director of Finance and Legal Services agreed to include figures relating to External Borrowing, as detailed in the table under paragraph 3.2 of the report in relation to Operational Boundary and outcome for previous years in future reports.
- c) Councillor S Ali referred to the Council's current financial position and the economy nationally and queried whether one impacted on the other and what safeguards were either required or already in place to prevent the situation deteriorating further.

In responding, the Director of Finance and Legal Services confirmed that they were both connected in terms of the number of investments the Local Authority held, and it was important that these were held in safe institutions. Loss of money through institutions failing would exacerbate an existing difficult financial position, therefore good treasury management was essential to ensure that this did not occur. An indirect connection related to capital expenditure and how it was financed. Reference was made to the Local Authority's responsibility in administering the capital funding of £731 million, which had reduced by £9 million from the previous year.

- d) Councillor S Ali emphasised the importance of investments being held in safe institutions to safeguard public money and referred to the extension of the lending criteria of banks to include non-UK banks and queried whether this was considered a risk given the current financial position faced by the Local Authority and how assurance would be obtained of the security of non-UK banks.

In responding, the Director of Finance and Legal Services confirmed that all institutions considered would be banks and the assurance would be gathered through the expert credit rating awarded by the three main credit rating agencies. It was anticipated that the non-UK Banks would be located within Europe, however all options meeting the credit criteria would be considered.

- e) In responding to a question raised by Councillor S Ali in relation to the capital funding of £731m through the WMDAF, the Director of Finance and Legal Services confirmed that the capital funding had accumulated for a number of years however between 31st March, 2022 and 31st March, 2023 the amount had reduced. The Director of Finance and Legal Services undertook to provide Councillor Ali with an analysis of movements on the Capital Financing Requirement over 10 years.

Resolved

- (1) That the Treasury Activities in 2023/24 as outlined in the report, be noted.
- (2) That the Treasury Strategy 2024/25, attached as Appendix 2 to the report submitted, be approved.
- (3) That the Director of Finance and Legal Services be authorised to affect such borrowings, repayments and investments as are appropriate and consistent with the approved Treasury Strategy and relevant guidance.

- (4) That the Director of Finance and Legal Services be authorised to update the prudential indicators, as detailed in Section 3 of Appendix 2 to the report submitted, prior to the submission of the report to full Council for approval.
 - (5) That the report, and Appendices to the report, be submitted to full Council on 26th February, 2024 for approval.
 - (6) That the Director of Finance and Legal Services be requested to include figures relating to External Borrowing, as detailed in the table under paragraph 3.2 of the report in relation to Operational Boundary and outcome for previous years in future reports.
 - (7) That the Director of Finance and Legal Services be requested to provide Councillor S Ali with an analysis of movements on the Capital Financing Requirement.
-

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

A report on the Progress Tracker and Future Business was received and noted by Members and the following issues and suggestions were made: -

- a) In responding to a question raised by Councillor S Ali in relation to the outstanding action for the Chair to circulate 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, the Chair advised that he was unable to retrieve copies of the e-mails and that it was likely to have been archived.

Following comments made, Councillor S Ali raised concern regarding the explanation given as there was no record of what the Chair had sent on behalf of the Committee. The response that had been verbally reported in that the Cabinet Member had acknowledged the concerns raised by the Committee was unacceptable, given the severity of the information that had been presented by the External Auditors.

Following further discussion, the Deputy Chief Executive undertook to arrange for the Head of Technology Systems and Services to explore the Council's archive system for the respective e-mail and response and circulate to Members.

- c) Following further concerns raised with regard to the recording of e-mails and correspondence that had been forwarded on behalf of the Committee, Councillor J Foster requested that all Committee Members and relevant Officers be copied into all future correspondence for information to ensure effective recording.
- d) Councillor J Foster also requested a copy of the e-mail sent by the Chair to the Leader requesting that the Audit and Risk Management Services staff be ringfenced in any future restructuring proposals and response.
- e) Councillor J Foster referred to the minutes of the meeting of the Committee held on 18th December, 2023, in particular that she had stated that a cross-party Member/Officer Working Group would be beneficial to improve and review scrutiny training and a review of the Member Training and Development Programme, and proposed that any suggestions or proposals made by the Committee should be included in the Progress Tracker for reference.

In responding, the Deputy Chief Executive confirmed that this area was being considered as part of the Improvement and Sustainability Programme under the governance workstream.

- f) Councillor M Evans, referring to historic issues associated with land grabbing in Alder Coppice Nature Reserve, raised concerns with regard to his experiences whilst dealing with the case and lack of action and conflicting advice given by Officers. He therefore requested that a full and thorough audit investigation be undertaken of the land grabbing and lack of action taken on the issue.

In responding, the Head of Audit and Risk Management Services acknowledged the comments made. Following consultation with the Monitoring Officer, it had had been agreed that both the Director of Regeneration and Enterprise and Director of Environment would be invited to share their perspective of the matter. Once received, consideration would then be given as to whether an internal audit review would be required, and Head of Audit and Risk Management Services agreed to arrange a meeting with Councillor M Evans to discuss the matter further.

Resolved

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

- (2) That the Head of Technology Systems and Services be requested to explore the Council's archived e-mail system for the original e-mails and responses to the two e-mails mentioned above and circulate to the Committee accordingly.
 - (3) That all future correspondence and e-mails and responses sent on behalf of the Committee be circulated to all Members of the Committee for information.
 - (4) That the Senior Democratic Services Officer be requested to include any suggestions or proposals made by the Committee in future reports of the Progress Tracker.
-

54 **Questions Under Council Procedure Rule 11.8**

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

55 **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.

56 **Annual Audit Report of the Deputy Chief Executive**

Prior to commencement of the agenda item, Councillor S Ali requested clarification on the rationale of why the annual audit report, in its entirety, had been considered exempt, given that there was no commercial sensitivity or references to individuals within the report. He considered that the reports evidenced poor practice and mismanagement which should be disclosed as a matter of public interest.

Reference was also made to the wording contained within the agenda in that “there will be no advance disclosure of the report” and clarification was requested as to whether this implied that blue paper reports could be disclosed following the meeting. The possibility of either issuing two separate reports (one private, one public) or redacting any sensitive information was mentioned together with the need to be more open and transparent which had been observed by External Auditors.

Following further discussion, it was agreed that the Monitoring Officer would be requested to provide a formal response to both points raised.

A report of the Director of Finance and Legal Services was submitted summarising the audit work undertaken in relation to the Directors who reported directly to the Deputy Chief Executive for the financial year 2022/2023.

In presenting the report submitted, the Head of Audit and Risk Management Services advised that nine assurance audits had been undertaken, of which eight had received minimal or limited assurance ratings. It was noted that these ratings had been given due to either a critical finding being raised or a number of high findings. Further information in relation to the critical and high priority findings were outlined in Appendices 2 and 3, respectively, attached to the report submitted.

In addition to the eleven assurance audits, three other reviews were undertaken and in total 183 actions were raised. A full list of the audits, including the number of actions raised and assurance ratings, were detailed in Appendix 1 to the report. Mention was also made of the number of unimplemented actions from the previous reviews. It was further noted that the information included in Appendices 2, 3 and 4 had previously been agreed with Directorate Management and that due to the size of the report, it was agreed that a summary of the main points raised would be included rather than the audit findings. The format of the report would be reviewed in advance of the next municipal year.

It was noted that the management comment recorded under Implementation Update was the current status of the actions that had been raised, and Critical and High priority findings would be followed up by Audit and Risk Management Services accordingly.

The implementation status of the Critical and High findings for each audit was outlined in paragraph 8 of the report submitted.

Members were informed of the performance in relation to the issuing of final reports and management responses to the audit, and it was noted that 67% of management responses were provided within the 4 week target and 44% of final reports issued within 6 weeks of the draft report.

Reference was made to post-audit questionnaires issued on completion of an audit, the two returned stated they had received a very good or good service. Although the response rate had been disappointing, there had been good engagement with a number of Heads of Service on their Audit Actions.

In concluding, the Head of Audit and Risk Management Services advised that the Deputy Chief Executive and a number of Directors and Officers from within the Directorates were present at the meeting, either in person or virtually on Teams to answer any questions that Member's may wish to raise.

Arising from the presentation of the report, Members made a number of comments and raised questions on individual audits, which were responded to at the meeting. The Committee would be provided with written responses on the following:

- a) Briefing note on work that could be undertaken by the Private Sector Housing Team to bring back empty homes into use.
- b) Confirmation that a link to the Suppliers' Code of Practice was included within all links to Contract Management Documents.
- c) Confirmation whether scheduled visits of Houses of Multiple Occupancy properties were being undertaken.
- d) Confirmation that all defect items identified from the Electrical Inspection Condition Report had been actioned.

Resolved

- (1) That the information contained in the report and Appendices to the report submitted on audit work undertaken for those Directors who reported directly to the Deputy Chief Executive for the financial year 2022/23, be received and noted.
- (2) That the Monitoring Officer be requested to provide a formal response to the rationale of audit reports being submitted under private session and whether exempt reports considered under private session could be disclosed following the meeting.
- (3) That Officers provide Members with detailed responses to questions raised at the meeting.

The meeting ended at 8.46pm

CHAIR

Audit and Standards Committee – 24th April 2024

Report of the Director of Finance and Legal

External Audit Grant Thornton Annual Audit Plan 2023-24

Purpose

1. To consider the External Auditor's Annual Audit Plan 2023/24.

Recommendations

2. It is recommended that Committee Members note the views of the Auditor and comment as appropriate on:
 - Grant Thornton's Annual Audit Plan 2023/24 (attached as Appendix 1)

Background

3. The External Auditor Grant Thornton produces an annual Audit Plan and Risk Assessment on an annual basis for Dudley Metropolitan Borough Council and those charged with governance. The plan outlines the work they will carry out in discharging their responsibilities in order to form and express opinion on the Council's financial statements.
4. Grant Thornton's Risk Assessment included within the audit plan at Appendix 1 identifies four significant risks:
 - Valuation of land and buildings (including council dwellings)
 - Valuation of the net pension liability
 - Completeness of operating expenditure and payables
 - Management override of controls

5. The key considerations set out within this report are:
 - Grant Thorntons responsibilities under the Code of Audit Practice

Finance

6. The report deals with a number of financial affairs of the Council. No additional resources are required as a direct consequence. Representatives from Grant Thornton will be available at the meeting to answer any questions or queries that arise from this plan and risk assessment.

Law

7. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under. The Local Audit and Accountability Act 2014 requires external auditors to report to those charged with governance on the results of their work.

Risk Management

8. The Corporate Risk Register recognises the risk that the Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available. At the last review point, this risk was allocated the rating of 25 (Very High).

Equality Impact

9. The proposals take into account the Council's Policy on Equality and Diversity. No consultations with Children and young people were undertaken or required in the preparation of this report.

Human Resources/Organisational Development

10. The proposals in this report do not have any direct human resource/organisational development implications.

Commercial/Procurement

11. There are no commercial opportunities associated with this report.

Environment/Climate Change

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

Council Priorities and Projects

13. An effective framework of governance, risk management and internal control will assist the Council in achieving its priorities.



Iain Newman
Director of Finance and Legal

Contact Officer: Rachel Cooper
Telephone: 01384 814844
Email: rachel.cooper@dudley.gov.uk

List of Background Documents

Grant Thornton's Audit Plan (Appendix 1)

Dudley Metropolitan Borough Council audit plan

Year ending 31 March 2024

Dudley Metropolitan Borough Council

24 April 2024



Contents



Your key Grant Thornton team members are:

Andrew Smith

Key Audit Partner

T +44 (0) 161 953 6472

E Andrew.J.Smith@uk.gt.com

William Guest

Senior Manager

T +44 (0) 121 232 5319

E William.Guest@uk.gt.com

Nokubonga Mkhize

Assistant Manager

T +44 (0) 121 232 5427

E Nokubonga.G.Mkhize@uk.gt.com

Section

Key matters

Introduction and headlines

Significant risks identified

Other matters

Progress against prior year recommendations

Our approach to materiality

IT Audit Strategy

Value for Money Arrangements

Audit logistics and team

Audit fees and updated auditing standards

IFRS 16 'Leases' and related disclosures

Independence and non-audit services

Communication of audit matters with those charged with governance

Escalation policy

Page

3

7

9

13

14

15

18

19

20

21

23

24

26

26

28

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters

Financial outlook

A joint report to Cabinet from the Deputy Chief Executive and Director of Finance and Legal on 15 February 2024 sets out that in addition to the £5.1m planned use of reserves agreed in the 2023/24 budget there is also an adverse forecast outturn of £9m. Based on this, the total use of unallocated General Fund reserves in 2023/24 would be £14.1m. This would leave an unallocated General Fund reserves balance of £7.7m at 31 March 2024. The report also sets out the current medium-term financial outlook for the Council up to 2026/27. In 2024/25, the current forecast net budget deficit is £6m after the delivery of savings totalling £7.7m and changes to spending proposals totalling £4.1m. We understand that there has been an overall positive movement to the financial position that was set out in the Cabinet report. However, the outlook is still a serious concern. If the available unallocated General Fund reserves balance is reduced to £7.7m at 31 March 2024 as expected, the Council would fully deplete this balance during 2024/25 to cover the deficit and would need to repurpose earmarked reserves. In the absence of a minimum level of unallocated general fund reserves to manage future financial risks, there is a high possibility that the Chief Finance Officer would decide to issue a Section 114 notice during the year. Members recognise the scale of the financial challenge facing the Council. We note that the Council currently has spending controls in place and this has led to positive variances which may be realised in the 2023/24 final outturn. However, the financial outlook for the Council remains highly concerning and we issued a statutory recommendation on the 30 January 2024 which reflects the serious nature of this. It is the corporate responsibility of all members to ensure that the Council acts within the law and sets a balanced budget. Members must take account of professional officer advice in setting the budget and must be prepared to take difficult decisions to deliver the scale of financial improvement required in Dudley.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Finance.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Standards Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. Should the NAO revise the VFM code during 2023/24, these areas of focus may change and this line may need amending for different emphases.
- We will continue to provide you and your Audit and Standards Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Standards Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters - continued



Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue– refer to page 9.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Dudley Metropolitan Borough Council ('the Council') for those charged with governance.

Respective responsibilities

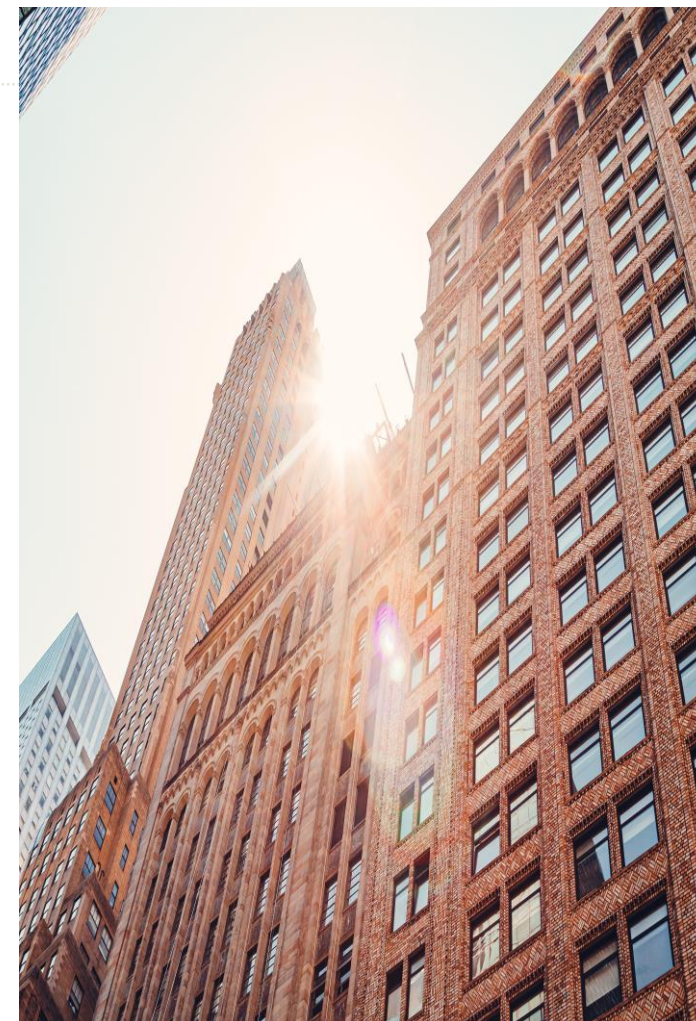
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Dudley Metropolitan Borough Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance the Audit and Standards committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of land and buildings (including council dwellings);
- Valuation of the net pension liability;
- Completeness of operating expenditure and payables; and
- Management override of control.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £11m (PY £11.3m) for the Council, which equates to c.1.4% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. Clearly trivial has been set at £0.55m (PY £0.565m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not yet been completed. We will update the committee once our planning is complete in this area.

