

AUDIT AND STANDARDS COMMITTEE

TUESDAY 9TH JULY 2013

**AT 6.00PM
IN COMMITTEE ROOM 3
THE COUNCIL HOUSE
DUDLEY**

If you (or anyone you know) is attending the meeting and requires assistance to access the venue and/or its facilities, could you please contact Democratic Services in advance and we will do our best to help you

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You can view information about Dudley MBC on
www.dudley.gov.uk**

IMPORTANT NOTICE

MEETINGS IN DUDLEY COUNCIL HOUSE

Welcome to Dudley Council House

In the event of the alarm 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.

There is to be no smoking on the premises in line with national legislation. It is an offence to smoke in or on these premises.

Please turn off your mobile phones and mobile communication devices during the meeting.

Thank you for your co-operation.

Your ref: Our ref: Please ask for: Telephone No.
 JJ/jj Mr J Jablonski 01384 815243

27th June, 2013

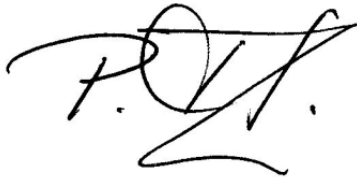
Dear Member

Audit and Standards Committee – Tuesday 9th July, 2013.

You are requested to attend a meeting of the Audit and Standards Committee to be held on Tuesday 9th July, 2013 at 6.00pm in Committee Room 3 at the Council House, Dudley to consider the business set out in the Agenda below.

The agenda and public reports are available on the Council's Website www.dudley.gov.uk and follow the links to Councillors in Dudley and Committee Management Information System.

Yours sincerely



Director of Corporate Resources

A G E N D A

- 1 APOLOGIES FOR ABSENCE

 To receive apologies for absence from the meeting.

2. APPOINTMENT OF SUBSTITUE MEMBERS

 To report the appointment of any substitute members serving for this meeting of the Committee.

3. DECLARATIONS OF INTEREST

 To receive Declarations of Interest in accordance with the Members' Code of Conduct.

4. MINUTES

To approve as a correct record and sign the Minutes of the meeting of the Committee held on 25th April, 2013 (copy attached).

5. GRANT THORNTON – AUDIT OPINION PLAN 2012/13 (PAGES 1 - 21)

To consider a report of the Treasurer

6. INTERNAL AUDIT SERVICES ANNUAL PERFORMANCE AND REVIEW REPORT 2012/13 (PAGES 22 - 49)

To consider a report of the Treasurer

7. REVIEW OF CURRENT CORPORATE RISKS (PAGES 50 – 55)

To consider a report of the Treasurer

8. COMMITTEE WORK PLAN 2013/14 (PAGES 56 - 58)

To consider a joint report of the Treasurer and the Director of Corporate Resources

9. REAPPOINTMENT OF THE STANDARDS SUB-COMMITTEE (PAGES 59 – 60)

To consider a report of the Director of Corporate Resources

10. TO ANSWER QUESTIONS UNDER COUNCIL PROCEDURE RULE 11.8 (IF ANY)

PRIVATE SESSION

In accordance with Paragraph 10 of Schedule 12A to the Local Government Act 1972, the Proper Officer has determined that there will be no advance disclosure of the following reports because the public interest in disclosing the information set out in the following items is outweighed by the public interest in maintaining the exemption from disclosure

11. RESOLUTION TO EXCLUDE THE PUBLIC

To consider the adoption of the following resolution:-

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 as indicated below:-

<u>Agenda Item No</u>	<u>Description of Item</u>	<u>Relevant Paragraph(s) of Part I of Schedule 12A</u>
12	Annual Audit Report in relation to the Chief Executive's Directorate	2 and 7
13	Annual Audit Report in relation to the Directorate of Corporate Resources	2 and 7

12. ANNUAL AUDIT REPORT IN RELATION TO THE CHIEF EXECUTIVE'S DIRECTORATE (PAGES 61 – 70)

To consider a report of the Treasurer

13. ANNUAL AUDIT REPORT IN RELATION TO THE DIRECTORATE OF CORPORATE RESOURCES (PAGES 71 – 92)

To consider a report of the Treasurer

To: All Members of the Audit and Standards Committee, namely:

Arshad	Cowell	Harris	Hill	Mrs. P Martin
Russell	Taylor	Tyler	C. Wilson	

AUDIT AND STANDARDS COMMITTEE

Thursday, 25th April, 2013 at 6.00 p.m.
in Committee Room 3, The Council House, Dudley

PRESENT:-

Councillor Zada (Chair)
Councillor Arshad (Vice-Chair)
Councillors Branwood, Burston (From Minute No. 41), Cowell, Hill,
Taylor, Tyler (From Minute No. 41) and Mrs. Westwood.

Officers

Treasurer, Head of Audit Services, Head of Accountancy, Audit Manager,
Principal Auditors and Mrs K Taylor (All Directorate of Corporate
Resources).

Also in Attendance

Mr S Turner (Audit Manager) (Grant Thornton)
Councillor S. Turner (Observer)

39

DECLARATIONS OF INTEREST

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

40

MINUTES

During consideration of the minutes, reference was made to the
preamble to minute 29, in particular, that Councillor Taylor had not
received a response from the Director of Adult, Community and Housing
Services in relation to the introduction of a policy for deceased clients
balances.

RESOLVED

That the minutes of the meeting held on 14th February, 2013 be
approved as a correct record and signed.

41

GRANT THORNTON AUDIT AND STANDARDS COMMITTEE UPDATE

A report of the Treasurer was submitted on a report published by Grant
Thornton updating members on progress in delivering their
responsibilities as Dudley's external auditors. Attached as Appendix A
was a list of the questions that Grant Thornton believed Audit and

Standards Committee members should consider and the management responses.

Mr Turner, Audit Manager, presented the report and appendix to the report submitted and commented in particular that the purpose of the report was to report progress and highlight emerging national issues.

Mr Turner further reported that the audit was on track, and that a report outlining the final results would be submitted to the September meeting of the Committee.

RESOLVED

That the information contained in the report, and Appendix to the report, submitted on an Audit and Standards Committee Update published by the Grant Thornton, be noted.