Audit logistics

Our planning and interim visits have taken place in February and our final visit will take place from July. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £359,547 (PY: £195,506) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <p>There is little incentive to manipulate revenue recognition</p> <p>Opportunities to manipulate revenue recognition are very limited</p> <p>The culture and ethical frameworks of local authorities, including Dudley Metropolitan Borough Council mean that all forms of fraud are seen as unacceptable.</p> <p>Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income.</p>	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's revenue streams, as they are material. We will:</p> <p><u>Accounting policies and systems</u></p> <ul style="list-style-type: none"> Evaluate the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code Update our understanding of the Council's business processes associated with accounting for income <p><u>Fees, charges and other service income</u></p> <ul style="list-style-type: none"> Agree, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <p><u>Taxation and non-specific grant income</u></p> <ul style="list-style-type: none"> Income for national non-domestic rates and council tax is predictable and therefore we will conduct substantive analytical procedures For other grants we will sample test items back to supporting information and subsequent receipt, considering accounting treatment where appropriate.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' [ISA (UK) 315]

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Completeness of operating expenditure and payables	<p>Under the auditor's additional powers and duties outlined in section 24 of the Local Audit and Accountability Act 2014, we have issued a statutory recommendation due to the seriousness of the Council's financial position and the plan to fully deplete general fund reserves during the 2024/25 financial year.</p> <p>Having considered the risk of improper recognition of expenditure at Dudley Metropolitan Borough Council we have considered that there is a significant risk in relation to the completeness of expenditure and payables.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the Council's business processes associated with accounting for expenditure • Agree, on a sample basis, that expenditure has been recorded in the correct financial year. • Test a sample of transactions through the bank after the year end date to ensure the payments made have been recorded in the correct financial year.
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test high risk unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (including council dwellings)	<p>Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment for valuation of land and buildings in our Audit Findings Report.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council’s asset register and accounted for correctly; and • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Council's financial statements, which resulted in three recommendations being reported in our 2022/23 Audit Findings Report.

Assessment	Issue and risk previously communicated	Auditor recommendation	Update from Management
In progress	There was a significant delay in obtaining the valuation report for property plant and equipment as at 31 March 2023 from the Council's external valuation team. As a result, the Council missed the statutory deadline for publishing a draft statement of accounts. There was subsequently a delay in obtaining evidence to support the sample of valuations chosen.	Urgent action is needed to resolve this issue and to ensure that key documents supporting land and buildings valuations are available in future from start of final accounts audit and are accurate. We consider that the Council should undertake a review of the valuation process and determine how it can resolve the current delays.	The process continues to be refined. Scheduled weekly meetings with external valuers and Corporate Landlord are taking place to support the prioritisation of the valuation report, this is on target for completion the end of April 2024.
In progress	There were significant delays in obtaining information from the IT team in relation to IT controls which was required for the new auditing standard this year (ISA315)	Ensure information on IT control processes is made available for audit on a timely basis.	Senior Management are aware of the issue and are taking steps to ensure the timeliness of responses.
In progress	We have noted that reporting from the finance system still includes large balances of debit and credit items that are not stripped from the population for testing. This continues to produce much larger sample sizes for testing than we would expect for a Council of this type and therefore takes more time on both the part of council staff and auditors. This has been raised previously with both officers and members, particularly in light of the impact it has on audit work. In addition, when some sample evidence was received it was initially inadequate.	Ensure breakdowns of accounts balances provided for audit only contain genuine balances and all evidence supporting samples selected is of a reasonable quality.	Training has been provided to all staff in Accountancy to continue to improve the information provided as part of the sampling process. Transactional information will be reviewed with auditors prior to submission to ensure that the data is appropriate.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description	Planned audit procedures
<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £11m, which equates to c.1.4% of your gross expenditure for the prior period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> • establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; • assist in establishing the scope of our audit engagement and audit tests; • determine sample sizes and • assist in evaluating the effect of known and likely misstatements in the financial statements.
<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> • We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have not set an explicit materiality figure as this will be evaluated on a qualitative basis.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description	Planned audit procedures
<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
<p>Other communications relating to materiality we will report to the Audit and Standards Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.550m (PY £0.56m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the entity financial statements	11 000 000	We have considered the financial position of the Council as well as outcomes from our discussions with management and others within the Council.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	0	Whilst we have not set a value for this, we will consider the impact of any misstatements to ensure the information is true and fair.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	<ul style="list-style-type: none"> Detailed ITGC assessment (design effectiveness only)
iTrent	Payroll	<ul style="list-style-type: none"> Detailed ITGC assessment (design effectiveness only)

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not yet completed all of our planning in relation to value for money. Once this has been completed, we will report to the Audit and Standards Committee to inform you of any risks of significant weakness that have been identified.

Audit logistics and team



Andrew J Smith,
Key Audit Partner

Andy's role will be lead to our relationship with you and be a key contact for the s151 Officer and the Audit and Standards Committee. Andy will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council as well as ensuring that Grant Thornton's full service offering is at your disposal.



William Guest,
Senior Manager

William's role will be to manage the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you.
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slide 4
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Dudley Metropolitan Borough Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £359,547.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023/24

Dudley Metropolitan Borough Council Audit	
Scale Fee	£359,547
Increased work due to change in ISAs (ISA 315)	£12,550
Use of auditor's expert in relation to PPE	£5,000
Total audit fees (excluding VAT)	£377,097

Previous year

In 2022/23, the scale fee set by PSAA was £116,246. The actual fee charged for the audit, including audit of was £195,506.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”
In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council’s systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £ 2022-23	Fees £ 2023-24	Threats	Safeguards
Audit related				
Certification of Housing Benefit Claim	32,400 (final fee TBC)	35,640	For these audit-related services, we consider that the following perceived threats may apply: <ul style="list-style-type: none"> • Self Interest (because these are recurring fees) • Self Review • Management 	The level of recurring fees taken on their own is not significant in comparison to the confirmed scale fee for the audit of £359k and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level. Our team has no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statement to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to the audit of the financial statements, and is performed after the audit of the financial statements has been completed. The scope of work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
Certification of Pooling of Housing Capital Receipts	7,500	10,000		
Certification of Teachers Pension Return	10,000	12,500		
Certification of Homes England Return	5,500	6,000		

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit and Standards Committee (at next available Audit and Standards Committee meeting or in writing to Audit and Standards Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the audit and standards committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Addressing the local audit backlog - consultation

Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- FRC landing page - [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- DLUHC landing page - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- NAO landing page - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.

Preparing for the backstop

For any outstanding years up to 2022/23, local authorities should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – ‘true and fair’)
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work.

For 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Audit Committee is properly briefed and prepared

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

Next steps

We await the government’s response to the consultation. We will discuss next steps including any implications for your audit once we have further information.



© 2024 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their audited entities and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to . GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Audit and Standards Committee – 24th April 2024

Report of the Director of Finance and Legal

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

Purpose

1. This report explains the accounting policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2023/24 Statement of Accounts. It also provides the Committee with an overview of the processes for making significant accounting estimates for the Council's Statement of Accounts.

Recommendations

2. It is recommended:
 - The Committee approves the Accounting Policies that will be used to complete the 2023/24 Statement of Accounts.
 - The Committee notes the Critical Accounting Judgements made and Key Sources of Estimation Uncertainty which will be disclosed in the Statement of Accounts.
 - The Committee notes the processes for making significant accounting estimates for the Statement of Accounts.

Background

3. This report presents the significant accounting policies that will be used in the preparation of the 2023/24 Statement of Accounts; explains the requirement to disclose the critical judgements and made by management when producing the Statement of Accounts; and the key sources of estimation uncertainty within the accounts. It also details the processes for the production of significant accounting estimates.

Accounting Policies

4. The Council's accounting policies are the specific principles, conventions, rules, and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts, and a copy of the policies can be found at Appendix 1.

Critical Accounting Judgements

5. In line with International Financial Reporting Standards (IFRS) and the Code, the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. These are detailed in Appendix 2.
6. The Critical Judgements include:
 - The criteria used to determine which school assets should be recorded in the Statement of Accounts.
 - The treatment of transactions within the Better Care Fund.
 - The accounting policy for PFI and similar contracts and been applied to the Paragon PFI Scheme.

Assumptions Made About the Future, and Other Major Sources of Estimation Uncertainty

7. The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
8. The items in the Council's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

9. Estimation of the net pension liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in

retirement ages, mortality rates and expected returns on pension fund assets. New information can lead to changes to these judgments, which could lead to material adjustments. The Council utilises professional actuaries to make these judgements. Further guidance has been issued by CIPFA 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. Local Authorities now need to consider whether there is an asset ceiling that would limit the authority's ability to recognise the asset.

Valuation of Council Dwellings and Other Land & Buildings

10. Valuations of land and property are heavily sensitive to assumptions and influenced by economic circumstances which can change significantly from year to year. Buildings are depreciated over useful lives that are dependent on various factors, including assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. If the useful lives of assets were to be reduced, depreciation would increase and the carrying amount of the assets would fall. The Council utilises professional valuers to make these judgements.

Significant Accounting Estimates

11. In producing the Statement of Accounts, officers are required to calculate a number of estimates for key assets and liabilities on the balance sheet. These require the use of application of various accounting models, technical guidance and in some cases the support of experts such as actuaries and surveyors. Appendix 3 details the processes to produce the key accounting estimates.

Finance

12. This report is entirely financial in content but does not give rise to any direct costs. Many of the policies, judgements and estimates set out in this report are technical items that do not affect the measurement of the Council's usable resources.

Law

13. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under.

Risk Management

14. The proposals contained in this report do not create any material risks.

Equality Impact

15. The matters considered in this report have no impact on issues of equality

Human Resources/Organisational Development

16. There are no Human Resources or Organisational Development implications associated with this report.

Commercial/Procurement

17. There are no Commercial/Procurement implications associated with this report.

Environment/Climate Change

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

Council Projects and Priorities

19. An effective framework of governance, risk management and internal control will assist the Council in achieving its priorities.



Iain Newman
Director of Finance and Legal

Contact Officer: Laura Jones-Moore
Finance Manager – Central Finance
Telephone: 01384 815680
Email: laura.jones-moore@dudley.gov.uk

List of Background Documents

CIPFA Code of Practice Guidance Notes 2023/24

Accounting Policies

1. General Principles

- 1.1. The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual statement of accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS).
- 1.2. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
- 1.3. Dudley MBC as a local authority carries out functions essential to the local community and is itself a revenue-raising body (with limits on revenue-raising powers arising only at the discretion of central government). If the Council was in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. Therefore, it is reasonable to assume that the Council's services will continue to operate for the foreseeable future and that the accounts are prepared on the basis that it is a going concern.

2. Accruals of Income and Expenditure

- 2.1. Activity is accounted for in the year in which it takes place, not when money is paid or received. In particular:
 - Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
 - Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down, and a charge made to revenue for the income that might not be collected.
- Revenue relating to council tax and business rates are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions, and are recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority and the amount of the revenue can be measured reliably.

2.2. The Council has set a general de minimis level for accruals of creditors and debtors that are calculated manually in order to avoid additional time and cost in estimating and recording accruals.

2.3. This level is reviewed annually and has been set at £10,000 for 2023/24. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt. Exceptions to this de minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made
- Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £10,000.
- Automated accruals which are calculated using the Corporate Financial systems (UNIT 4 Business World and the Central Utilities database) or other systems within directorates.

3. Provisions and Contingent Liabilities

- 3.1. Provisions are made for liabilities that have been incurred but are of uncertain timing or amount. There are three criteria:
- the council has a present obligation (legal or constructive) as a result of a past event;
 - it is probable (i.e. more likely than not) that money will be needed to settle the obligation; and
 - a reliable estimate can be made of the amount of the obligation.
- 3.2. If any of these criteria are not met, no provision will be made in the accounts, but a contingent liability may be disclosed in a note. Where the liability is due to be settled within the next financial year, the provision is shown as a current liability in the balance sheet. Otherwise, provisions are shown as long-term liabilities.
- 3.3. The obligation can be “constructive” e.g. the council has publicly expressed an intention to do something, and other parties have acted in expectation of this.
- 3.4. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Details of provisions held at 31 March 2024 are shown in Note 25 to the statements.
- 3.5. When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated obligations are reviewed at the end of each financial year; where it becomes less than probable that money will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.
- 3.6. A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in [Note 29](#) to the statements.

4. Reserves

- 4.1. The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance (GFB) in the Movement in Reserves Statement (MiRS). When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the GFB through the MiRS so that there is no net charge against council tax for the expenditure.
- 4.2. Reserves designated as Local Management of Schools relate to preserved funds of schools for use in future years, under the terms of Dudley's *Scheme for Financing Schools*. These reserves are committed to be spent in the education service and are not available to the council for general use.
- 4.3. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies below and are summarised on the balance sheet as unusable reserves.

5. Government and other Grants and Contributions

- 5.1. Government grants and third party contributions and donations are recognised as due to Dudley at the date that there is reasonable assurance that the monies will be received and that any conditions will be satisfied, but will not be credited to the Comprehensive Income and Expenditure Statement (CIES) until any conditions are satisfied. Conditions are stipulations that allow the grant-giver to recover the grant if it is not used as specified.
- 5.2. Monies advanced to the Council as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors; where there is reasonable assurance that the conditions will be complied with, in the grouping Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or to Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

- 5.3. Capital grants and contributions are treated in a similar way, i.e. they are credited to CIES as Taxation and Non-specific Grant Income as soon as any conditions are complied with and there is reasonable assurance that the money will be received.
- 5.4. Any capital grants or contributions received with conditions where the council does not have reasonable assurance that those conditions will be complied with are carried in the balance sheet as creditors: where there is reasonable assurance that the conditions will be complied with, in the Capital Grants Receipts in Advance account.
- 5.5. Where capital grants and contributions are credited to the CIES, they are reversed out of the General Fund balance through the Movement in Reserves Statement (MiRS) to the Capital Adjustment Account (CAA).

6. Employee Benefits

- 6.1. Short term employee benefits, i.e. those due to be settled within 12 months of the year end, include wages and salaries, paid annual leave and paid sick leave, and bonuses. They are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of entitlements (e.g. for holidays or flexi leave) earned but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the rates applicable in the year in which the entitlement is earned, being a reasonable approximation to the rates in the following year in which the employee will take the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services (SDPS) in the Comprehensive Income and Expenditure Statement (CIES), but then reversed out through the Movement in Reserves Statement (MiRS), so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.
- 6.2. Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals

basis to the appropriate service line, or to the Non Distributed Costs line in the CIES, at the point when the council has communicated a detailed plan for the termination of the employment of an officer or group of officers, or for offers to encourage voluntary redundancy.

6.3. Where termination benefits involve the enhancement of pensions, e.g. through early access to earned pension, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to accounting standards. To achieve this, appropriations in the MiRS are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid or payable to the pension fund and pensioners.

6.4. Employees of the council are entitled to be members of one of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Business Services Authority (for staff who transferred with the Public Health function).
- The Local Government Pension Scheme, administered by Wolverhampton City Council as the West Midlands Pension Fund.

6.5. All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the council. These schemes are therefore accounted for as if they were defined contributions schemes – no liability for future payments of benefits is recognised in the balance sheet. The Children's and Education Services and Public Health revenue accounts are charged with the employer's contributions payable to Teachers' and NHS Pension Schemes in the year. Details are given in [Note 11](#) to the statements.

6.6. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Midlands Pension Fund attributable to the council are included in the balance sheet on an actuarial

basis, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, and projections of future increases in pensions and salaries.

- 6.7. Liabilities are discounted to their value at current prices, using a discount rate based on the rate of return on high quality corporate bonds of appropriate period.
- 6.8. The assets of the West Midlands Pension Fund attributable to the Council are included in the balance sheet at their fair value. Details are given in [Note 28](#) to the statements. Quoted securities held as assets in the scheme are valued at bid price.
- 6.9. The annual change in the net pensions liability is analysed as follows:

Service costs:

- current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the revenue accounts of the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, and curtailments or events that reduce the expected future service or accrual of benefits of employees – debited to the SDPS in the CIES
- any gain or loss on settlement (the result of actions to relieve the council of liabilities) – credited or debited to the SDPS in the CIES.

Interest Income or Expense:

- Net interest on net defined liability – the change during the period in the net defined benefit liability or asset that arises from the passage of time. It comprises interest income on the plan assets, net of interest cost on the defined benefit obligation – debited or credited to Financing and Investment Income and Expenditure in the CIES.

Remeasurements:

- return on plan assets, less items included in the net interest above – credited to Other Comprehensive Income and Expenditure (OCIE) in the CIES;
- remeasurement of the net defined liability – changes in the net pensions liability that arise because events have not coincided

with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – recognised in OCIE in the CIES.

Contributions paid by the employer:

- employer's contributions paid to the West Midlands Pension Fund – not accounted for as an expense.

6.10. Statutory provisions in relation to retirement benefits require the council to charge General Fund with the amounts payable by the council to the pension fund in the year. This means that in the MiRS there are appropriations to and from the Pensions Reserve to remove the relevant notional debits and credits for retirement benefits and replace them with debits for the amounts payable to the pension fund. The negative balance on the Pension Reserve measures the beneficial effect on the General Fund and HRA of accounting for pensions on the basis of amounts payable, rather than a calculation of benefits earned.

6.11. The council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. VAT

7.1. Only irrecoverable VAT is charged in the accounts.

8. Overheads and Support Services

8.1. The costs of overheads and support services are charged to those that benefit from the supply or service.

9. Property, Plant and Equipment (PPE)

9.1. Assets that have physical substance and are held for use in or supply of services or the production of goods, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

9.2. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals

basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

9.3. Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

9.4. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

9.5. The cost of an asset acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

9.6. Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets (except land) – depreciated historical cost
- assets under construction and community assets land – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus and Investment assets - fair value by using the asset in its highest and best use
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

9.7. Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

9.8. For non-property assets (e.g. vehicles) that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

9.9. Assets included in the Balance Sheet at current value are revalued on a rolling programme, sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the CIES where they reverse a loss previously charged to the SDPS. Property assets that fall below the de-minimis level of £40,000 are not subject to valuation, they are however reviewed annually as part of the impairment review carried out by the valuer. However, there is not a formal de-minimis for initial recognition of assets.

9.10. Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

9.11. The Revaluation Reserve contains only revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

9.12. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where such indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

9.13. Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

9.14. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

9.15. Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Asset land) and assets that are not yet available for use (i.e. assets under construction). Assets are depreciated using the following methods and over the following periods:

Asset Type	Depreciation Method	Period of Years
Buildings	Straight line	Useful Economic Life, up to 70 years
Mobile Plant & Vehicles	Straight line	Useful Economic Life, usually between 5 and 20 years*
Council Dwellings	Based upon major components' replacement cost allocated on a straight line basis over the useful life of each component. The difference between the sum of the total value of the component elements and the EUV-SH valuation is the residual value which is depreciated on a straight line basis over 100 years	Useful Economic Life of components and residual value which are between 15 and 100 years

* The main exception to this useful life is when vehicles have been purchased at the end of a lease and their remaining life is deemed to be less than 5 years.

9.16. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

9.17. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the

total cost of the item, the components are depreciated separately, unless the difference to the depreciation charge would not be significant.

- 9.18. For major newly built assets, and identifiable new blocks, over £1m in cost, and as assets are revalued through the five year rolling programme, an assessment for significant components is made by the property professionals.
- 9.19. At post-completion review of major enhancement or refurbishment schemes, an assessment will be made of the carrying value of any identifiable parts removed. If these have a value over £40k, they will be formally derecognised from the balance sheet. If the host asset has a life longer than 30 years, and a value above £2.5m, then the new spend will be set up as a component.
- 9.20. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and it is probable that the sale will be completed within 12 months, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in current value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
- 9.21. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
- 9.22. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
- 9.23. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited

to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

- 9.24. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing dwellings disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund and Balances in the Movement in Reserves Statement (MiRS).
- 9.25. The written-off value of disposals is not a charge against council tax, as the cost of Plant, Property, and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.
- 9.26. Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.
- 9.27. Expenditure on the acquisition or replacement of components of the network is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.
- 9.28. Highways network infrastructure assets are generally measured at depreciated historical costs. However, this is a modified form of historical costs – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

9.29. Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systemic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Depreciation is first charged the year after capitalisation. Useful lives of the highways network are assessed by the Head of Traffic, Transportation and Engineering using industry standards where applicable as follows and the useful lives typically used are:

Part of the Highways Network	Useful Life
Carriageways	20 years
Footways and Cycle Tracks	30 years
Structures (bridges, tunnels)	80 years
Street Lighting	30 years
Street Furniture	40 years
Traffic Management Systems	20 years

9.30. When a significant component of the Network is disposed of or decommissioned, the carrying amount of the component in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of the asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

9.31. In accordance with the Temporary Relief offered by the update to the Code on infrastructure assets this note does not include a disclosure of gross costs and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position (as rather than manually derecognising infrastructure components as they are replaced we assume (as per adoption of the Statutory Instrument issued by DLUHC in December 2022) that the assets being replaced have a gross book value of nil). We are assured that this is the case because we have reviewed the useful lives used and

believe that overall assets are being replaced in line with the useful lives proposed in the accounting policy.

10. Intangible Assets

10.1. Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. Such assets are usually short-lived, and as such are not revalued. The intangible asset balances are amortised to the relevant service revenue account over the economic life of the assets, using the straight-line method over 5 years, to reflect the pattern of consumption of benefits.

11. Charges to Revenue for Non-current Assets (Property, Plant, and Equipment, and Intangible Assets)

11.1. Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding plant, property and equipment during the year:

- depreciation attributable to the assets used by the relevant service;
- impairment and revaluation losses which exceed any balance of accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible assets attributable to the service.

11.2. The council is not required to cover depreciation, impairment and revaluation losses, or amortisation from amounts raised from council tax. However, it is required to make an annual “Minimum Revenue Provision” (MRP) from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP charge to the General Fund Balance, by way of adjusting transactions with the Capital Adjustment Account in the Movement in Reserves Statement.

11.3. For the Housing Revenue Account there is no MRP requirement, but an amount equal to depreciation is required by regulations to

be transferred to the Major Repairs Reserve; thus, depreciation is effectively a charge to the HRA to be met from rent income.

12. Revenue Expenditure Funded from Capital under Statute (REFCUS)

12.1. Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes although it does not result in the creation of a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure is charged to the CIES in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement (MiRS).

13. Leases

13.1. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. (For vehicles, this applies when vehicles are leased for the greater part of their working lives.) All other leases are classified as operating leases.

13.2. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

13.3. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee, i.e. paying for the use of assets

Finance Leases

13.4. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to

pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

13.5. Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

13.6. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor i.e. receiving rents for property

Finance Leases

13.7. Where the Council grants a finance lease over a property or an item of equipment, the asset is disposed of from the balance sheet and a long-term debtor is created. Lease payments received are apportioned between:

- principal repayment used to write down the debtor
- financing income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Operating Leases

13.8. Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

14. Financial liabilities

14.1. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest payable). Interest charged to the CIES is the amount payable for the year in the loan agreement.

14.2. Discounts and premiums on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

14.3. Regulations allow the impact of premiums and discounts on the General Fund Balance to be spread over future years. This is

managed by a transfer to or from the Financial Instruments Adjustment Account, through the Movement in Reserves Statement.

15. Financial Assets

15.1. Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI)

15.2. The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument)

15.3. Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

15.4. The Council has one soft loan made to Dudley Zoo at zero interest but the present value of the interest that will be foregone is not material enough to record an annual loss in the CIES over the life of the soft loan.

15.5. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

- 15.6. The Council evaluates expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Council, which are subject to a collective assessment.
- 15.7. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.
- 15.8. All the Council's financial assets, excluding trade receivables, were deemed to be low risk at the Balance Sheet date so only 12-month expected credit losses were evaluated and these were not material enough to justify charging loss allowances to the CIES.
- 15.9. The Council has no financial assets measured at Fair Value through Profit of Loss
- 15.10. The Council has an equity investment in Birmingham Airport shares. These shares are a long term strategic investment held to support the wider provision of local and regional public services and to receive regular dividend income rather than for capital growth or to sell. Therefore, the Council has elected to take up the option to designate the shareholding as an equity instrument at fair value through other comprehensive income as this is more likely to present a true and fair view of its financial performance, than presenting changes in fair value in the surplus or deficit on provision of services.
- 15.11. Dividends in respect of the shares are credited to Financing and Investment and Expenditure line in the CIES. Changes in fair value are balanced by an entry in the Financial Instruments Revaluation Reserve.

16. Inventories (Stocks and Stores)

16.1. Inventories are included in the balance sheet at the lower of cost and net realisable value, except that inventories of items to be distributed without charge are valued at the lower of cost and current replacement value.

16.2. In 2021/22 the Council introduced a de-minimis for recording stock of £50,000. Prior to 2021/22 there was no de-minimis.

17. Interests in Companies and Other Entities

17.1. The council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts. Information relating to individual companies is shown in [Note 39](#) to the statements.

18. Private Finance Initiative (PFI) and similar schemes

18.1. PFI contracts are agreements to receive services, where the responsibility for making available the plant, property and equipment needed to provide the services passes to the PFI contractor. In cases where the Council is deemed to control the services that are provided, and where ownership of the fixed asset will pass to the Council at the end of the contract without further payment, the Council has included these assets in the balance sheet. Details are shown in [Note 38](#) to the statements.

18.2. The entries are calculated as if the original recognition of the plant, property and equipment was balanced by a liability for amounts due to the scheme operator to pay for the assets.

18.3. Plant, property and equipment recognised on the balance sheet is revalued and depreciated in the same way as any other Council-owned property.

18.4. Payments made by the Council under PFI contracts are analysed as follows:

- fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement (CIES).
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable in the CIES.
- payment towards liability – applied to write down the Balance Sheet liability to the PFI or other contractor.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.

18.5. Where an asset financed by a PFI scheme is transferred to an academy, responsibility for the payment of the unitary charge remains with the Council. The asset is removed from the Council's balance sheet, but the PFI liability will remain with Council and continue to be written down over the length of the PFI contract, funded by PFI credits and contributions from the academy.

PFI Credits

18.6. Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure. The grant is treated as a general grant in the CIES.

19. Accounting for Council Tax

19.1. The Council Tax income included in the CIES is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the MiRS.

19.2. As the collection of Council Tax for preceptors (the West Midlands Police & Crime Commissioner, and West Midlands Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Dudley as the billing authority and to the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from taxpayers and cash paid to preceptors under regulation.

20. Accounting for Collection of Business Rates

20.1. Dudley collects Business Rates partly as an agent for the Fire & Rescue Authority (1%), and partly on its own account (99%). The cash collected belongs proportionately to Dudley as the billing authority, and the Fire & Rescue Authority as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from ratepayers and cash paid to preceptors under regulation.

21. Cash and Cash Equivalents

21.1. Cash in hand, cash in bank, and cash in call accounts, are counted as cash equivalents, as readily converted to a fixed amount of cash.

22. Heritage Assets

22.1. The Council's Heritage Assets are held in support of the objectives of increasing knowledge, understanding and appreciation of the Borough's history and the local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment, with some relaxations shown below.

Asset type	Accounting Treatment
Collections of art, glass, geological items and related archive materials held in the museums	Insured value which is based on market values.
Local archive collections held in the new Archive Centre in Tipton Road.	Not included in the accounts, as there is neither acquisition cost nor value associated with most of these items.
Historic Landscapes, particularly The Leasowes, and Wrens Nest National Nature Reserve.	Held at cost, which largely consists of recent works of restoration and development.
Statues and other art works in parks and public spaces, art works associated with road schemes, war memorials	Held at an internal valuation, where the value can be reasonably estimated, or at cost if that is known.
Local nature reserves which are also public parks, such as Saltwells and Fens Pools.	Treated as operational assets, not as heritage assets.

23. Accounting for Schools

23.1. In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the

borough are now considered to be entities controlled by the council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts.

- 23.2. Academies are not maintained schools in the council's control. The land and building assets are not owned by the council and not included on the council's balance sheet.

24. Prior Period Adjustments

- 24.1. Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.
- 24.2. Material errors in prior periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period. A full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

Critical Accounting Judgements

1. In applying the accounting policies set out in Appendix 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:
 - i. The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it legally owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied.

The council has assessed the legal framework for each school to determine the accounting treatment of school land and buildings. The council has considered its accounting arrangements for each school, on a case by case basis, under the terms of:

- IAS16 – Property, plant and equipment
- IAS17, Leases
- IFRIC 4, Determining whether an arrangement contains a lease
- LAAP Bulletin 101, Accounting for Non-Current Assets used by the local authority

Schools are only included in the balance sheet in so far as the Council has legal ownership, or if ownership is with a trust which must allow the premises to be used by the school. Thus, voluntary aided schools and some of the voluntary controlled schools are excluded, although they are used in providing education within the Borough.

All maintained schools in the borough are now considered to be entities controlled by the council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts.

- ii. The Better Care Fund was introduced to drive the transformation of local services and to be operated through pooled budget arrangements between the council and the Clinical Commissioning Groups (CCG). The Council has applied the principle of substance over form so that the level of expenditure allocated to each partner reflects the degree of control and influence over that spend during the year (the 'substance') rather than allocating on the basis of control and influence outlined in the BCF agreement (the 'form') In accounting for the pooled resources, activity where funding was received and expended under the control of the Council has been accounted for in its accounts.
- iii. Private Finance Initiative (and Similar Contracts). The Council has assessed that the Paragon PFI scheme and have concluded that as the Council is deemed to control the services provided and also to control the residual value of the assets at the end of the contract. The accounting policy for PFI's and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

Key Accounting Estimates in Financial Statements

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
Land and buildings valuations	Fair value for land/buildings defined as 'existing use' by Dudley MBC	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2023/24	Yes – Internal and external valuers	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion and adherence to the latest RICS guidance	No
Council dwelling valuations	Existing Use Value – Social Housing	Valuations are performed annually to ensure that the	External valuers	Estimation method is prescribed by DLUHC	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
		fair value of a revalued asset does not differ materially from its carrying amount. For Council Dwellings a full review of all Beacons will be carried out in 2023/24			
Depreciation	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful	See left box	Valuers to assess useful lives	Depreciation is calculated on a straight-line basis as this reflects consumption of assets and is a reasonable assumption	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
	lives and residual values are reviewed each financial year and adjusted if appropriate.				
Level 2 investments	Discounted contractual cashflows at the market rate for a similar investment of the same remaining term with a similar counterparty. Estimates are a disclosure only	Link's valuations are checked for reasonableness by Central Finance staff	Yes – Link Asset Services	Detailed in the Link Report	No
Level 3 investments	Earnings based approach for the airport shares	Valuations checked by Central Finance staff	Yes – BDO	Detailed in the BDO report	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
Provisions	Provisions are identified through detailed monthly management accounts which flags any potential issues to management	Each provision is separately reviewed by financial accountants and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item	No
Accruals	We use standard accruals accounting – accruals are based on expenses	Monthly management accounts provide rigorous analysis so that any accruals are	N/A.	N/A.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
	incurred that have not yet been paid	highlighted and actioned throughout the year.			
Credit loss and impairment allowances	The simplified approach is used to estimate the impairment loss allowance for trade receivables. 100% allowance for debt over 12 months old. Historical collection rates used for other aged debt	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. S151 Officer signs off the write offs.	N/A	N/A	No
Finance lease liabilities	Spreadsheet model developed in-house	Review of property and vehicle databases	No	Standard lease valuation methodology used	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
PFI Liabilities	PFI conversion model created by an expert	Reviews by finance staff	Yes	Detailed in expert's reports	No

Audit and Standards Committee – 24th April 2024

Report of the Director of Finance and Legal Services

Risk Management Report

Purpose

1. To discuss the risks reported to Strategic Executive Board (SEB) and the status allocated by the Risk Owner as at the 31st December 2023 (end of Quarter 3).
2. To discuss other risks for possible inclusion on the SEB Risk Report.

Recommendations

3. It is recommended that Audit and Standards Committee:
 - Notes and comments on the risks detailed in paragraphs 4 and 8.
 - Identifies any additional risks that it considers should form part of the SEB Risk Report.
 - Identifies a risk for detailed scrutiny at the December 2024 meeting of this Committee.