42

CONFIDENTIAL REPORTING POLICY

A report of the Monitoring Officer was submitted on the monitoring of the operation of the Council's Confidential Reporting Policy.

The Treasurer in his presentation of the content of the report and Appendix 1 to the report submitted, which was a copy of the Policy, commented that there had been no incidents of use of the Policy by staff reported this year for any of the Directorates.

Arising from the presentation given Members asked a number of questions and made comments which were responded too, in particular in respect of the various avenues where employees could report any issues and the support available for those reporting serious allegations.

RESOLVED

That the information contained in the report, and Appendix to the report, submitted on the outcome of the recent monitoring of the Confidential Reporting Policy, be noted.

43

UPDATE ON ANNUAL AUDIT REPORT – DIRECTORATE OF CHILDREN'S SERVICES

A verbal update was given by the Head of Audit Services updating members in relation to the Annual Audit Report of the Directorate of Children's Services submitted to the previous meeting of the Committee.

Arising from the presentation given, the Head of Audit Services informed the Committee that he had received assurances from the Directorate of Children's Services in relation to monitoring actions, and that a number of actions had been taken in order to address the issues raised at the previous meeting.

RESOLVED

That the information reported on be noted.

44. AUDIT PLAN FOR THE PERIOD 2013/14

A report of the Treasurer was submitted on the work that the Audit Services Division planned to undertake during the period from 1st April, 2013 to 31st March, 2014, further details of which together with the Audit Charter and Audit Strategy were appended to the report submitted.

The Head of Audit Services highlighted one discrepancy in Appendix B to the report in that the figure for the number of Audits in 13/14 should be 167.

RESOLVED

That the information contained in the report, and Appendices to the report, submitted be noted and that the Audit Plan for the period 2013/2014, as set out in Appendix A together with the Audit Charter and Audit Strategy as set out in Appendices C and D to the report submitted be approved.

45. REVIEW OF THE CODE OF CORPORATE GOVERNANCE

A report of the Treasurer was submitted providing a short history on the Code of Corporate Governance in the Council and on the result of a review of the Code of Corporate Governance. A copy of the revised Code of Corporate Governance was appended to the report submitted.

RESOLVED

- (1) That the information contained in the report, and Appendix to the report, submitted be noted.
 - (2) That the revised Code of Corporate Governance, attached as Appendix A to the report submitted, be approved.
 - (3) That the Director of Corporate Resources be authorised to take the necessary action to incorporate the revised Code into the Constitution.
-

46. COMMITTEE BENCHMARKING REPORT

A report of the Treasurer was submitted on a comparison of the practices of the Committee with other Black Country Authorities and Birmingham, which was appended to the report submitted.

RESOLVED

- (1) That the information contained in the report, and Appendix to the report, submitted be noted.
- (2) That the Committee receive information on assurance mapping.
- (3) That Directors or their nominated Assistant Director representatives be required to attend to give explanations if and when “minimal” or “nil” assurance reports have not improved, that is, if the rating had not improved at follow up visit(s).
- (4) That a work plan report be introduced setting out scheduled agenda items for the Committee at the first meeting of the Committee in the next and subsequent Municipal years.
- (5) That the Committee receive reports on the Corporate Risk Register at three meetings per year and that a specific risk in each report be identified to focus on.
- (6) That the frequency of meetings of the Committee be increased from four to five per year.

47

EXCLUSION OF THE PUBLIC

That the public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act, 1972, as indicated below: and that in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure.

<u>Description of Item</u>	<u>Relevant Paragraph of Part I of Schedule 12A</u>
Report required under Standing Orders	2 and 7
Audit Services Annual Fraud Report	2 and 7

48.

REPORT REQUIRED UNDER STANDING ORDERS

A report of the Treasurer was submitted on any instances arising under Standing Order 3.2 and 9.8 during the period July to December, 2012 inclusive.

RESOLVED

That the information contained in the report submitted be noted.

49. AUDIT SERVICES ANNUAL FRAUD REPORT

A report of the Treasurer was submitted on the work that the Audit Services Division had undertaken and was planning to undertake on the issue of fraud, and on the work of the Benefit Fraud Team. The Audit Services Fraud Action Plan, a checklist for those responsible for governance to assess their organisation's approach to Fraud, details of special investigations, and a copy of the Anti-Fraud and Corruption Strategy were appended to the report submitted.

In presenting the report, the Head of Audit Services referred to the Fraud hotline, and that on average the division received two to three calls per weeks.

Arising from the presentation given Members asked a number of questions and made comments which were responded too, in particular in respect of the Benefit Fraud Team now nominally being part of a Single Investigation Service associated with the Department for Work and Pensions and, the support provided and monitoring of Personal Budgets.

Reference was made by a Member in relation to the comprehensive report submitted, and referred to the increase of fraud investigations and noted that further work was planned to improve detection of fraud.

RESOLVED

- (1) That the information contained in the report, and Appendices to the report, submitted, be noted.
- (2) That the Anti Fraud and Corruption Strategy, be approved, and that the Director of Corporate Resources be authorised to take the necessary action to incorporate the revised Strategy into the Constitution.

The meeting ended at 7.10 p.m.

CHAIR

Audit and Standards Committee – 9th July 2013

Report of the Treasurer

Grant Thornton Audit Opinion Plan 2012/13

Purpose of Report

1. The External Auditor's Audit Opinion Plan for 2012/13 is attached and the Audit Manager will be available at the meeting to deal with any issues.

Background

2. The Audit Opinion Plan 2012/13 is attached as Appendix 1. This document is produced by the Grant Thornton. It assesses the risk of material mis-statements in the Accounts and sets out audit procedures to address those risks.

Finance

3. The attached report explains the methodology applied in testing and forming the audit opinion and risk determination. There are no resource implications as a consequence of the report.

Law

4. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1999, the Audit Commission Act, 1998, and regulations made therein.

Equality Impact

5. There are no direct implications for children and young people.

Recommendation

6. That Members note the Audit Opinion Plan 2012/13



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Iain Newman

Treasurer

Contact Officer: Jan Szczechowski - Head of Accountancy (ext. 4805)

The Audit Plan for Dudley Metropolitan Borough Council

Year ended 31 March 2013

June 2013

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Manager

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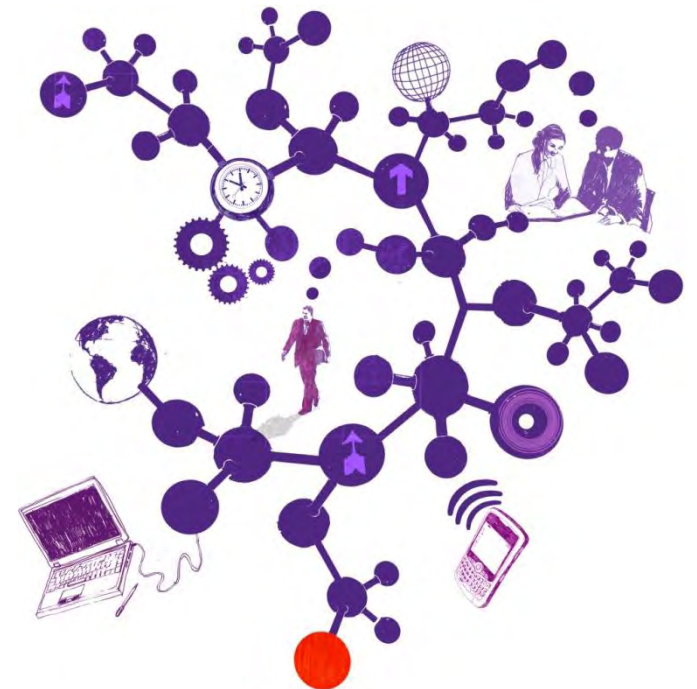
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any 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.


Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Results of interim work
8. Value for Money
9. Logistics and our team
10. Fees and independence
11. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities					
<p>1. Equal pay</p> <ul style="list-style-type: none"> The Council is making provision for outstanding settlements with current and former employees in respect of actual or potential claims under Equal Pay legislation. 	<p>2. Revaluation of assets</p> <ul style="list-style-type: none"> The Council is carrying out a revaluation of its housing stock in 2012/13 The Council carries out a rolling programme of valuations over a five year cycle. 	<p>3. Use of MRA as a proxy for depreciation</p> <ul style="list-style-type: none"> The Council uses the major repairs allowance (MRA) as a proxy when depreciating council dwellings. 	<p>4. Reductions in Central Government funding</p> <ul style="list-style-type: none"> Central government funding continues to fall year on year, with the latest settlement for 2013-14 reducing local government spending by a further 1.7%. This places continued pressure on the Council to identify and deliver savings on an on going basis. 	<p>5. Business rates retention scheme</p> <ul style="list-style-type: none"> The Local Government Finance Act 2012 introduces from April 2013 a business rates retention scheme. The Council will be able to keep a proportion of the business rates revenues received as well as growth on the revenue that is generated in the area. 	<p>6. Localisation of Council Tax Benefit and welfare reform</p> <ul style="list-style-type: none"> Council tax support is now localised and local authorities are responsible for implementing their own Council Tax reduction schemes. Universal credit is to be introduced from October 2013.
					
Our response					
<ul style="list-style-type: none"> We will discuss progress to settle these claims with senior finance staff during the audit We will review the Council's estimate of the provision within the financial statements. 	<ul style="list-style-type: none"> We will review the Council's arrangements for instructing the valuer We will perform procedures to confirm our ability to rely on the work of the valuer We will perform tests of detail on valuations to confirm that valuations are appropriately reflected in the accounts We will consider the Council's arrangements for ensuring that asset valuations remain current. 	<ul style="list-style-type: none"> We will review the Council's justification for using MRA as a proxy for depreciation. 	<ul style="list-style-type: none"> We will assess the Council's financial resilience and its financial plans as part of our Value for Money conclusion and 'going concern' assessment We will report our audit findings to the Treasurer and the Audit and Standards Committee. 	<ul style="list-style-type: none"> We will continue to discuss the impact of the changes through our regular meetings with senior management. We will assess the impact of these changes in the Council's medium term financial plan through our financial resilience work. 	<ul style="list-style-type: none"> We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance We will assess the impact of these reforms on the Council's medium term financial plan through our financial resilience work.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Transfer of assets to Academies • Recognition of grant conditions and income. 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement 2012/13 • Welfare reform Act 2012. 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword. 	<p>4. Pensions</p> <ul style="list-style-type: none"> • Planning for the impact of 2013/14 changes to IAS19 Employee Benefits that will impact on how the Local Government pension Scheme (LGPS) is accounted for. 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans. 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required.
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Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing • schools are accounted for correctly and in line with the latest guidance • grant income is recognised in line with the correct accounting standard. 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate. 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge. 	<ul style="list-style-type: none"> • We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management. 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion. 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements.
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Our audit approach

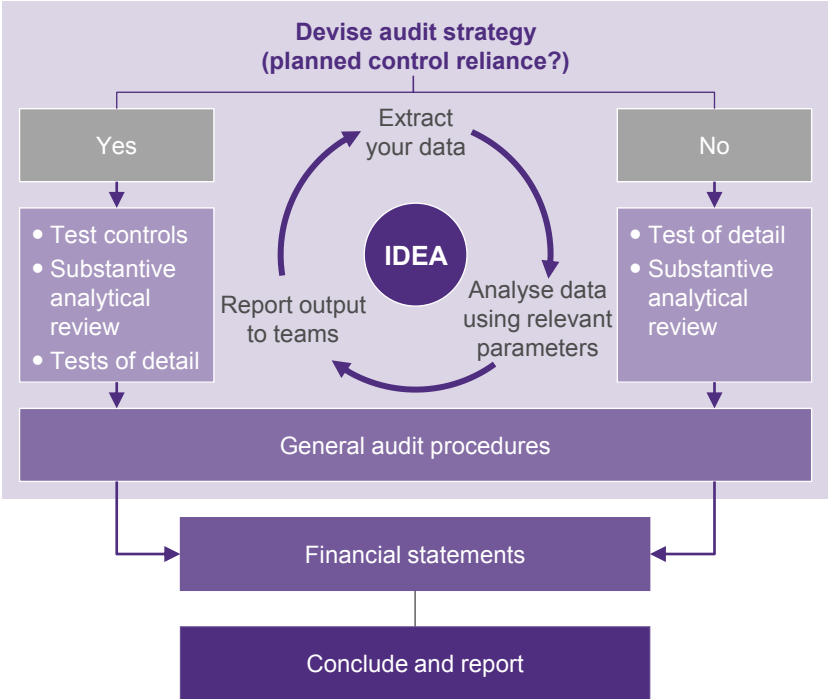
Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)

- * Understanding the environment and the entity
- * Understanding the business
- * Understanding management's focus
- * Evaluating the year's results

Inherent risks
Significant risks
Other risks
Material balances

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material^a respects with the CIPFA Code of Practice framework using our global methodology and audit software



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.



Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – Housing revenue	Yes	HRA	Medium	Other	Housing revenue transactions not recorded	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		✓
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	Yes	Council Tax / Operating expenses	Low	8 None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		✓
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		×
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Dividends receivable	No	Revenue	Low	None		×
Impairment of investments	No	Investments	Low	None		×
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		×
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
Revenue support grant & other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue / Operating expenses	Low	None		✗
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		✗
Investments (long term)	Yes	Investments	Low	None		✓
Investments (short term)	No	Investments	Low	None		✗
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		✗
Inventories	No	Inventories	Low	None		✗
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		✓
Deferred liabilities (long & short term)	Yes	Debt	Low	None		✓
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to 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 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Further work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Performance of attribute testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Further work planned: <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. 	<ul style="list-style-type: none"> Testing of key controls Performance of substantive testing on material expenditure streams Review of accounting estimates, judgments and decisions made by management
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. 	<ul style="list-style-type: none"> Performance of attribute testing on material expenditure streams Review of accounting estimates, judgments and decisions made by management
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. 	<ul style="list-style-type: none"> Performance of attribute testing on material expenditure streams Review of accounting estimates, judgments and decisions made by management
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. 	<ul style="list-style-type: none"> Testing of the final Housing Benefit claim will be completed using the HB COUNT methodology, with assurance for the financial statements taken from the testing of the initial sample of 20 cases per benefit category
Housing Rent Revenue Account	Revenue transactions not recorded.	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. 	<ul style="list-style-type: none"> Performance of attribute testing on material revenue streams Review of accounting estimates, judgments and decisions made by management

Other risks (continued)

Other reasonably possible risks	Description	Work completed to date	Further work planned
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. 	<ul style="list-style-type: none"> Performance of substantive testing on material expenditure streams Review of accounting estimates, judgments and decisions made by management
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. 	<ul style="list-style-type: none"> Review of the Council's arrangements for instructing the valuer Performance of procedures for relying on the work of the valuer Performance of tests of detail on valuations Review of accounting estimates, judgments and decisions made by management including the assessment of whether valuations remain current between valuation dates.

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the independence of the internal audit function (Audit Services)
- Audit Service's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion / Summary
Audit Services	We have reviewed the independence of Audit Services and have considered their work on the Council's key financial systems.	Overall, we have concluded that Audit Services continue to provide an independent service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	In-year internal controls were observed to have been implemented in accordance with our documented understanding.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that have been raised in the previous year. We concluded that, from the work undertaken to date, there are no material weaknesses which are likely to adversely impact on the Council's financial statements.	No significant issues were noted. Some minor deficiencies were identified and these have been reported to management.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	No significant issues noted by work to date. Detailed testing on journal transactions will be performed as part of the final accounts visit.

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

We will produce a separate report on the Council's financial resilience

Logistics and our team



Date	Activity
March – April 2013	Interim site work
17 June 2013	Receive financial statements for audit
June 2013	Year end fieldwork commences
9 July 2013	The audit plan presented to Audit and Standards Committee
31 July 2013	Receive completed housing benefits workbooks (initial sample only)
26 August 2013	Receive Whole of Governments pack for audit
TBC	Audit findings clearance meeting
19 September 2013	Audit & Standards Committee meeting to report our findings
September 2013	Sign financial statements and VfM conclusion
October 2013	Issue Annual Audit Letter

Our team

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Fees and independence

Fees

	£
Council audit	178,177
Grant certification - indicative fee	41,000
Total	219,177

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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 Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

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

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 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 a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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 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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
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		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Audit & Standards Committee – 9th July 2013

Report of the Treasurer

Internal Audit Services Annual Performance & Review Report 2012/2013

Purpose of the Report

1. To give Members an overview of the performance of Dudley Audit Services in the year to 31st March 2013. and also to inform members of the Head of Audit Services' review of Audit Services in line with the Accounts and Audit Regulations 2011 which requires the Council to conduct an annual review of the effectiveness of internal audit.

Background

Performance Measured Against the Strategic Plan

2. We are able to report that 93% of the planned work had been completed by the end of the year [compared with 96% in 2011/12]. The reduction was largely due to one member of staff being off on sick leave for the majority of the year. The following statistics give a broad indication of the extent of the work undertaken in 2012/13 :-
 - Internal Audit reviewed 136 areas of activity. These are summarised in Appendix A.
 - 818 recommendations were made, the overwhelming majority of which had been discussed and agreed with management by the year-end. 128 of these were classified as high, the breach rating having been scrapped at the start of April 2012. A summary of the number of recommendations by Directorate is contained in Appendix B. This shows a sharp decrease in the total number of recommendations made compared to 2011/12 when 2,081 recommendations were made. Whilst there are many factors behind a reduction in the number of recommendations two stand out :-
 - 46 Schools accounted for 1,018 of the 2,081 recommendations in 2011/12 whereas we concentrated on Secondary Schools in 2012/13 and 19 Schools accounted for 337 recommendations out of the total of 818.
 - We carried out fewer audits in 2012/13 which was due in part to the resources redirected to fraud work.

- A thematic analysis of the recommendations raised has identified common themes and the following table identifies the top five as well as how Audit will promote practices to reduce the numbers of recommendations in these areas :-

Subject	Note
Procurement	Aim to facilitate simplified Standing Orders and on line training course
Inventories	Promote the “Simple Guide to Systems” procedural guide
Information Security	As above
Income	As above
Payroll/Personnel	The roll out of more “Yourself” elements of PSE should help reduce the number of recommendations

Audit Services will write to all Directorates giving them details of the thematic analysis and ask them to co-operate in finding/implementing solutions.