Background

Current SEB Risks

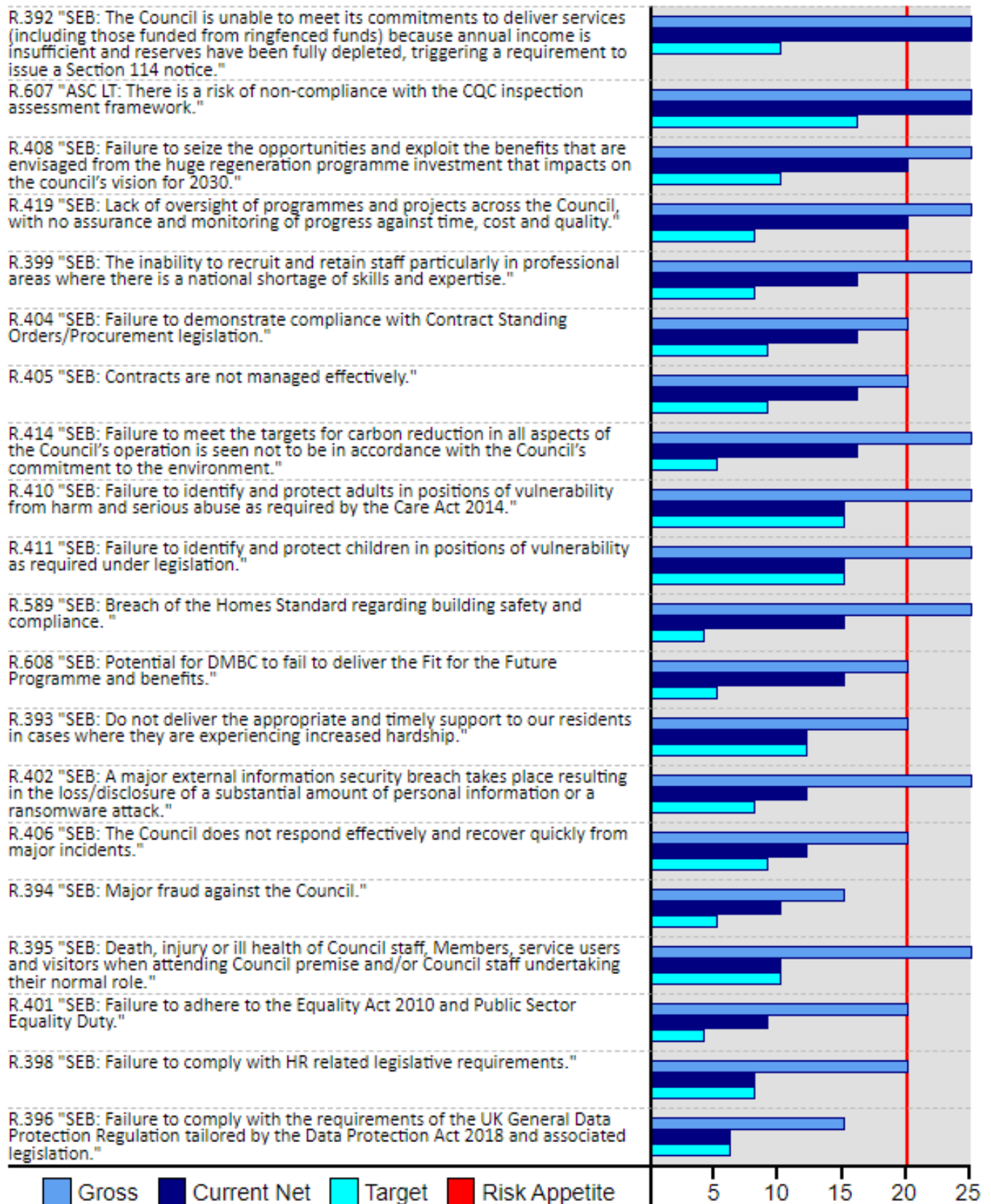
4. The risk ratings listed below have been scored by the Risk Owner in accordance with the Likelihood and Impact definitions in the Risk Management Framework. Full details of the Very High Net risks included in the SEB Risk Report are included at **Appendix B**.

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

#	Risk Event / Responsible Org Unit	Gross	Net	Target
1	R.398 "SEB: Failure to comply with HR related legislative requirements." Chief Executive's	20	8	8
Reviewed: 09/02/2017				
2	R.399 "SEB: The inability to recruit and retain staff particularly in professional areas where there is a national shortage of skills and expertise." Chief Executive's	25	16	8
Reviewed: 05/12/2022				
3	R.401 "SEB: Failure to adhere to the Equality Act 2010 and Public Sector Equality Duty." Chief Executive's	20	9	4
Reviewed: N/A				
4	R.419 "SEB: Lack of oversight of programmes and projects across the Council, with no assurance and monitoring of progress against time, cost and quality." Chief Executive's	25	20	8
Reviewed: N/A				
5	R.608 "SEB: Potential for DMBC to fail to deliver the Fit for the Future Programme and benefits." Chief Executive's	20	15	5
Reviewed: N/A				
6	R.410 "SEB: Failure to identify and protect adults in positions of vulnerability from harm and serious abuse as required by the Care Act 2014." Directorate of Adult Social Care	25	15	15
Reviewed: 07/12/2020				
7	R.411 "SEB: Failure to identify and protect children in positions of vulnerability as required under legislation." Directorate of Children's Services	25	15	15
Reviewed: 23/05/2021				
8	R.402 "SEB: A major external information security breach takes place resulting in the loss/disclosure of a substantial amount of personal information or a ransomware attack." Directorate of Digital, Customer & Commercial Services	25	12	8
Reviewed: 15/04/2022				
9	R.404 "SEB: Failure to demonstrate compliance with Contract Standing Orders/Procurement legislation." Directorate of Digital, Customer & Commercial Services	20	16	9
Reviewed: 20/04/2023				
10	R.405 "SEB: Contracts are not managed effectively." Directorate of Digital, Customer & Commercial Services	20	16	9
Reviewed: N/A				
11	R.414 "SEB: Failure to meet the targets for carbon reduction in all aspects of the Council's operation is seen not to be in accordance with the Council's	25	16	5

#	Risk Event / Responsible Org Unit	Gross	Net	Target
	commitment to the environment." Directorate of Environment			
Reviewed: N/A				
12	R.392 "SEB: The Council is unable to meet its commitments to deliver services (including those funded from ringfenced funds) because annual income is insufficient and reserves have been fully depleted, triggering a requirement to issue a Section 114 notice." Directorate of Finance & Legal Services	25	25	10
Reviewed: 26/07/2017				
13	R.393 "SEB: Do not deliver the appropriate and timely support to our residents in cases where they are experiencing increased hardship." Directorate of Finance & Legal Services	20	12	12
Reviewed: 21/04/2021				
14	R.394 "SEB: Major fraud against the Council." Directorate of Finance & Legal Services	15	10	5
Reviewed: 15/04/2015				
15	R.395 "SEB: Death, injury or ill health of Council staff, Members, service users and visitors when attending Council premise and/or Council staff undertaking their normal role." Directorate of Finance & Legal Services	25	10	10
Reviewed: 20/09/2021				
16	R.396 "SEB: Failure to comply with the requirements of the UK General Data Protection Regulation tailored by the Data Protection Act 2018 and associated legislation." Directorate of Finance & Legal Services	15	6	6
Reviewed: 09/12/2014				
17	R.589 "SEB: Breach of the Homes Standard regarding building safety and compliance. " Directorate of Housing & Communities	25	15	4
Reviewed: N/A				
18	R.406 "SEB: The Council does not respond effectively and recover quickly from major incidents." Directorate of Public Health & Wellbeing	20	12	9
Reviewed: 21/12/2017				
19	R.408 "SEB: Failure to seize the opportunities and exploit the benefits that are envisaged from the huge regeneration programme investment that impacts on the council's vision for 2030." Directorate of Regeneration & Enterprise	25	20	10
Reviewed: 6/12/2023				
20	R.607 "ASC LT: There is a risk of non-compliance with the CQC inspection assessment framework." Directorate of Adult Social Care	25	25	16
Reviewed: N/A				

5. The graph below shows a comparison of the Gross, Net and Target risk ratings against the Council's acknowledged risk appetite:



6. The table at paragraph 4 above shows the following:

- There are 18 risks rated Very High at the Gross level.
- There are 4 risks rated Very High at the Net level. The 4 risks are:
 - R.392 (budget)
 - R.408 (regeneration benefits)
 - R.419 (programme management)
 - R.607 (non-compliance with CQC inspection framework)
- There are 14 risks where the Net level is above the Target level.

7. Since the last risk management report to Audit and Standards Committee R.607 "There is a risk of non-compliance with the CQC inspection assessment framework" has been added to the SEB Risk Report. Also, Strategic Executive Board decided to merge R.580 (funding for the proposed METRO route) with R.408 (regeneration benefits).

Directorate Risks

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

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

#	Risk Event / Responsible Org Unit	Gross	Net	Target
1	R.606 "ASC LT: ASC Budgets. There is a risk that there is insufficient budget to meet Care Act requirements." Directorate of Adult Social Care	25	25	9
2	R.605 "Disability: Care Act Compliance. There is a risk that we are not reducing the total quantum of risk to be Care Act compliant." Directorate of Adult Social Care	25	25	9
3	R.559 "Children's Social Care: We cannot manage the cost of placements within the current budget." Directorate of Children's Services	20	20	8
4	R.452 "Revenues and Benefits: Failure to secure ICT resources to deliver efficient and effective Revenue and Benefit Services." Directorate of Finance & Legal Services	20	20	4
5	R.590 "Housing: Failure to maintain the quality of existing housing stock, in line with Decent Homes and housing health and safety rating system (HHSRS) regulatory	25	20	6

#	Risk Event / Responsible Org Unit	Gross	Net	Target
	requirements." Directorate of Housing & Communities			
6	R.553 "Planning: The Building Control service is unable to comply with the requirements of the new Building Safety Bill." Directorate of Regeneration & Enterprise	25	25	9

Risk Reporting

9. All risks that are rated Very High (Net) are above the Council's risk appetite, are generally unacceptable and where it is possible to manage the risk down to acceptable levels, immediate action should be taken. **Appendix A** shows for the risks that are currently rated Very High at the Net level, the ratings for the previous quarters. This shows there are a number of risks where the rating has not changed in 3 or more quarters.
10. Further work is to be undertaken with Directors and Heads of Service in relation to assurance received against their risks. This information will then be incorporated into future risk management reports to SEB and Audit and Standards Committee.
11. Audit and Standards Committee at its meeting of the 6th December 2023 selected risk R.392 "*The Council is unable to meet its commitments to deliver services (including those funded from ringfenced funds) because annual income is insufficient and reserves have been fully depleted, triggering a requirement to issue a Section 114 notice*" for detailed scrutiny at its 24th April 2024 meeting.

Finance

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

Law

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

Risk Management

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

Equality Impact

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

Human Resources/Organisational Development

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

Commercial/Procurement

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

Environment/Climate Change

19. There are no direct environmental implications within this report impacting on the Council's work to address Climate Change and achieve our Net Zero target by 2030. However, a risk has been identified in relation to climate change.

Council Priorities and Projects

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



Iain Newman

Director of Finance and Legal Services

Contact Officer: Graham Harrison

Telephone: 01384 815105

Email: graham.harrison@dudley.gov.uk

Background Documents

Appendix A – Very High Net Risks – Movement in Rating

Appendix B – Risks included on the SEB Risk Report that are rated Very High (Net)

Appendix C – Directorate risks rated Very High (Net)

APPENDIX A

Very High Net Risks – Movement in Rating

Risk Event	Inherent Score (Gross)	Target Score	Jan-Mar Score (Net)	Apr-Jun Score (Net)	Jul-Sep Score (Net)	Oct-Dec Score (Net)
<p>[1] R.419 “SEB: Lack of oversight of programmes and projects across the Council, with no assurance and monitoring of progress against time, cost and quality.” Risk Owner: Head of Chief Executives Office</p>	25 Very High	8 Medium	20 Very High	20 Very High	20 Very High	20 Very High
<p>[2] R.606 “ASC LT: ASC Budgets. There is a risk that there is insufficient budget to meet Care Act requirements.” Risk Owner: Director of Adult Social Care</p>	25 Very High	9 Medium	New	New	25 Very High	25 Very High
<p>[3] R.607 “ASC LT: There is a risk of non-compliance with the CQC inspection assessment framework.” Risk Owner: Director of Adult Social Care</p>	25 Very High	16 High	New	New	25 Very High	25 Very High
<p>[4] R.605 “Disability: Care Act Compliance. There is a risk that we are not reducing the total quantum of risk to be care act compliant.” Risk Owner: Director of Adult Social Care</p>	25 Very High	9 Medium	New	New	25 Very High	25 Very High

Risk Event	Inherent Score (Gross)	Target Score	Jan-Mar Score (Net)	Apr-Jun Score (Net)	Jul-Sep Score (Net)	Oct-Dec Score (Net)
<p>[5] R.559 “Children's Social Care: We cannot manage the cost of placements within the current budget.” Risk Owner: Service Director of Children's Social Care</p>	20 Very High	8 Medium	16 High	16 High	20 Very High	20 Very High
<p>[6] R.452 “Revenues & Benefits: Failure to secure ICT resources to deliver efficient and effective Revenue and Benefit Services.” Risk Owner: Head of Revenue & Benefit Services</p>	20 Very High	4 Low	16 High	20 Very High	20 Very High	20 Very High
<p>[7] R.392 “SEB: The Council is unable to meet its commitments to deliver services (including those funded from ringfenced funds) because annual income is insufficient and reserves have been fully depleted, triggering a requirement to issue a Section 114 notice.”</p>	25 Very High	10 Medium	20 Very High	25 Very High	25 Very High	25 Very High

Risk Event	Inherent Score (Gross)	Target Score	Jan-Mar Score (Net)	Apr-Jun Score (Net)	Jul-Sep Score (Net)	Oct-Dec Score (Net)
Risk Owner: Director of Finance & Legal Services						
[8] R.590 “Housing: Failure to maintain the quality of existing housing stock, in line with Decent Homes and housing health and safety rating system (HHSRS) regulatory requirements.” Risk Owner: Lead - Compliance & Building Safety	25 Very High	6 Medium	New	25 Very High	20 Very High	20 Very High
[9] R.553 “Planning: The Building Control service is unable to comply with the requirements of the new Building Safety Bill.” Risk Owner: Head of Planning	25 Very High	9 Medium	20 Very High	20 Very High	20 Very High	25 Very High
[10] R.408 “SEB: Failure to seize the opportunities and exploit the benefits that are envisaged from the huge regeneration programme investment that impacts on the council’s vision for 2030.” Risk Owner: Director of Regeneration & Enterprise	25 Very High	10 Medium	20 Very High	20 Very High	20 Very High	20 Very High

APPENDIX B

SEB Very High Net Risks

<p>[1] R.419 “SEB: Lack of oversight of programmes and projects across the Council, with no assurance and monitoring of progress against time, cost and quality.” Risk Owner: Head of Chief Executives Office</p>				
<p>Cause(s) of Risk</p> <ul style="list-style-type: none"> • No centralised corporate PMO function for effective Programme/ Project Governance which is tailored to the Council and its specific needs when driving change. • Absence of a standardised corporate approach to Programme/Project governance and assurance. • Independent / SILO resource allocation and monitoring of programmes and projects without holistic prioritisation against the Corporate strategic needs. • Learning from change activity is not consistently undertaken and/or not shared. • Shortage of PM skillset and/or experience across the Council. 				
<p>Consequence(s) of Risk</p> <ul style="list-style-type: none"> • Absence of a holistic corporate view of change activity across the Council with no transparency of major programmes/ projects / change activity. • Programmes and projects are not aligned to the Corporate Strategy and associated business plans. • Lack of objective and transparent prioritisation of programmes/ projects leading to potential duplication of effort, inability to prioritise resource and/or poor investment justification. • Objectives of programmes/projects are not delivered or monitored effectively. • Success criteria is not defined therefore, programmes/projects are not delivered to time/ budget and/ or quality. • Without shared learning, mistakes are repeated and/or best practise not shared corporately or consistently. 				
<p>Inherent Score (Gross)</p>	<p>Target Score</p>	<p>Previous Score (Net)</p>	<p>Current Score (Net)</p>	<p>Direction</p>
<p>25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe</p>	<p>8: Medium Likelihood: (2) Unlikely × Impact: (4) Significant</p>	<p>20: Very High Likelihood: (4) Very Likely × Impact: (5) Severe</p>	<p>20: Very High Likelihood: (4) Very Likely × Impact: (5) Severe</p>	<p>SAME ➔</p>
<p>Latest Risk Status Update (01/10/2023 to 31/12/2023)</p> <ul style="list-style-type: none"> ▪ Status: The Corporate PMO are continuing the rollout and embedding of the “One Council Approach” to Project Management, supported by the Project Management Framework, Project Portal, Toolkit and “Agents for Change” Project Network, through: <ul style="list-style-type: none"> • Continuing to work and support Directorates with Framework and Portal rollout, with over 100 colleagues across the Council trained this quarter. • “Agents for Change” project management event in October including sessions on framework/portal updates, commercial, risk management and quality updates. 89% rated the event as good or excellent. Next session planned in January. • Back2Basics Project and Change Management training developed and launched; 6 sessions held with an average rating of 4.64 out of 5 stars with 88 participants. Further training booking in 2024. • The Framework and the “One Council” project management approach eLearning has been developed and launched as part of the new “Dudley Manager” corporate induction pathway on Thrive. A “Project Management Overview” pathway is planned for next quarter. • Monthly project highlight reporting is being developed to be introduced next quarter for all major and directorate led projects through the portal and with upward SEB dashboard reporting. • Next quarter CPMO to continue to support to the Council to reduce the s114 risk by providing a baseline of all current projects and programmes, gathering key criteria information to feed the stop, start continue process to define the Change Portfolio 				

24/25.