- Audit Services was involved in 37 special investigations and provided assistance to other Fraud Teams [e.g. Housing] on 38 occasions. In addition Audit handled 167 calls, letters or emails sent to the Fraud Hotline which has now been in operation since October 2011.
- 33 honorary audits were carried out.
- Consultancy work was carried out in various Directorates.
- We have continued to develop our input to value for money audits and identified approximately £900,000 in efficiency savings during the year. Of this nearly 15% was directly cashable. The savings were identified in a range of reports and information provided to the Committee in February has been updated :-

Project	£,000
Analysis of procurement invoices, commitments and VAT	62
VFM Health Checks in Schools	121
Recovery of water utility costs	89
Review of Energy Management Strategy	410
Rationalisation of rooms for hire	65
Postage arrangements in Schools	20
CCTV/Security arrangements	100
Income generating work at Schools	34

The development of value for money audit work has hopefully demonstrated an added value aspect to our service at a time when service & funding pressures mount against a background of transformation taking more prominence. Periodically, we present details on value for money audit work to appropriate Corporate Groups.

Performance Measured Against Customer Expectation

3. To obtain feedback about the quality of work, post-audit questionnaires are issued to auditees after each audit. Auditees are asked to respond to questions relating to the various stages of the audit and are also offered the opportunity to respond to one question indicating whether they found the audit satisfactory overall. For all questionnaires returned the auditee had responded yes to this question, assessing the audit as satisfactory or better.
4. 50 questionnaires were returned in 2012/13. This represents a response rate of about 50%, compared to 57% for 2011/12. The reduction will be discussed at the Nominated Officer Group, which is made up of a representative from each Directorate to act as a liaison officer with Audit.

For 90% of the questionnaires received the overall score was good to excellent. The remaining 10% were satisfactory to good with no questionnaires scoring poor to satisfactory.

The results compare favourably with previous years :-

	2012/13 (%)	2011/12 (%)	2010/11 (%)
Received	50	57	54
Good to excellent	90	88	92
Satisfactory to Good	10	12	8
Poor to Satisfactory	0	0	0

We also received 33 compliments about the services delivered by Audit.

5. In 2012 in conjunction with other Divisions of the Corporate Resources Directorate, we achieved “Customer Service Excellence” status for excellent customer service.

Other Performance Measures

6. Over a number of years we have hardened targets to reduce the time taken from the start of audit work to the issue of draft audit report from a maximum of eight weeks to seven weeks. We achieved this target in 95% of the audits we carried out against 93% in 2011/12.

We operate Audit Process protocols with all Directors which set out our targets and also ask them to co-operate in finalising draft audit reports within six weeks

of the report being issued. We achieved this in 83% of reports in 2012/13, which is an improvement over the 68% in 2011/12. The improvement was influenced by informing Directors about the concerns of the Audit & Standards Committee over previously reported poor performance.

Training

7. We no longer run seminars on “Fraud Awareness” and “An Introduction to Audit & Control”, rather a series of on line courses have been developed to cover these subjects as well as a course on Financial Regulations. A number of workshops / briefings are provided to school staff and governors :-

Training	12/13	11/12	10/11
Introduction to Audit seminar	N/A	37	90
Introduction to Audit on line course	642	N/A	N/A
Fraud Awareness seminar	N/A	15	48
Fraud Awareness on line course	420	165	N/A
Fin Regulations on line course	532	291	N/A
School FMS/FVS Workshop	107	0	30
School Finance M'ment Workshop	80	N/A	N/A
School Controls Workshop	30	20	50
Schools Bench Marking Workshop	30	40	31
Deputy Head Teacher seminar	6	10	10
Governors FMS Briefing	20	0	6

Benchmarking

8. We are members of the CIPFA Benchmarking Club for Internal Audit and supply details to enable comparison of costs with other Authorities. The results of the 2012 exercise produced the following estimates for the financial year 2013/14 :-

	<u>Dudley</u>	<u>Similar</u> <u>Boroughs</u>
	[£]	[£]
Cost per auditor	49,774	52,509
Cost per audit day	276	292

Sandwell and Wolverhampton dropped out of the CIPFA Benchmarking Club so we are unable to compare Dudley with the rest of the Black Country. We have reduced staffing and costs over several years so that the outturn costs for Audit continue to fall.

Internal Audit Standards

9. Historically we have complied with CIPFA's Code of Practice for Internal Audit and judged our level of compliance against self assessment checklists covering both audit standards and the characteristics of effectiveness. Our self assessment on all aspects of compliance with the Code of Practice indicates a high level of compliance.

10. Quality control of audit work is governed by the standards set out in the Code of Practice for Internal Audit and our own Audit Manuals. All audits are subject to ongoing supervisory input before and during the audit. Once the audit work has been completed the file is subject to review by Audit Managers who ensure that the work is to acceptable standards. In line with the Code, the Head of Audit Services carries out a series of file overviews to ensure that standards have been achieved in the work, reviews and reports of all staff. These reviews assist in ensuring that the two teams operate to the same working practices.
11. From the 1st April 2013, CIPFA has endorsed a new set of internal audit standards which have been produced for the whole of the public sector and which are based on the Chartered Institute of Internal Audit published standards.
12. The Head of Audit has carried out an assessment of Audit Services compliance against the new standards and this is attached as Appendix C. The assessment indicates that Audit Services are largely compliant with the standards but will need to amend the Audit Operations Manual, which will replace the old Audit Manual, to reinforce the Standards to all Auditors. The Audit Charter will also be amended and this will be presented to the September meeting of this Committee.

Audit & Standards Committee

13. The roles, responsibilities and meetings of the Audit & Standards Committee are a key part of the system of internal audit, and it's Terms of Reference are in line with guidance issued by CIPFA.
14. CIPFA guidance on the review of the effectiveness of internal audit suggests that the effectiveness of the Audit & Standards Committee should also be assessed. The Committee has previously considered a self assessment checklist [issued by CIPFA's Better Governance Forum] and this has been updated [see Appendix D] to reflect the Head of Audit's opinion of the current level of compliance, who considers the assessment demonstrates the operation of the Audit & Standards Committee is effective in terms of audit matters.
15. In line with CIPFA best practice, reports covering a range of issues are presented by Audit Services to the Audit & Standards Committee e.g. :-
 - Planning
 - Performance
 - Results of work on each Directorate
 - Interim Performance
 - Fraud

16. Benchmarking of the Committee against other local authorities was undertaken in 2012 and a report was submitted to the April meeting of the Committee. This identified no significant differences but did make some recommendations [e.g. increased reporting on risk management] which were accepted by the Committee.