- Entered by: Andrea Petkevicius, 14/02/2024

Mitigating Actions to Progress

Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).

A.3857 Develop, embed and promote the PMO as of a 'centre of excellence'

Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: The Corporate PMO have been working to rollout, embed the Framework, Portal and toolkit through training, support and guidance to officers across the Council as detailed in the other mitigating actions. This quarter: - over 100 people have been trained on the portal & framework - 88 have received in person Back2Basics project and change management training - "One Council (CPMO) Approach" to project management now forms part of the new corporate Dudley Manager. - Agents for Change Project Management: membership now up to 200 officers. Network event took place in October with sessions including the Role of Commercial from the Head of Commercial, Project Risk Management from the Head of Risk and Audit & the CPMO Team and importance of quality updates from CPMO.
- Entered by: Andrea Petkevicius, 14/02/2024

A.3853 Development of a centralised PMO function – stakeholder engagement.

Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: The CPMO is now established and continues to work with key stakeholders across the Council to embed the new "one council" approach to project management as launched in June 2023 (Q1). Stakeholder engagement this quarter has included: - Agents for Change Project Management Network: membership is now up to 200 officers. Network event took place in October. - Over 100 officers trained on the Framework and Portal - 88 officers trained on Back2Basics Project and Change Management. See A.3854, A.3855 and A.3856 for further details.
- Entered by: Andrea Petkevicius, 14/02/2024

A.3854 Development, approval and launch of the use of a tailored Programme/ project Management Framework

Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Project Management Framework – following the launch in quarter one work is now underway to embed and review as detailed in A3855. The CPMO have been developing the Programme Management Framework and have now started to build the 'Programme stage' in the Project Portal.
- Entered by: Andrea Petkevicius, 13/02/2024

A.3858 PMO function sharing best practice

Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: The latest best practice, including lessons learnt, is available across the Council via the CPMO sharepoint. "Agents for Change" Project Management Network for sharing best practise and peer support is now well established with membership of 200 officers. Network event took place in October, next event scheduled for January. Training this quarter included: - Over 100 officers trained on the Framework and Portal - 88 officers trained on Back2Basics Project and Change Management.
- Entered by: Andrea Petkevicius, 14/02/2024

A.3855 Review that the Programme/ Project Management Framework is in place and embedded across the Council.

Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: The Corporate PMO have been working to rollout and embed the new processes through:
 - Continued to work with and support Directorates with Framework rollout, with over 100 colleagues from across the Council trained.
 - Hosted “Agents for Change” project management event in October including sessions on framework/portal updates, commercial, risk management and quality updates. 89% rated the event good or excellent.
 - Back2Basics Project and Change Management training developed and launched, 6 sessions held with an average rating of 4.64 out of 5 stars of 88 attendees.
 - The Framework and the “one Council” project management approach eLearning has been developed and launched as part of the new “Dudley Manager” induction pathway on Thrive.
- Next Quarter:
 - Support the Council to reduce the s114 risk by providing a baseline of all current projects and programmes, gathering key criteria information to feed the stop, start continue process to define the Change Portfolio 24/25.
 - Agents for Change Project Management network event in January
 - Back2Basics Project and Change management - further face to face sessions and development of an on demand version.
 - Develop and launch monthly highlight project reporting for all Major and Directorate led projects – monthly dashboard for SEB.
- Entered by: Andrea Petkevicius, 14/02/2024

A.3856 Review the market for a PM tool to support the new approach and framework. Develop, launch and roll-out.

Responsible Officer: Head of Chief Executives Office. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Following the launch of the Dudley Project Portal at the Agents for changed Network as planned in June 2023 (Q1), work has progressed to rollout the Portal across the Council. - Over 100 officers from across the Council trained - Improvements from pilot feedback have been developed and launched - Portal "how to" videos created and published.
- Next Quarter:
 - Develop ‘single point of truth’ reporting dashboard with insights gathered from the Dudley Project Portal. This will support the stop, start continue exercise for defining the Change Portfolio 24/25.
 - Develop and launch monthly highlight project reporting within the Project Portal, with Dashboard reporting for SEB.
 - Develop and deliver enhance reporting capabilities utilising Power BI dashboard capabilities.
- Entered by: Andrea Petkevicius, 14/02/2024

Mitigating Actions in Place

- 1) Early engagement with Programme and Project Managers to understand current governance and assurance measures in place
- 2) Renewed licence with TMI for the VERTO project management tool.
- 3) Commenced the recruitment process for a Corporate Programme Manager

[2] R.392 “SEB: The Council is unable to meet its commitments to deliver services (including those funded from ringfenced funds) because annual income is insufficient and reserves have been fully depleted, triggering a requirement to issue a Section 114 notice.”

Risk Owner: Director of Finance & Legal Services

Cause(s) of Risk

Demand for certain statutory services continues to increase e.g. Adult Social Care and Looked after Children which is not met by increased government funding and/or the inability to raise council tax above a certain level.

Consequence(s) of Risk

Services are not delivered as required and government intervention.

Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	10: Medium Likelihood: (2) Unlikely × Impact: (5) Severe	25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	SAME ➔

Latest Risk Status Update (01/10/2023 to 31/12/2023)

- Status: The Annual Auditor’s Report confirmed significant weakness in Financial Sustainability. The External Auditor followed this up with Statutory Recommendations. Cabinet on 11th January decided to override spending controls to let a contract for a new school.
- Entered by: Iain Newman, 29/02/2024

Mitigating Actions to Progress

Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).

A.5608 Restore proper budgetary decision making in line with the annual timetable and consideration of the Council’s financial position.

Responsible Officer: Director of Finance & Legal Services. Start Date: 03/08/2023. End Date: 31/03/2024.

- Status: COMPLETED (01/10/2023 to 31/12/2023)
- Progress: Though delayed to 11th January
- Entered by: Iain Newman, 29/02/2024

A.5663 Spending controls with defined exceptions to be approved by the Internal Delivery Group. To be maintained until unringfenced reserves rise back to 20% of spend.

Responsible Officer: Director of Finance & Legal Services. Start Date: 26/10/2023. End Date: 30/06/2025.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Further review planned for 20th March.
- Entered by: Iain Newman, 29/02/2024

A.5682 The Improvement and Assurance Board and Improvement and Assurance Plan (“Fit for the Future”) have a strong focus on financial sustainability.

Responsible Officer: Contractor - Programme Manager. Start Date: 01/11/2023. End Date: 30/06/2025.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: New action.
- Entered by: Stuart Denyer, 20/03/2024

Mitigating Actions in Place
<ol style="list-style-type: none">1) Regular reviews are undertaken to ensure statutory services/all services are delivered as efficiently and effectively as possible.2) The Council has made representations to the government on how funding is allocated.3) Council Tax is raised by the maximum percentage possible.4) Regular reports to Council, Cabinet, Scrutiny Committee, Audit and Standards Committee on budget management.5) All directorates are required to identify savings.

[3] R.408 “SEB: Failure to seize the opportunities and exploit the benefits that are envisaged from the huge regeneration programme investment that impacts on the council’s vision for 2030.”


Risk Owner: Director of Regeneration & Enterprise

Cause(s) of Risk

Due to a lack of a strategic approach, ineffective governance and insufficient resources.

Consequence(s) of Risk

Unfulfilled economic prosperity and social benefits.

Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	10: Medium Likelihood: (2) Unlikely × Impact: (5) Severe	20: Very High Likelihood: (4) Very Likely × Impact: (5) Severe	20: Very High Likelihood: (4) Very Likely × Impact: (5) Severe	SAME 

Latest Risk Status Update (01/10/2023 to 31/12/2023)

- Status: The number of affecting factors previously reported continue to have an effect. Economic Regeneration Strategy is being drafted (Draft received and targeting March 2024 cabinet for approval) and aligned action plan will assist in mitigating. Review of governance arrangements completed and being implemented. Impact of new bid awards needs to be reflected.
- Entered by: Helen Martin, 30/01/2024

Mitigating Actions to Progress

Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).

A.3838 A bid has been made for additional resources to support the regeneration programme.

Responsible Officer: Director of Regeneration & Enterprise. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: BEHIND (01/10/2023 to 31/12/2023)
- Progress: Work is underway via Regeneration Strategy work to map the level of resource required to match the programme. Given budget constraints the council cannot fund further posts. Where possible additional posts will be capitalised as part of project deliver funded by grant awards. Conversations also being held with WMCA and HE to ascertain if they can fund.
- Entered by: Helen Martin, 30/01/2024

A.3840 A review of resources is to be undertaken to align where possible to the needs of the regeneration programme.

Responsible Officer: Director of Regeneration & Enterprise. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Workshop with SQW held W/C 29th Jan 2024 to go through draft strategy and action plan. Final draft in production and Cabinet March 2024 for approval.
- Entered by: Helen Martin, 30/01/2024

A.3837 Creation of a clear regeneration statement/plan on a page on the vision for the borough, linked to the Council Plan and local plan to show that activity is aligned. The statement will clearly show the benefits expected from the regeneration programme.

Responsible Officer: Director of Regeneration & Enterprise. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Workshop with SQW held W/C 29th Jan 2024 to go through draft strategy and action plan. Final draft in production and Cabinet March 2024 for approval.
- Entered by: Helen Martin, 30/01/2024

A.3839 Town Fund Boards that include key external stakeholders are to be set up in each of the major towns (already set up in Dudley and Brierley Hill). These will act as a consultation and communication forum.

Responsible Officer: Director of Regeneration & Enterprise. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Boards are established in Dudley, Brierley Hill and Halesowen (emerging). As and when required a board will be established for Lye/Stourbridge. Draft Project Plan now drafted. Longer Term Town Deal for Dudley announced on 8th October (£20m over 10 years). Working through the guidance and developing a plan. This will require amendments to the existing Towns Board and Town Investment Plan. LUF bids for Brierley Hill and Halesowen announced November 2023.
- Entered by: Helen Martin, 30/01/2024

A.5684 The proposed METRO route between Dudley Town Centre and Brierley Hill is vital to the success of a number of regeneration bids. Currently there is a concern on how the route is to be funded. The Director of R & E is in discussion with the WMCA on how.

Responsible Officer: Director of Regeneration & Enterprise. Start Date: 01/04/2024. End Date: 31/12/2024.

- Status: BEHIND (01/01/2024 to 31/03/2024)
- Progress: WMCA have announced that Phase 2 is "fully funded" via budget announcements, realignment of HS2 funds and CRSTS. Still requires clarity and would be subject to business case approval. £15m shortfall and potential assumption DMBC will fund this. No formal approval for this.
- Entered by: Graham Harrison, 01/04/2024

Mitigating Actions in Place

- 1) Robust governance process has been established with regular reporting on regeneration opportunities and progress on projects to SEB and Major Capital Investment Board.
- 2) Member and key stakeholder involvement in decisions to bid and bid submission. Use of scrutiny process to ensure Member oversight.
- 3) Where capacity is insufficient interims and consultants will be used.
- 4) All projects have individual Risk registers and steering groups that report into SEB/MCIB.

[4] R.607 “ASC LT: There is a risk of non-compliance with the CQC inspection assessment framework.”

Risk Owner: Director of Adult Social Care

Cause(s) of Risk

Not achieving above an adequate outcome in an inspection.

Consequence(s) of Risk

A lack of compliance of the Care Act and Mental Health Act. Reputational impact.

Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	16: High Likelihood: (4) Very Likely × Impact: (4) Significant	25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	SAME ➔

Latest Risk Status Update (01/10/2023 to 31/12/2023)

- Status: Mitigating Actions In Progress: 1) Put governance in place to monitor ASC development plan 2) Implementing the ASC development Plan 3) Ensuring mitigation is in place for all risks on ASC Operational Risk Register Current Mitigating Actions (In Place and Effective) 1) Governance in place to monitor ASC development plan 2) Started implementing ASC development Plan 3) ASC Operational Risk Register in place with update and monitoring with Risk Owners and review at CDG monthly
- Entered by: Jade Williams, 07/02/2024

Mitigating Actions to Progress

Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).

A.5666 Implementing the ASC Improvement Plan and ensuring mitigation is in place for all risks on the ASC Operational Risk Register

Responsible Officer: Director of Adult Social Care. Start Date: 13/11/2023. End Date: 01/01/2099.


- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: The Improvement Plan has been rebranded to the Development Plan. The last quarter has seen an improvement in 16/18 ASCOF indicators and sustained improvement in our national ranking. The ADASS practice review also demonstrated excellent case work and a strong focus on individual outcomes.
- Entered by: Jade Williams, 07/02/2024

Mitigating Actions in Place

- 1) Started implementing ASC Improvement Plan.

APPENDIX C

Directorate Very High Net Risks

<p>[1] R.606 “ASC LT: ASC Budgets. There is a risk that there is insufficient budget to meet Care Act requirements.” Risk Owner: Director of Adult Social Care</p>				
<p>Cause(s) of Risk</p> <p>The limited level of Council reserves (less than 19%), insufficient funding from Central Government to meet the rising cost of care and sustained growth for demand in care.</p>				
<p>Consequence(s) of Risk</p> <p>Unable to provide good quality Adult Social Care and a sustainable funding base in line with demand.</p>				
Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
<p>25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe</p>	<p>9: Medium Likelihood: (3) Possible × Impact: (3) Moderate</p>	<p>25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe</p>	<p>25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe</p>	<p>SAME </p>
<p>Latest Risk Status Update (01/10/2023 to 31/12/2023)</p> <ul style="list-style-type: none"> ▪ Status: Spending controls have been introduced by the council and additional savings measures have been agreed ▪ Entered by: Jade Williams, 07/02/2024 				
<p>Mitigating Actions to Progress Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).</p>				
<p>A.5665 ASC LT: Plan for Budget recovery plus growth requests Responsible Officer: Head of Dudley Disability Services. Start Date: 13/11/2023. End Date: 01/01/2099.</p> <ul style="list-style-type: none"> ▪ Status: ONTARGET (01/10/2023 to 31/12/2023) ▪ Progress: Spending controls have been introduced by the council and additional savings measures have been agreed ▪ Entered by: Jade Williams, 07/02/2024 				
<p>Mitigating Actions in Place</p> <p>1) Initial workshop carried out for budget recovery.</p>				

[2] R.605 “Disability: Care Act Compliance. There is a risk that we are not reducing the total quantum of risk to be care act compliant.”


Risk Owner: Director of Adult Social Care

Cause(s) of Risk

Not having the objective data for care act compliance and implementing measures of improvement.

Consequence(s) of Risk

We do not operate a safe system and hence are not care act compliant.

Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	9: Medium Likelihood: (3) Possible × Impact: (3) Moderate	25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	SAME 

Latest Risk Status Update (01/10/2023 to 31/12/2023)

- Status: • Agreement of the total quantum of risk at CDG. • (Look at Case Load analysis, identify any DQ, visualise and track progress, accurate trusted data that is understood by all Managers with clear expectations) • Reporting on waiting lists. Send out an email to Team Managers to have clarity on how they are managing the waiting lists [Email sent to Team Managers on 31/01 about waiting lists] • Still awaiting DOLS, financial assessments and Direct Payments • Reporting dashboards and analysis of the data. • Training plan relating to Care Act compliance from Eve Barbier/Christine. • Care Act Refresher eLearning released on 29/01. This mandatory training is expected to be completed by the 28/02.
- Entered by: Jade Williams, 08/02/2024

Mitigating Actions to Progress

Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).