External Audit

17. The Audit Commission had previously relied on Audit Services for audits on the major financial systems, and this prevented unnecessary duplication of work and also contributed to lower audit fees.

It appears that Grant Thornton have a different way of working in line with their usual practice and the reduced fee structure. There is on going dialogue with Grant Thornton to ensure we work in the right spirit of co-operation and avoid unnecessary duplication.

18. We have previously reported on the abolition of the Audit Commission and that has come a step closer with the publication of the intended “Local Audit and Accountability” Bill in the Queen’s Speech. The Bill still provides for each Authority to use an “Audit Panel” to procure the external auditors and assist in managing any such contract. For Dudley this will take effect when we are assessing the next contract which will need to be in place for 2017.

Annual Governance Statement [AGS]

19. A separate report will be submitted in September to the Audit & Standards Committee on the 2012/13 AGS. The Head of Audit reports that in his opinion there are currently no significant deficiencies in the system of risk management and internal control at Dudley MBC of such fundamental significance that will need to be reported in the AGS.
20. This opinion is based principally on the work carried out by the Audit Services Division during 2012/2013. It must be acknowledged, however, that it is not possible to review all aspects of risk management and internal control within a single year. In forming this opinion, it has also been necessary to take into account the results of work by :-

- Internal Audit in previous years
- External Audit
- External inspectorates
- Audit & Standards Committee
- Other Scrutiny Committees

Finance

21. There are no direct financial implications arising from this report. The cost of internal audit is met from within the base budget of the Directorate. Audit Services budget for 2013/14 envisages an out turn of £409,000 against £434,000 for 2012/13.

Law

- 22. The Council is required under Section 151 of the Local Government Act 1972 to appoint an officer to be responsible for its financial affairs.

- 23. The Accounts and Audit Regulations 2011 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. They also require the Council to conduct a review at least once a year of the effectiveness of its internal audit and the findings of the review shall be considered by a committee of the relevant body.

Equality Impact

- 24. This report does not raise any equal opportunities issues.

- 25. The work of Internal Audit helps to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the work carried out.

Recommendations

- 26. That the Committee accept this report on the performance and review of Audit Services in 2012/13.



.....
Iain Newman
Treasurer

Contact Officer: Les Bradshaw (ext. 4853)

PLANNED AUDITS CARRIED OUT DURING 2012/13**Adult Community & Housing Services**

New Bridge House	Russell Court
Asset Management Strategy	Contracts [All stages] Review
IT Application Review - Keystone Asset Management	Business Support
Directorate Security	Directorate Performance & Risk Management
Directorate Procurement	Adult Commissioning
Homecare Debt Collection	IT Application Review – Northgate Housing
Rent Collection and Setting	Lettings policies/procedures
Housing Rent Arrears	Housing Strategy Programme Management
Residential Debt Collection	Directorate Payroll & Personnel

Chief Executive

Directorate Partnerships	Directorate Procurement
Directorate Payroll & Personnel	Community Safety
Directorate Performance & Risk Management	Community Engagement Strategy
Corporate Grants	Annual Governance Statement
Corporate Governance	Value for money
Transformation	Partnership Governance

Children's Services

16 Plus Team	Visual Impairment Service
Physical Impairment Medical Inclusion Service	Autism Outreach Service
Hearing Impairment Service	Specialist Early Years Service
Language Units	Care Management North Team 2 (Dudley)
Directorate Security	Information Governance
Business Continuity	Counselling
Project Management	Procurement
Commissioning	School Governance Team
Psychology	Astley Burf
Kitchens	Connexions
School Purchasing Procurement and General Management	16-19 Provision
Central Area Youth	Halesowen Area Youth
Youth Services - Central Office	

Corporate Resources

Bank Reconciliation Review	Treasury
Control Accounts	Housing Benefits Review
Administrative Systems	Computer Assisted Audit Technique Exercises
Project Management - Office Accommodation Strategy	Land Charges
Construction Industry Tax Scheme	Creditors System
Debtors System Review	IT Application Review - Northgate Revenues & Benefits
Teachers Pension Scheme	IT Physical & Environmental Management
IT Security Defences	IT Business Continuity Planning
IT Project Management	RIPA
Payroll System	IT Application Review - HSBCnet
HR First	IT Application Review - Logotech
Temp Solutions	Crown Centre
Procurement Team	CRC Annual Report
Business Rates	Revenues Exchequer Team
Council Tax Review	

Schools

Schools Financial Value Standard	Procurement
The Wordsley School	Coseley School and Sports College
Dormston School	Ellowes Hall Foundation School
Belle Vue School	Pedmore Technology College and Community School
Old Swinford Hospital School	Bishop Milner R.C. School
Amblecote	Hillcrest School
Ridgewood School	Redhill School
Castle High School	Crestwood School
Summerhill School	Leasowes School
Lapal	

Urban Environment

New Heritage Regeneration	Safeguarding
Parks Management	Crystal Leisure Centre
Collection Management	Trading Standards
Directorate Personnel & Payroll Procedures	Highways Minor Schemes
Project management	Local Transport Grant
Landscapes (all contract stages)	Street Cleansing
Grounds Maintenance	Directorate Procurement
Electrical and Mechanical Team	

Deferred/Cancelled

Chief Executive	
Corporate Data Quality **	Public Health *
Corporate Resources	
IT Operations and Facilities Management *	IT PSE *
IT Radius Icon *	Capital Accounting **
DACHS	
Income Collection **	Grant Income **
Making it Real *	Tenant Empowerment **
Children's Services	Directorate Personnel & Payroll Procedures *
Urban Environment	Refuse Collection **

NOTES

NB 1 * The audit is carried forward to the 2013/14 Audit Plan

NB 2 ** Due to changes in operations, materiality, or other circumstances, the audit was cancelled

NB 3 The list of audits completed includes some carried out as “consultancy” offering which would not necessarily result in the normal type of audit report