A.5664 Agreement of the total quantum of risk at CIG.

Responsible Officer: Director of Adult Social Care. Start Date: 13/11/2023. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Current Mitigating Actions (In Place and Effective) 1) Agreement of the total quantum of risk at CDG 3) Waiting lists added to reporting suite 6) Care Act Refresher eLearning released on 29/01.
- Entered by: Jade Williams, 08/02/2024

Mitigating Actions in Place

N/A

[3] R.559 “Children’s Social Care: We cannot manage the cost of placements within the current budget.”

Risk Owner: Service Director of Children’s Social Care

Cause(s) of Risk

There are low numbers of internal foster placements who can meet the varied needs of our children. There is too much movement of children across LA boundaries.

Consequence(s) of Risk

A further negative impact on council budget that is already under extreme pressure. Negative impact on the emotional wellbeing of children.

Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
20: Very High Likelihood: (5) Extremely Likely × Impact: (4) Significant	8: Medium Likelihood: (2) Unlikely × Impact: (4) Significant	20: Very High Likelihood: (5) Extremely Likely × Impact: (4) Significant	20: Very High Likelihood: (5) Extremely Likely × Impact: (4) Significant	SAME ➔

Latest Risk Status Update (01/10/2023 to 31/12/2023)

- Status: Inflationary pressures and availability of placements continue to drive an increase in placements costs. This remains a national issue. Dudley has participated in LGA led review of high cost placements. Report not yet published. Recommendation to consider including risk on corporate risk register.
- Entered by: Matthew Smith, 06/02/2024

Mitigating Actions to Progress

Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).

A.4333 Commission new arrangements to cover identified gaps in residential provision in the short-term

Responsible Officer: Interim Service Manager. Start Date: 12/01/2023. End Date: 01/01/2099.

- Status: BEHIND (01/10/2023 to 31/12/2023)
- Progress: Working with Corporate Landlords on the commission of the use of two residential homes by external providers.
- Entered by: Matthew Smith, 10/01/2024

A.4334 Exploration of regional commissioning for residential placement to meet current needs

Responsible Officer: Service Director of Children’s Social Care. Start Date: 12/01/2023. End Date: 01/01/2099.

- Status: COMPLETED (01/10/2023 to 31/12/2023)
- Progress: Now established in business as usual arrangements
- Entered by: Matthew Smith, 10/01/2024


A.4085 Review all residential provision to identify where there are gaps and where we are spot commissioning rather than having formal arrangements in place.

Responsible Officer: Interim Service Manager. Start Date: 01/01/2022. End Date: 01/01/2099.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Providers continue to offer residential placements on a spot purchase even where regional frameworks exist. There continues to be a national shortage of registered and matched placements.
- Entered by: Matthew Smith, 01/11/2023

Mitigating Actions in Place

- 1) The Recruitment and Retention of Foster Carers Strategy has been developed and implementation has started.
- 2) Continue and increase oversight of spend through weekly high cost meetings and regular budget reviews with finance, as well regular meetings with commissioning colleagues to consider best value procurement and commissioning arrangements.

<p>[4] R.452 “Revenues & Benefits: Failure to secure ICT resources to deliver efficient and effective Revenue and Benefit Services.” Risk Owner: Head of Revenue & Benefit Services</p>				
<p>Cause(s) of Risk</p>				
<p>Digital and ICT Services have not allocated adequate resources to support Revenue and Benefit Services.</p>				
<p>Consequence(s) of Risk</p>				
<p>Adverse performance, negative impact on cashflow and reputational damage.</p>				
<p>Inherent Score (Gross)</p>	<p>Target Score</p>	<p>Previous Score (Net)</p>	<p>Current Score (Net)</p>	<p>Direction</p>
<p>20: Very High Likelihood: (5) Extremely Likely × Impact: (4) Significant</p>	<p>4: Low Likelihood: (2) Unlikely × Impact: (2) Minor</p>	<p>20: Very High Likelihood: (5) Extremely Likely × Impact: (4) Significant</p>	<p>20: Very High Likelihood: (5) Extremely Likely × Impact: (4) Significant</p>	<p>SAME </p>
<p>Latest Risk Status Update (01/10/2023 to 31/12/2023)</p>				
<ul style="list-style-type: none"> ▪ Status: Concerns regarding ICT restructure and resourcing for contingency. NEC cloud migration project is behind and therefore to avoid clashes with the new year billing process the live date has been move into the next financial year. ▪ Entered by: Rachael Dobson, 16/01/2024 				
<p>Mitigating Actions to Progress</p>				
<p>Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).</p>				
<p>A.3881 The Head of Service and Director of Finance and Legal will emphasise to the Director of Digital, Customer and Commercial Services the importance of providing resources to develop Revenue and Benefit Systems.</p>				
<p>Responsible Officer: Head of Revenue & Benefit Services. Start Date: 01/01/2022. End Date: 01/01/2099.</p>				
<ul style="list-style-type: none"> ▪ Status: BEHIND (01/10/2023 to 31/12/2023) ▪ Progress: No real progress here, no ICT knowledge for change to structure ▪ Entered by: Rachael Dobson, 16/01/2024 				
<p>Mitigating Actions in Place</p>				
<p>1) The support and development of Revenue and Benefit ICT Systems has been entered onto the ICT Roadmap.</p>				

[5] R.590 “Housing: Failure to maintain the quality of existing housing stock, in line with Decent Homes and housing health and safety rating system (HHSRS) regulatory requirements.”

Risk Owner: Lead - Compliance & Building Safety

Cause(s) of Risk

Historically inadequate investment in existing housing stock and inadequate maintenance programmes. Poor management, governance and controls to ensure investments are in line with need.

Consequence(s) of Risk

Potential financial consequences to recover compliant position with Decent Homes. Potential for customers to experience poor quality homes, whilst planned investment returns homes to a Decent Standard, potentially living in homes that affect health. Possibility of additional evidenced breaches of Regulatory standards increases scrutiny from Regulator and external partners/funders. impacts on the viability of the Housing Revenue Account, places customers at risk, and creates regulatory risk.

Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	6: Medium Likelihood: (2) Unlikely × Impact: (3) Moderate	20: Very High Likelihood: (4) Very Likely × Impact: (5) Severe	20: Very High Likelihood: (4) Very Likely × Impact: (5) Severe	SAME ➔

Latest Risk Status Update (01/10/2023 to 31/12/2023)

- Status: Stock condition surveys underway to provide accurate and robust position in relation to stock condition and decency. Performance indicators in place to monitor compliance with Decent Homes Standard
- Entered by: Kathryn Jones, 15/02/2024

Mitigating Actions to Progress

Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).

A.5611 Complete 100% Stock Condition Survey of all existing housing stock. [R]

Responsible Officer: Lead - Compliance & Building Safety. Start Date: 26/09/2023. End Date: 30/06/2024.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Programme of stock condition surveys underway to be completed by 31st March 2024 as planned. Data gathered from the surveys will identify current condition of all DMBC homes and will inform future investment needs to maintain Decent Homes Standard.
- Entered by: Kathryn Jones, 15/02/2024

A.5613 Complete review of 5-30 year investment strategy and Housing Asset Management Strategy based upon data gained through the Stock Condition Survey programme [R]

Responsible Officer: Lead - Compliance & Building Safety. Start Date: 26/09/2023. End Date: 30/09/2024.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Stock condition survey programme currently underway and on target. Data gathered will inform the investment strategy and development of the new Housing Strategy
- Entered by: Kathryn Jones, 15/02/2024

A.5612 Real-time referrals and prioritisation of identified issues that could affect health. [R]

Responsible Officer: Lead - Compliance & Building Safety. Start Date: 26/09/2023. End Date: 31/12/2024.

- Status: ONTARGET (01/10/2023 to 31/12/2023)
- Progress: Any immediate HHSRS and Damp and Mould issues identified through the stock condition surveys are reported back for an appropriate response in line with DMBC's repairs timescales. Numbers are monitored through the governance framework and shared in monthly updates with RoSH.
- Entered by: Kathryn Jones, 15/02/2024

Mitigating Actions in Place

1) 100% Stock Condition Survey underway to validate modelled assumptions about historic under investment.

[6] R.553 “Planning: The Building Control service is unable to comply with the requirements of the new Building Safety Bill.”

Risk Owner: Head of Planning

Cause(s) of Risk

Training requirements cannot be satisfied and work not undertaken. Staff do not, for whatever reason, become Registered Building Inspectors and so cannot practice. Also, staff may be seconded to the BSR, thus leaving the Local Authority short staffed and, by definition, the officers seconded will be the most qualified and experienced.

Consequence(s) of Risk

The Building Safety Regulator will have powers to issue monetary fines, restriction of activities, suspension of registration or cancellation of registration against individual Registered Building Inspectors.

Inherent Score (Gross)	Target Score	Previous Score (Net)	Current Score (Net)	Direction
25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	9: Medium Likelihood: (3) Possible × Impact: (3) Moderate	20: Very High Likelihood: (5) Extremely Likely × Impact: (4) Significant	25: Very High Likelihood: (5) Extremely Likely × Impact: (5) Severe	WORSE ↓

Latest Risk Status Update (01/10/2023 to 31/12/2023)

- Status: The impact of the risk has increased as we have had confirmation of the legal requirement to provide the service. In addition the resource situation has worsened to the point of being critical. Further mitigation measures in place but to be work through.
- Entered by: Carl Mellor, 06/02/2024

Mitigating Actions to Progress

Intended to help achieve the Target Score. They should be SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound).

A.5674 Briefing paper to senior management (potential Cabinet) about the BC service resourcing and options

Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 01/06/2024.

- Status: ON TARGET (01/10/2023 to 31/12/2023)
- Progress: New action.
- Entered by: Stuart Denyer, 05/03/2024

A.5675 Contact other BC services in the region to discuss support

Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 31/03/2024.

- Status: ON TARGET (01/10/2023 to 31/12/2023)
- Progress: New action.
- Entered by: Stuart Denyer, 05/03/2024

A.5678 In conjunction with CAPA – communication of service changes to customers and wider public

Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 31/03/2024.

- Status: ON TARGET (01/10/2023 to 31/12/2023)
- Progress: New action.
- Entered by: Stuart Denyer, 05/03/2024

A.5673 Liaise with HR in respect of the requirements of existing officers beyond 6th April 2024

Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 31/03/2025.

- Status: ON TARGET (01/10/2023 to 31/12/2023)
- Progress: New action.
- Entered by: Stuart Denyer, 05/03/2024

<p>A.5671 Liaise with LABC to seek resource solutions and support with registration requirements Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 31/03/2025.</p> <ul style="list-style-type: none"> ▪ Status: ON TARGET (01/10/2023 to 31/12/2023) ▪ Progress: New action. ▪ Entered by: Stuart Denyer, 05/03/2024
<p>A.5669 Look to recruit a number of 'zero hours contracts' to assist with fluctuating service demands Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 01/04/2024.</p> <ul style="list-style-type: none"> ▪ Status: ON TARGET (01/10/2023 to 31/12/2023) ▪ Progress: New action. ▪ Entered by: Stuart Denyer, 05/03/2024
<p>A.5670 Recruit a Building Control Lead on a temporary basis to provide a Registered Building Inspector and to lead and implement on a service redesign Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 18/03/2024.</p> <ul style="list-style-type: none"> ▪ Status: ON TARGET (01/10/2023 to 31/12/2023) ▪ Progress: New action. ▪ Entered by: Stuart Denyer, 05/03/2024
<p>A.5676 Review Job Descriptions (to include staff consultation) to include new legal requirements for registration Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 31/03/2024.</p> <ul style="list-style-type: none"> ▪ Status: ON TARGET (01/10/2023 to 31/12/2023) ▪ Progress: New action. ▪ Entered by: Stuart Denyer, 05/03/2024
<p>A.5677 Review of site visit priorities Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 01/02/2024.</p> <ul style="list-style-type: none"> ▪ Status: COMPLETED (01/10/2023 to 31/12/2023) ▪ Progress: Action completed. ▪ Entered by: Stuart Denyer, 05/03/2024
<p>A.5672 Seek independent legal advice in respect of the legal requirements of the local authority Responsible Officer: Head of Planning. Start Date: 05/03/2024. End Date: 01/02/2024.</p> <ul style="list-style-type: none"> ▪ Status: COMPLETED (01/10/2023 to 31/12/2023) ▪ Progress: Action completed. ▪ Entered by: Stuart Denyer, 05/03/2024
<p>Mitigating Actions in Place</p>
<p>1) An awareness of the legislation requirements and a timeframe for resolution.</p>

Audit and Standards Committee – 24th April 2024

Report of the Director of Finance and Legal Services

Internal Audit Plan for 2024/25

Purpose of the Report

1. To inform Members of the proposed Internal Audit Plan for 2024/25.

Recommendations

2. That Members note the content of this report and approve the Internal Audit Plan for 2024/25 (**Appendix A**).

Background

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

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

4. The work of Audit and Risk Management Services and the fulfilment of the audit plan helps the council to comply with these requirements and enables the Head of Audit and Risk Management Services (as required by the Public Sector Internal Audit Standards) to deliver an internal audit opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
5. Audit and Risk Management Services resources as at the 1st April 2024 are the same as at the 1st April 2023:

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

6. As mentioned in reports to previous meetings of this Committee, Audit and Risk Management Services have a vacancy for a Principal Auditor and have tried on 4 occasions to fill the post. The last occasion was in August 2022. This post is required to provide more capacity at a senior level to deal with the complexity of work now undertaken by Audit and Risk Management Services including work on risk management. The vacancy has resulted in some work particularly development activity being deprioritised, increased pressure on the achievement of targets and being unable to provide the necessary input into risk management. The Head of Audit and Risk Management considers that current resources are just sufficient for him to deliver his annual opinion as the audit plan is structured in such a way for this to be achieved.
7. In producing the audit plan for 2024/25 the following approach has been undertaken:
 - Ensure the risk/audit universe (list of auditable areas) is complete and includes new functions and services. In order to achieve this the following was reviewed:
 - Council Plan;
 - Director Plans;
 - Council and Directorate priorities;
 - The Borough Vision "Forging a Future for All";
 - Budget Monitoring Reports and the Medium Term Financial Strategy;

- Customised reports from Business World and iTrent systems;
 - Committee and Boards Agendas and Minutes from January 2023 to January 2024;
 - Decision sheets and decision memorandums from January 2023 to January 2024;
 - Corporate Risk Register;
 - Other Council Internal Audit Plans and Risk Registers;
 - Review of projects recorded on the Dudley Portal (Project Management System).
8. Also, a questionnaire was sent out to most Heads of Service asking them to identify any changes to their service area, projects that they are involved with, any emerging risks, any assurance received and suggestions for inclusion in the 2024/25 audit plan.
9. The risks identified on the Corporate Risk Management System (Spectrum) were supplemented with risks identified by Audit and Risk Management Services to form a risk universe and then each risk was linked to a specific audit. Priority was then determined taking account of the risk status, the date of the last internal audit review and any other key assurance received. Audit and Risk Management Services are transitioning to a new system that integrates the Spectrum Risk Management System and Audit Management System (Galileo). This will be completed during 2024/25. Due to transitioning to a new system more manual processes were undertaken in the preparation of the plan. **Appendix C** shows the proposed Audit Plan for 2024/25 against SEB risks.
10. As part of the process, Audit and Risk Management Services met with the Chief Executive, Deputy Chief Executive, Directors and some Heads of Service to understand their current and emerging risks and areas of concern. Also, proposals for inclusion in the Audit Plan were discussed.
11. The draft Internal Audit Plan was issued to the Chief Executive, Deputy Chief Executive, Directors and some Heads of Service for comment. The draft Internal Audit Plan was then discussed and agreed at Strategic Executive Board.
12. The proposed plan should focus Audit and Risk Management Services' finite resources on those areas of greatest risk that require the most pressing need for assurance. The audit plan for 2024/25 is included at **Appendix A**.