APPENDIX B**TOTAL SUMMARY OF PLANNED WORK COMPLETED FOR EACH DIRECTORATE**
2012/13

Department	No. of audits	Number of Recommendations	Number of Breach	Number of High Priority Findings	Number of Unimplemented Recommendations
Adult, Community and Housing Services	16	89	N/A	17	6
Chief Executives	4	19	N/A	2	5
Children's Services	23	189	N/A	14	27
Corporate Resources	27	93	N/A	12	3
Schools	19	337	N/A	65	61
Urban Environment	14	91	N/A	18	6
Honorary	33	N/A	N/A	N/A	N/A
TOTAL [NB1]	136	818	N/A	128	108
2011/12	192	2081	1039	39 [NB2]	203
2010/11	178	1838	690	47	151
2009/10	195	1624	723	70	169
2008/09	199	1657	696	114	226
2007/08	189	1803	340	114	193

NOTES

NB 1 The number of audits in 2013/14 increases to 167

NB 2 The number of High and High Breach in 2011/12 was 515

UK Public Sector Internal Audit Standards [PSIAS]

The Chartered Institute of Public Finance and Accountancy [CIPFA] representing local government was involved with central government departments in agreeing a new set of standards for internal audit across the UK public sector effective from 1 April 2013.

The standards encompass the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework with additional requirements and interpretations for the UK public sector included where required.

The PSIAS replace previous codes and standards, including the “Code of Practice for Internal Audit in Local Government” published by CIPFA. While the PSIAS come into force from April it was not expected that all elements will be in place on day one. Many of the standards apply to activities that will happen later on in the audit year, for example audit reports, annual audit reporting and quality assurance and improvement processes. Some of the standards will need to be addressed early on however, in particular the development and approval of the audit charter and the completion of the risk-based audit plan.

The PSIAS comprise the definition of internal audit, a code of ethics and a series of attribute and performance standards. The new definition of internal audit is:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

CIPFA is also publishing a “Local Government Application Note” (LGAN) to support internal auditors transferring from the CIPFA Code of Practice to the PSIAS. The Application Note includes a checklist for assessing conformance with the PSIAS and LGAN which can be used to support the external assessment requirements of the PSIAS. This publication will be available from the CIPFA shop shortly.

The Department for Communities and Local Government has given both the PSIAS and LGAN the status of “proper practices” for internal audit in organisations covered by the Accounts and Audit Regulations 2011. This includes local authorities, police and fire bodies in England.

The PSIAS use the term “board” throughout the standards to define particular governance and accountability roles, and in Dudley this is considered to be the Audit & Standards Committee [ASC]. The term “Chief Audit Executive” is also used and in Dudley this is the Head of Audit [HoA]. These alternative terms have been used in the document below, which is an extract of the Standards. The level of compliance has been assessed by the Head of Audit.

The current Audit Services Manual has been in existence for several years and is related to the CIPFA Code of Practice. The Manual covers all of the new Standards in principle if not in detailed wording but will not be amended. The Standards will instead be incorporated in the into the Divisional Operations Manual.

In the opinion of the Head of Audit we will always take a professional approach to audit work and this will incorporate standard audit techniques and approaches. Details have been entered for the principle standards only.

INTERNAL AUDIT STANDARDS	AUDIT SERVICES COMPLIANCE/COMMENT
DEFINITION OF INTERNAL AUDIT	
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.	The current Audit Charter was approved in April 2013 and includes a CIPFA definition. A revised Audit Charter will be presented to the September meeting of the ASC
CODE OF ETHICS	The Operations Manual will be amended to reinforce these Standards
Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.	All members of Audit Services management team hold professional qualifications and are aware of the need to comply with associated codes of ethics. All auditors also adhere to Audit Services code of ethics and the Authority’s Code of Conduct for Employees
Integrity : The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.	Noted, and included in all Person Specifications
Objectivity :Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.	Noted, and included in all Person Specifications
Confidentiality : Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.	Already covered in our Information Security Charter and the Authority’s Code of Conduct

Competency : Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.	We have a Skills & Competency Framework which is used in conjunction with the Performance Review & Development policy for employees
Internal auditors must also have regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i>	Noted, and will be reinforced in the Operations Manual
ATTRIBUTE STANDARDS	
1000 Purpose, Authority and Responsibility The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> and the <i>Standards</i> . The HoA must periodically review the internal audit charter and present it to senior management and the ASC for approval.	Annual review of the Audit Charter and reporting to ASC
1010 Recognition of the <i>Definition of Internal Auditing</i>, the <i>Code of Ethics</i> and the <i>Standards</i> in the Internal Audit Charter : The mandatory nature of the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> and the <i>Standards</i> must be recognised in the internal audit charter. The HoA should discuss the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> and the <i>Standards</i> with senior management and the ASC.	HoA discusses compliance in annual report to ASC
1100 Independence and Objectivity : The internal audit activity must be independent and internal auditors must be objective in performing their work.	Audit is considered independent and objective
1110 Organisational Independence : The HoA must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The HoA must confirm to the ASC, at least annually, the organisational independence of the internal audit activity.	HoA reports to the Treasurer Covered in Audit Charter
1111 : Direct Interaction with the Board : The HoA must communicate and interact directly with the ASC.	HoA liaises with ASC on a regular basis
1120 : Individual Objectivity : Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.	Audit Management reflect on results of annual declaration of interest before assigning work
1130 : Impairment to Independence or Objectivity : If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.	As above

1200 Proficiency and Due Professional Care Engagements must be performed with proficiency and due professional care.	Noted, and is subject to review by Management
1210 Proficiency : Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.	Covered in our Skills & Competency Framework
1220 Due Professional Care : Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	Covered in our Operations Manual
1230 Continuing Professional Development Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.	Already covered in our Skills & Competency Framework and we develop training plans each year to ensure appropriate training is arranged. This aims to assist in continuing professional development.
1300 Quality Assurance and Improvement Programme : The HoA must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.	Covered in our Operations Manual
1310 Requirements of the Quality Assurance and Improvement Programme : The quality assurance and improvement programme must include both internal and external assessments.	We have an internal assessment programme but have previously relied on External Audit to carry out the external assessment. The HoA is tasked with organising an external assessment during 2013/14.
1311 Internal Assessments : Internal assessments must include :- a. Ongoing monitoring of the performance of the internal audit activity; b. Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.	We comply, and use the Corporate Governance Group to assist.
1312 External Assessments : External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board :- a. The form of external assessments; b. The qualifications and independence of the external assessor or assessment team,	The HoA is tasked with organising an external assessment during 2013/14.