13. Within the audit plan there are allocations for Contingency and Advice and Support. These allocations are to assist Directors in managing changes to their services/functions to ensure effective controls are in place and risks are being managed appropriately. It will also be used to contribute to the Fit for the Future Programme.
14. It has been made clear to Directors that if a significant risk emerges during the year that was not considered within the audit planning process, then the plan may have to be adjusted to take this into account. This may mean audits that were in the initial plan being postponed. This would also be the case if there was an influx of fraud/irregularity cases that required urgent professional input.
15. There are times when something happens that was not envisaged when the audit plan was agreed that makes it impractical to carry out the planned audit. In these circumstances an audit will be selected from the Reserve List that has been notified to Directors. This would include audits that should ideally have been undertaken by now. Please see **Appendix B**.
16. If any changes are required to the Audit Plan (new audits/cancellations) these will be notified to the Audit and Standards Committee as soon as possible via Interim Performance Reports.
17. The time allocated to each audit is based on past experience of auditing that area. Where an area has not been reviewed previously then professional judgement was used. These allocations can only ever be indicative as it is difficult to predict what may be found/encountered during an audit.
18. Due to the current financial situation facing the Council, a decision was made to undertake more audits in relation to the budget management Very High Net Risk (R.392).
19. An overview of the proposed audit plan for 2024/25 is shown below:

AREA	2023-24		2024-25	
	Days	%	Days	%
Children's Services	50	3.80	38	2.90
Adult Social Care	54	4.00	40	3.10
Public Health and Wellbeing	12	0.90	15	1.10
Finance and Legal Services	57	4.30	73	5.60

People and Inclusion	25	1.80	25	1.90
Chief Executive Office	30	2.20	15	1.10
Communication and Public Affairs	12	0.90	0	0
Chief Executive's Total	240	17.90		
Housing and Community Services	51	3.80	40	3.10
Regeneration and Enterprise	40	3.00	35	2.70
Environment	27	2.10	35	2.70
Digital, Customer and Commercial Services	62	4.70	38	2.90
Deputy Chief Executive's Directorate	180	13.60		
School Audits	70	5.20	74	5.60
Fraud Action Plan	260	19.10	260	19.80
Honorary Audits	20	1.50	20	1.50
Follow Up	88	6.50	68	5.20
Contingency and Advice and Support	108	8.00	145	11.1
Income Generation Work -Academies -Schools Financial Value Standard Assessments (Approx 40) -Value For Money	95	7.00	105	8.00
Audit Management	124	9.20	124	9.40
Prior Year Work	30	2.20	30	2.30
Corporate Governance	10	0.80	10	0.80
Risk Management	120	9.00	120	9.20
TOTAL	1345	100.00	1310	100.00

20. Audit and Risk Management Services has an income target of approximately £71,000 for 2024/25. Audit and Risk Management Services currently carries out traded services work by undertaking School Financial Value Standard reviews and work with a Multi-Academy Trust to generate income.
21. The table above shows that approximately 8% of the plan is devoted to income generation work, approximately 20% to fraud related work and approximately 9% in relation to risk management.

Finance

22. 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

23. 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.
24. The Account and Audit Regulations 2015 includes a requirement for the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

Risk Management

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

Equality Impact

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

Human Resources/Organisational Development

28. There are no human resources/organisational development implications relating to this report.

Commercial/Procurement

29. Audit and Risk Management Services generate income by providing a traded service to schools and academies.

Environment/Climate Change

30. There are no direct environmental implications within this report impacting on the Council's work to address Climate Change and achieve our Net Zero target by 2030.

Council Priorities and Projects

31. The work undertaken by Audit and Risk Management Services helps to ensure Council priorities are achieved by ensuring the Council has an effective framework of governance, risk management and internal control.



.....
Iain Newman

Director of Finance and Legal Services

Contact Officer: Graham Harrison

Telephone 01384 815105

Email : Graham.Harrison@dudley.gov.uk

List of Background Papers:

Public Sector Internal Audit Standards

Appendix A Audit Plan 2024/25

Appendix B Audit Plan Reserve List

Appendix C Audit Plan 2024/25 against SEB risks

APPENDIX A

Audit Plan 2024-25 DRAFT	DAYS	QTR1	QTR2	QTR3	QTR4	Corporate Audit	Main Purpose
							Assurance (A), Consultancy (C), Other (O)
Children's Services							
Payment Processes	15	15				No	(A) - To provide assurance that payments that are administered through the Controcc System and other electronic systems (excluding Unit 4) are controlled and approved in line with Financial Regulations.
Family Hubs and Start for Life Programme	15		15			No	(A) - To provide assurance that there is effective governance to deliver the objectives of the programme and ensure relevant grant terms and conditions are complied with.
Supporting Families Grant Claim	8	2	2	2	2	No	(O) - To ensure Department for Levelling Up, Housing & Communities requirements are adhered to.
Total	38	17	17	2	2		
Adult Social Care							
Dudley Disability Service	15				15	No	(A) - To provide assurance that the increase in demand for service is being managed with a focus on Waiting Lists, Placements, Assessments, Reviews, Case Management, Quality and Performance.

ASC Learning and Development	10			10			No	(A) -To provide assurance that staff are provided with training and development that allows them to effectively undertake their roles and meet any regulatory requirements.
ASC Commissioning - Contract Management	15		15				No	(A) - To provide assurance that there is an effective risk based approach to the management of Adult Social Care contracts.
Total	40	0	15	10	15			
Public Health and Wellbeing								
Emergency Planning	15		15				Yes	(A) - To provide assurance that Dudley has an effective framework setting out the Council's response and management arrangements to a major emergency affecting the Borough, which meets all the requirements and responsibilities detailed within the Civil Contingencies Act 2004. This will include learning from the Covid-19 pandemic.
Total	15	0	15	0	0			
Finance and Legal Services								
Creditor Payments	15		15				Yes	(A) - To provide assurance that Dudley's payment processes are effective.
Spending Controls	16	4	4	4	4		Yes	(A) - To provide assurance that the Spending Controls that have been agreed are consistently followed by all directorates (discretionary spend).

General Ledger	12				12	No	(A) - To provide assurance that the Council's accounting procedures are effective. The brief will ensure that this complements rather than duplicates the work of the External Auditor.
Council Tax	15			15		No	(A) - To provide assurance that accurate and timely Council Tax bills are raised and there are effective recovery procedures in place.
Benefits	15				15	No	(A) - To provide assurance that benefit is paid correctly and minimising the risk of fraud.
Total	73	4	19	19	31		
People and Inclusion							
Payroll	15			15		Yes	(A) - To provide assurance that payroll processes are effective and minimising the risk of fraud.
Time Recording	10	10				Yes	(A) - To provide assurance that the recently introduced time recording system is being used appropriately by staff.
Total	25	10	0	15	0		
Chief Executive's Office							
Project and Programme Management Assurance	15				15	Yes	(A) - To provide assurance that the governance established over Council Projects and Programmes including the use of the Dudley Portal (Verto) is effective.
Total	15	0	0	0	15		

Chief Executive Total	206	31	66	46	63		
Digital, Customer and Commercial Services							
MyDudley (Digital Platform)	15			15		Yes	(A) - To provide assurance that the objectives of the project have been achieved and it is realising improvements in service delivery for the Council and residents.
External Business/Cloud Systems	15		15			Yes	(A) - To provide assurance on the implementation of Cloud Systems ensuring key risks have been identified and appropriately mitigated. One system will be selected for review.
Provide consultancy support on the implementation of Cloud Systems	8	2	2	2	2	Yes	(C) - To support the implementation of Unit 4 (Agresso Business World) and Alemba Cloud Systems and ensure previously raised Audit Actions are taken into account.
Total	38	2	17	17	2		
Housing and Community Services							
Disabled Facilities/Home Assistance Grants	20	20				No	(A) - To provide assurance that there are efficient and effective systems in place to provide grants that minimise the risk of fraud.

Repairs Management	15			15		No	(A) - To provide assurance that there is effective management of the internal repairs service (excluding external repairs contracts).
Grant Claims	5		5			No	(O) - To ensure that grant terms and conditions are adhered to.
Total	40	20	5	15	0		

Regeneration and Enterprise

UK Shared Prosperity Fund Programme	15		15			No	(A) - To provide assurance that there is effective governance to deliver the objectives of the programme and ensure relevant grant terms and conditions are complied with.
Property Income (leased property portfolio)	15				15	No	(A) - To provide assurance that charges are being raised correctly, regularly reviewed and recovered. Also, to include the management of void property and lease stipulations.
Grant Claims	5		5			No	(O) - To ensure that grant terms and conditions are adhered to.
Total	35	0	20	0	15		

Environment

Health and Safety Management	15		15			No	(A) - To provide assurance that there are effective processes within the directorate to manage health and safety risks.
Waste Contract Management	15				15	No	(A) - To provide assurance that the Energy from Waste contracts are being managed effectively.

Grant Claims	5		5			No	(O) - To ensure that grant terms and conditions are adhered to.
Total	35	0	20	0	15		
Deputy Chief Executive Total	148	22	62	32	32		
Other							
Follow Up - MINIMALS	28	7	7	7	7	N/A	To follow up previous audits as agreed with Audit and Standards Committee to include: Children's Services Contract Management, Property Maintenance Contract Payments, Early Years Funding and Childcare Sufficiency, Children in Care Sufficiency Strategy.
Follow Up - HIGHS	40	10	10	10	10	N/A	To follow up High priority findings in accordance with the process agreed with Audit and Standards Committee.
Advice and Support	40	10	10	10	10	N/A	To provide day to day support to the Council.
Contingency	105	10	15	40	40	N/A	To support the Improvement and Sustainability Programme in relation to Governance, Risk Management and Internal Control. To provide contingency in case any significant risks that require immediate assurance or support to establish the necessary controls are identified during the year.
Total	213	37	42	67	67		
Schools							

School Audits	50	36		14		N/A	To provide assurance on the effectiveness of governance and financial management processes within 12 schools.
Advice and Support	16	4	4	4	4	N/A	To provide day to day support to Schools.
Follow Up	8	2	2	2	2	N/A	To follow up Minimal assurance audit reports and High priority findings.
Total	74	42	6	20	6		
Directorates and Schools Total	641	132	176	165	168		
Audit Management	124	34	25	25	40	N/A	Preparation of reports and attendance at Audit and Standards Committee and Strategic Executive Board, annual and strategic audit planning, quality control and development.
Prior Year Work	30	30				N/A	Completion of the 2023/2024 Audit Plan.
Income Generation - Schools Financial Value Standard (SFVS)	50			30	20	N/A	To ensure Schools are adhering to the requirements of the SFVS (approximately 40 Schools).
Value for Money	30			15	15	N/A	Additional work undertaken to achieve Audit and Risk Management Services' income target.
Fraud	260	65	65	65	65	N/A	To undertake prevent, detect, investigate and resolve in accordance with the Fraud Action Plan.
Honorary	20	10	10			N/A	To complete external review of a number of honorary accounts.

External Contracts	25	15	10			N/A	Contract with Academy Trust.
Corporate Governance	10	10				Yes	To facilitate a self assessment of the Council's governance processes against best practice guidance and update the Code of Corporate Governance. To facilitate the production of the Annual Governance Statement.
Risk Management	120	30	30	30	30	N/A	To embed and administer the Council's risk management framework. Support Managers in the recording of assurance information.
Total	669	194	140	165	170		
TOTAL DAYS	1310	326	316	330	338		

Appendix B

Audit Plan Reserve List

<p><u>Digital, Customer and Commercial Services</u> Dudley Council Plus Information at Work System ICT Configuration Management Liquid Logic Portals M3 System ICT Infrastructure Commercial Strategy Cheque Process iTrent System Tribepad System Dudley Town Hall Bar and Bistro</p>	<p><u>Adult Social Care</u> Adult Social Care Income Telecare Adults at Risk Team Community Equipment Service Preparing for Adulthood Deprivation of Liberty Standards Occupational Therapy Court of Protection Living Independently Team ASC Quality Framework Supported Hospital Pathway</p>
<p><u>Public Health and Wellbeing</u> Public Health Programme Management Knowledge Team Infection Control Contaminated Land Household Support Fund Trading Standards Business Continuity</p>	<p><u>Finance and Legal Services</u> Insurance Land Charges Schools Financial Monitoring Freedom of Information/Subject Access Requests Capital Strategy and Capital Programme Debtors Income Management</p>
<p><u>Children's Services</u> Youth Offending Youth Services Connexions Education Support Service Dudley Performing Arts School Admissions</p>	<p><u>Housing and Community Services</u> Housing Strategy Voids Leaseholders Housing Contract Management Sustaining Tenancies and Safeguarding Housing Health and Safety Anti-Social Behaviour Community Safety Community Cohesion Prevent/Modern Slavery Housing Stores Contract Community Engagement and Participation</p>

	Resource Management Centre
<u>Regeneration and Enterprise</u>	<u>Environment</u>
Adult Education/Skills and Training	Traffic Management
Community Asset Transfer	Parking Management
Building Control	Street Cleansing
School Asset	Street Lighting
Management/Capital Plan	Incab Waste Management System
Community Infrastructure Levy	Highways Structures
Section 106	Flood Management
Corporate Estates Strategy/Asset Management	Enforcement Team
Contract Management	Operators' License
Income	Fleet Management

APPENDIX C

Comparison of proposed Audit Plan 2024-25 against SEB risks

#	Risk Event / Responsible Org Unit	Audits
1	R.398 "SEB: Failure to comply with HR related legislative requirements." Chief Executive's	Payroll
2	R.399 "SEB: The inability to recruit and retain staff particularly in professional areas where there is a national shortage of skills and expertise." Chief Executive's	Follow Up of Previous High Actions
3	R.401 "SEB: Failure to adhere to the Equality Act 2010 and Public Sector Equality Duty." Chief Executive's	N/A
4	R.419 "SEB: Lack of oversight of programmes and projects across the Council, with no assurance and monitoring of progress against time, cost and quality." Chief Executive's	Family Hubs and Start for Life Programme UK Shared Prosperity Fund Programme MyDudley (Digital Platform) Project and Programme Management Follow Up of Previous High Actions
5	R.608 "SEB: Potential for DMBC to fail to deliver the Fit for the Future Programme and benefits." Chief Executive's	Consultancy input to be agreed.

#	Risk Event / Responsible Org Unit	Audits
6	R.410 "SEB: Failure to identify and protect adults in positions of vulnerability from harm and serious abuse as required by the Care Act 2014." Directorate of Adult Social Care	Dudley Disability Services ASC Learning and Development ASC Commissioning – Contract Management Follow Up of Previous High Actions
7	R.411 "SEB: Failure to identify and protect children in positions of vulnerability as required under legislation." Directorate of Children's Services	Follow Up of Previous High Actions
8	R.402 "SEB: A major external information security breach takes place resulting in the loss/disclosure of a substantial amount of personal information or a ransomware attack." Directorate of Digital, Customer & Commercial Services	External/Cloud Systems Alemba/Unit 4 Consultancy Follow Up of Previous High Actions
9	R.404 "SEB: Failure to demonstrate compliance with Contract Standing Orders/Procurement legislation." Directorate of Digital, Customer & Commercial Services	Follow Up of Previous High Actions
10	R.405 "SEB: Contracts are not managed effectively." Directorate of Digital, Customer & Commercial Services	Waste Contract Management Follow Up of Previous High Actions

#	Risk Event / Responsible Org Unit	Audits
11	R.414 "SEB: Failure to meet the targets for carbon reduction in all aspects of the Council's operation is seen not to be in accordance with the Council's commitment to the environment." Directorate of Environment	N/A
12	R.392 "SEB: The Council is unable to meet its commitments to deliver services (including those funded from ringfenced funds) because annual income is insufficient and reserves have been fully depleted, triggering a requirement to issue a Section 114 notice." Directorate of Finance & Legal Services	Creditor Payments Payment Processes Benefits Council Tax Spending Controls Property Income (leased property portfolio) General Ledger Follow Up of Previous High Actions
13	R.393 "SEB: Do not deliver the appropriate and timely support to our residents in cases where they are experiencing increased hardship." Directorate of Finance & Legal Services	N/A
14	R.394 "SEB: Major fraud against the Council." Directorate of Finance & Legal Services	Fraud Action Plan Time Recording Payroll Creditor Payments Payment Processes

#	Risk Event / Responsible Org Unit	Audits
		Disabled Facilities Grants
15	R.395 "SEB: Death, injury or ill health of Council staff, Members, service users and visitors when attending Council premise and/or Council staff undertaking their normal role." Directorate of Finance & Legal Services	Environment Health and Safety Follow Up of Previous High Actions
16	R.396 "SEB: Failure to comply with the requirements of the UK General Data Protection Regulation tailored by the Data Protection Act 2018 and associated legislation." Directorate of Finance & Legal Services	External/Cloud Systems Alemba/Unit 4 Consultancy Follow Up of Previous High Actions
17	R.589 "SEB: Breach of the Homes Standard regarding building safety and compliance. " Directorate of Housing & Communities	Consultancy input
18	R.406 "SEB: The Council does not respond effectively and recover quickly from major incidents." Directorate of Public Health & Wellbeing	Emergency Planning
19	R.408 "SEB: Failure to seize the opportunities and exploit the benefits that are envisaged from the huge regeneration programme investment that impacts on the council's vision for 2030."	Follow Up of Previous High Actions

#	Risk Event / Responsible Org Unit	Audits
	Directorate of Regeneration & Enterprise	
20	R.607 "ASC LT: There is a risk of non-compliance with the CQC inspection assessment framework." Directorate of Adult Social Care	Dudley Disability Services ASC Learning and Development ASC Commissioning – Contract Management Follow Up of Previous High Actions

Audit and Standards Committee – 24th April 2024

Report of the Director of Finance and Legal Services

Audit and Standards Committee Annual Report 2023-24

Purpose of the Report

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

Recommendation

2. Audit and Standards Committee to approve the Annual Report for 2023/24 for submission to Full Council.

Background

3. A CIPFA self-assessment completed by the Head of Audit and Risk Management Services on the Audit and Standards Committee identified the production of an Annual Report as best practice. The production of an annual report will promote the good work completed by Audit and Standards Committee and will also be line with the Council's Scrutiny Committees.
4. The annual report for 2023/24 is attached to this report.

Finance

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

Law

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

Risk Management

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

Equality Impact

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

Human Resources/Organisational Development

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

Commercial/Procurement

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

Environment/Climate Change

12. There are no direct environmental implications within this report impacting on the Council’s work to address Climate Change and achieve our Net Zero target by 2030.

Council Priorities and Projects

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



Iain Newman
Director of Finance and Legal Services

Contact Officer: Graham Harrison
Telephone: 01384 815105
Email: graham.harrison@dudley.gov.uk

List of Background Papers:

Audit and Standards Committee Annual Report – Appendix A

Annual report of the Audit and Standards Committee



**Chair -
Councillor
Angus Lees**

2023/24 Municipal Year



**Vice-Chair -
Councillor
Dave
Borley**

This annual report gives a summary of the work completed by Audit and Standards Committee during the 2023/2024 municipal year.

The overarching purpose of this Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes.

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

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

We commend this annual report to the Council. We would like to place on record our appreciation of all the hard work and support given by Councillors, Officers, and External Audit who have contributed to our work during 2023/2024.

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

Alternatively, please contact Democratic Services on 01384 815238 or e-mail democratic.services@dudley.gov.uk.

Internal Audit

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

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

During the year, the Committee have received for approval the Internal Audit Plan 2023/24, the Internal Audit Annual Report 2022/23, reports on the performance of Audit and Risk Management Services and Annual Audit Reports for the Chief Executive and the Deputy Chief Executive.

Outcomes:

- Approved the Internal Audit Plan for 2022/23 and ensured that it was based on the Council's key risks.
- Monitored the performance of Audit and Risk Management Services and the achievement of key performance indicators.
- Approved the Annual Audit Report for 2022/23 and acknowledged the Head of Audit and Risk Management's annual opinion on the effectiveness of governance, risk management and internal control. This would then be used to inform the Annual Governance Statement.
- Discussed progress in addressing the recommendations that came out of the external quality assessment on Audit and Risk Management Services.
- The Committee requested Members complete an Audit Committee skills and knowledge questionnaire and return it to the Head of Audit and Risk Management.
- The Committee requested a demonstration of the Spectrum Audit System to be presented to a future Committee meeting.
- That the Chair, on behalf of the Committee, was asked to write to the Leader requesting that the Audit and Risk Management Services staff be ringfenced in any future restructuring proposals.
- Members raised lots of questions on individual audits detailed within the Chief Executive and Deputy Chief Executive Annual Reports which were in the main responded to during the meetings.
- Members questioned whether the Chief Executive and Deputy Chief Executive Annual Reports needed to be discussed in private session and whether exempt reports could be disclosed

following the meeting. Lead for Law and Governance advised that the report will be split into public and private elements for the next municipal year.

- Following the reporting of a fall in the percentage of final reports issued within six weeks of the draft report, the Committee requested the Chief Executive to remind Directors that their support and co-operation is needed to help improve performance going forward.
- Audit and Risk Management Services have an income target of approximately £70,000, which requires the Team to undertake some external work. The Committee raised concerns that the focus on achieving this target detracted from undertaking work in priority areas and the potential financial risk of not carrying out planned audits.

External Audit

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

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

During the year the Committee have received the External Auditor's Annual Audit Plan 2022/23, Annual Risk Assessment 2022/23, Annual Audit Plan 2023/24 and Annual Risk Assessment 2023/24 and Auditor's Annual Report 2021/22 and 2022/23.

Outcomes:

External Audit Grant Thornton Annual Audit Plan 2022-23 and Annual Risk Assessment 2022-23

- The External Auditor referred to the 2020/21 Annual Auditor's Report to Cabinet on 27 June 2023, highlighting that urgent action was needed to reduce the Council's significant reliance

on the use of reserves and introduce tight scrutiny of additional spending proposals.

- The External Auditor was concerned that following a report to Cabinet in July 2023 where proposals to reverse savings decisions were approved that this represented a significant weakness in the Council's financial sustainability and governance, in particular as the Council had been unable to remain within its budget less than three months after the budget had been agreed.
- The External Auditor suggested that consideration may need to be given to implementing auditor powers, including statutory recommendations and related actions such as Public Interest reports, should the use of reserves continue.
- External Auditors concluded their audit of the 2022/23 Statement of Accounts in December 2023 with an unqualified audit opinion (fewer than 10% of councils achieved this).
- The Chair informed Committee that an e-mail had been sent to the Leader, Deputy Leader and Cabinet Member for Finance, Legal and Human Resources on behalf of the Chair and Vice-Chair highlighting concerns with the issues raised within the External Auditor's Annual Auditor's Report.
- The Chair was requested to formulate recommendations, arising from concerns raised and comments made, to the Leader, Deputy Leader and Cabinet Member for Finance and Legal, in consultation with the Vice-Chair and officers, on behalf of the Committee.

Auditor's Annual Report 2021/22 and 2022/23

- The External Auditor reported that significant weaknesses had been identified in the Council's arrangements in relation to financial sustainability, governance and improving economy, efficiency and effectiveness.
- The External Auditor made a number of key recommendations including the need to improve the Council's financial position and replenish reserves so as to become financially resilient moving forward. Members were encouraged to support officers in setting a balanced budget, identifying new sources of income and delivering savings plans.
- The External Auditor also suggested that a reset in the relationship between officers and members was required to help restore trust and respect. This could be achieved through the development of a charter setting out the expected standards of behaviour supported by a joint statement from the Leader and the Leader of the Opposition Group calling out previous bad

behaviour and making a commitment to improving standards of conduct going forward.

- The External Auditor made a further recommendation related to the Council addressing the requirements of the Regulatory Notice issued by the Regulator of Social Housing with respect to the failure to meet minimum service standards.
- Members raised a lot of questions on the report including were Members engaged with the financial challenges, staff required comprehensive training and support, whether valuations for property, plant and equipment could now be obtained on a timely basis, role and status of Monitoring Officer and training of new Members.

External Audit Findings Report 2022/23

- The External Auditor provided an overview of the significant risks detailed within the audit plan including the management override of controls. Additional work had been undertaken on the authorisation of journals, and it was confirmed that no issues had been identified.
- The Committee agreed that the Letter of Representation be signed by the Chair, following consultation with the Director of Finance and Legal Services.

Statement of Accounts 2022-23

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

- To review the annual statement of accounts. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

During the year, the Committee have reviewed the Statement of Accounts 2022/23.

Outcome:

- The Statement of Accounts 2022/23 was approved and the Chair of the Audit and Standards Committee was authorised to sign and date the Statement of Accounts.

Risk Management

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

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

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

Outcomes:

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

Fraud

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

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

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

Outcomes:

- Discussed and commented on the Annual Fraud Report, which is a report of fraud work completed by Audit and Risk Management Services in relation to prevention, detection, investigation and resolution. It also lists fraud work undertaken by other Council teams.
- An update was given on the case of a former Dudley Head Teacher who had been successfully prosecuted for fraud. The Council undertook a Proceeds a Crime Act investigation and following a Court hearing ordered the former Head Teacher to repay the amount taken plus the Council's costs and legal costs of £50,000 or face further time in prison. The Council has now received payment of £190,000.

Governance

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

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

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

Outcomes:

- Approved the re-appointment of the Standards Sub-Committee for 2023/24 with its existing terms of reference and that the membership be extended to five members comprising of the Chair (Councillor A Lees), the Vice-Chair (Councillor D Borley), Councillor J Cowell, Councillor J Foster and Councillor W Little.
- The Annual Report of the Committee on Standards in Public Life was discussed and noted. The Chair, on behalf of the Committee and in consultation with the Monitoring Officer, agreed to write a

letter to the Chair of the Committee on Standards in Public Life in relation to the lack of local government experience and diversity within the membership of the Board, re-emphasising the frustration of the limitations on sanctions that could be enforced by Standards Sub-Committees and requesting an indication of the work being undertaken during the next 12 months.

- Discussed and approved the Annual Governance Statement 2022/23 and referred to the Leader of the Council and Chief Executive for signature. During the discussion concerns were expressed in relation to the increase in sickness due to work related stress and the staff turnover rate which highlighted low morale and lack of support to staff.

Whistleblowing

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

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

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

Outcomes:

- The Monitoring Officer confirmed that the Policy had been fully reviewed and updated following extensive consultation. The Policy now includes a summary that mirrors the posters that are on display in Council offices and a flowchart that details how matters can be taken forward.
- A dedicated whistleblowing telephone hotline and email address have been established for employees to raise their concerns in the first instance.
- Members raised questions in relation to referring matters outside of the Council and dealing with untrue allegations.
- Discussed and commented on the whistleblowing referrals received during the year and approved the revised Whistleblowing Policy.

Treasury Management

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

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

Outcomes:

- Discussed and commented on treasury management activities undertaken during the year.
- Members raised questions on investment return rates, levels of short and long-term borrowing and comparison with previous years and borrowing rates.
- The Director of Finance and Legal Services discussed the Treasury Management Statement for 2024/25 and noted there was a change from previous years in relation to extending the institutions that money could be invested with to include non-UK banks. It was noted that the Local Authority would still only invest with institutions with the highest credit ratings.
- The Committee agreed the reports submitted and the submission to Full Council.

Procurement

During the year, the Committee received reports to update Contract Standing Orders and to note exemptions and waivers from requirements for a competitive procurement process.

Outcomes:

- The Head of Procurement confirmed that the values in Contract Standing Orders had been updated in line with legislative and statutory changes and the text simplified to ensure compliance.
- The Head of Procurement stated that within the next 12-18 months, a wider review would be undertaken of Contract Standing Orders once the Procurement Bill was enacted to ensure continued compliance with legislation.
- The Committee noted there had been 9 Exemptions and 18 Waivers received between June 2022 and 31st March 2023.
- The Committee approved the revised Contract Standing Orders.

Suspensions

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

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

Outcomes:

- Discussed and provided comments on employees who were suspended pending an investigation into an allegation(s) of gross misconduct during the period 1 October 2022 to 30 September 2023 inclusive. Also, reviewed medical suspensions.
- The Committee noted there had been 29 suspensions invoked for allegations of Gross Misconduct between 1 October 2022 to 30 September 2023 inclusive. As at the 30th September, 19 had been resolved and 10 were ongoing.
- Members suggested that a breakdown of protected characteristics should be included in future reports.

Programme, Project and Contract Management

The Committee received a report on the improvement of programme, project and contract management.

Outcomes:

- The Committee noted the progress made to improve programme, project and contract management.
- The Committee requested a demonstration of the Dudley Portal (project management system) to a future meeting of the Committee. This was delivered in February 2024.
- The Committee asked if the Dudley Portal provided email alerts to project managers. It was confirmed that it did but the focus was on providing alerts via the dashboard.
- The Committee questioned the timescale for rolling out the Project Management Framework and asked to be provided with a copy of the Project Management Framework.

Hybrid Working

The Committee received a report on hybrid working.

Outcomes:

- The Deputy Chief Executive provided an update on the Council's flexible working arrangements.
- Members made a number of comments: flexible working should not be used to avoid managing and addressing difficult working relationships between colleagues, there must be regard to the physical working environment for employees working from home, emphasised the importance of team ethics for employee satisfaction, and questioned whether there was an opportunity to use automated technology systems to collect data and metrics in order to assess customer performance management.
- A Member shared his experience of a significant decline in responses to queries and telephone calls from employees working from Home. The Deputy Chief Executive agreed to look into his specific issues.

Progress Tracker – Audit and Standards Committee 2023/24

Subject (Date of Meeting)	Recommendation/action	Responsible Officer/Area	Status/Notes
Minutes (6 th December, 2023)	Minute No. 26 – The Deputy Chief Executive was requested to provide an update at a future meeting of the Committee with regard to the proposed organisational restructure.	B Heran	To be included on the Committee Work Plan for the 2024/25 Municipal Year.
Annual Audit Report of the Chief Executive (6 th December, 2023)	Minute No. 29 (2) - That the Committee be provided with written responses to the following: a) Further details in relation to the current number of Foster Carers within Dudley and the numbers needed to deliver the required level of Foster Carers.	C Driscoll	Circulated to Members on 1st March, 2024
Audit and Risk Management Services Interim Performance Report (6 th December, 2023)	Minute No. 35 (2) - That a demonstration of the Spectrum Audit System be presented to a future Committee meeting.	G Harrison	Scheduled for July, 2024 Meeting.

Hybrid Working and Future Plans Presentation (19 th February, 2024)	The Deputy Chief Executive agreed to review specific performance management in areas of concern raised by Councillor M Evans during the meeting and address any issues that may be evident.	B Heran	Noted.
Treasury Management (19 th February, 2024)	<p>Minute No. 52</p> <p>(6) - That the Director of Finance and Legal Services be requested to include figures relating to External Borrowing, as detailed in the table under paragraph 3.2 of the report in relation to Operational Boundary and outcome for previous years in future reports to the Committee.</p> <p>(7) - That the Director of Finance and Legal Services be requested to provide Councillor S Ali with an analysis of movements on the Capital Financing Requirement.</p>	<p>I Newman</p> <p>I Newman</p>	<p>Agreed.</p> <p>Circulated to Members on 23rd February, 2024</p>
Audit and Standards Committee Progress Tracker and Future Business (19 th February, 2024)	<p>Minute No. 53</p> <p>(2) That the Head of Technology Systems and Services be requested to search the Council's archived e-mail system for the original e-mails and responses to the two e-mails referred to in the minutes and circulate to the Committee accordingly.</p> <p>(3) That all future correspondence and e-mails and responses sent on behalf of the Committee to be circulated to all Members of the Committee for information.</p>	<p>G Aulakh</p> <p>K Taylor</p>	<p>Investigation completed. Chair to update Committee on 24th April, 2024.</p> <p>Noted.</p>

	(4) That the Senior Democratic Services Officer include any suggestions or proposals made by the Committee in future reports of the Progress Tracker.	K Taylor	Noted.
Annual Audit Report of the Deputy Chief Executive (19 th February, 2024)	<p>Minute No. 54</p> <p>(2) That the Monitoring Officer be requested to provide a formal response to the rationale of audit reports being submitted under private session and whether exempt reports considered under private session could be disclosed following the meeting.</p> <p>(3) That the Committee be provided with written responses to the following:</p> <p>a) Briefing note on work that could be undertaken by the Private Sector Housing Team to bring back empty homes into use.</p> <p>b) Confirmation that a link to the Suppliers' Code of Practice was included within all links to Contract Management Documents.</p> <p>c) Confirmation whether scheduled visits of Houses of Multiple Occupancy properties were being undertaken.</p> <p>d) Confirmation that all defect items identified from the Electrical Inspection Condition Report had been actioned.</p>	<p>M Farooq</p> <p>K Jones</p> <p>T Robbins</p> <p>K Jones</p> <p>H Martin</p>	<p>Circulated to Members on 25th March, 2024</p> <p>Circulated to Members on 21st March, 2024</p> <p>Circulated to Members on 23rd February, 2024</p> <p>Circulated to Members on 21st March, 2024</p> <p>Circulated to Members on 7th March, 2024</p>