including any potential conflict of interest.	
1320 Reporting on the Quality Assurance and Improvement Programme : The HoA must communicate the results of the quality assurance and improvement programme to senior management and the ASC.	Monthly reports to the Treasurer and various reports to ASC.
1321 Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing” : The HoA may state that the internal audit activity conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> only if the results of the quality assurance and improvement programme support this statement.	HoA covers in annual review of audit
1322 Disclosure of Non-conformance : When non-conformance with the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> or the <i>Standards</i> impacts the overall scope or operation of the internal audit activity, the HoA must disclose the non-conformance and the impact to senior management and the ASC.	HoA would report matters to Treasurer and ASC
PERFORMANCE STANDARDS	
2000 Managing the Internal Audit Activity The HoA must effectively manage the internal audit activity to ensure it adds value to the organisation.	Providing added value is a core part of our service offering
2010 Planning : The HoA must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.	Risk based planning is in place
2020 Communication and Approval : The HoA must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the ASC for review and approval. The HoA must also communicate the impact of resource limitations.	Report to ASC covers Audit Plan
2030 Resource Management : The HoA must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.	Report to ASC covers Audit Plan
2040 Policies and Procedures : The HoA must establish policies and procedures to guide the internal audit activity.	We have an Operations Manual
2050 Coordination : The HoA should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.	We liaise with external audit to ensure no duplication of effort. We also liaise with relevant Directors to avoid duplication e.g. Schools and OFSTED

<p>2060 Reporting to Senior Management and the ASC : The HoA must report periodically to senior management and the ASC on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the ASC.</p>	<p>We cover these matters in various reports to ASC</p>
<p>2070 External Service Provider and Organisational Responsibility for Internal Auditing : When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.</p>	<p>We do not use external providers but would comply if that occasion arose</p>
<p>2100 Nature of Work : The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.</p>	<p>Based on plans, performance and operating manuals we comply</p>
<p>2110 Governance : The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives :- a. Promoting appropriate ethics and values within the organisation; b. Ensuring effective organisational performance management and accountability; c. Communicating risk and control information to appropriate areas of the organisation; d. Coordinating the activities of and communicating information among the board, external and internal auditors and management.</p>	<p>Based on the evidence of Audit Reports this confirms we comply</p>
<p>2120 Risk Management : The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p>	<p>We carry out a wide range of risk management audits</p>
<p>2130 Control : The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.</p>	<p>All audits are geared toward maintaining effective controls</p>
<p>2200 Engagement Planning : Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.</p>	<p>An Audit Brief is prepared for each assignment</p>

<p>2201 Planning Considerations : In planning the engagement, internal auditors must consider :-</p> <p>a. The objectives of the activity being reviewed and the means by which the activity controls its performance;</p> <p>b. The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level;</p> <p>c. The adequacy and effectiveness of the activity’s governance, risk management and control processes compared to a relevant framework or model;</p> <p>d. The opportunities for making significant improvements to the activity’s governance, risk management and control processes.</p>	<p>An Audit Brief is prepared for each assignment</p>
<p>2210 Engagement Objectives : Objectives must be established for each engagement.</p>	<p>An Audit Brief is prepared for each assignment</p>
<p>2220 Engagement Scope : The established scope must be sufficient to satisfy the objectives of the engagement.</p>	<p>An Audit Brief is prepared for each assignment</p>
<p>2230 Engagement Resource Allocation : Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.</p>	<p>Appropriate time allocations are made for each audit</p>
<p>2240 Engagement Work Programme : Internal auditors must develop and document work programmes that achieve the engagement objectives.</p>	<p>Covered in our Operations Manual, and audit programmes developed for each audit</p>
<p>2300 Performing the Engagement : Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement’s objectives.</p>	<p>Covered in our Operations Manual</p>
<p>2310 Identifying Information : Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement’s objectives.</p>	<p>Covered in our Operations Manual</p>
<p>2320 Analysis and Evaluation : Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.</p>	<p>Covered in our Operations Manual</p>
<p>2330 Documenting Information : Internal auditors must document relevant information to support the conclusions and engagement results.</p>	<p>Covered in our Operations Manual</p>

<p>2340 Engagement Supervision : Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.</p>	<p>All audit work is subject to supervision</p>
<p>2400 Communicating Results : Internal auditors must communicate the results of engagements.</p>	<p>We use standard report formats</p>
<p>2410 Criteria for Communicating : Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.</p>	<p>Audit brief and audit reports are shared with customers</p>
<p>2420 Quality of Communications : Communications must be accurate, objective, clear, concise, constructive, complete and timely.</p>	<p>Noted, and will be reinforced in Operations Manual</p>
<p>2421 Errors and Omissions : If a final communication contains a significant error or omission, the HoA must communicate corrected information to all parties who received the original communication.</p>	<p>The HoA would comply</p>
<p>2430 Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing” : Internal auditors may report that their engagements are “conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i>”, only if the results of the quality assurance and improvement programme support the statement.</p>	<p>This would not routinely be included in Audit Reports</p>
<p>2431 Engagement Disclosure of Non conformance : When nonconformance with the <i>Definition of Internal Auditing</i>, the <i>Code of Ethics</i> or the <i>Standards</i> impacts a specific engagement, communication of the results must disclose the :- a. Principle or rule of conduct of the <i>Code of Ethics</i> or Standard(s) with which full conformance was not achieved; b. Reason(s) for nonconformance; c. Impact of nonconformance on the engagement and the communicated engagement results.</p>	<p>HoA would report matters</p>
<p>2440 Disseminating Results : The HoA must communicate results to the appropriate parties.</p>	<p>Results are communicated in Audit Reports to appropriate Director, Assistant Director and Head of Service</p>

<p>2450 Overall Opinions : When an overall opinion is issued, it must take into account the expectations of senior management, the ASC and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p>	<p>Overall opinions are the result of appropriate information and discussions</p>
<p>2500 Monitoring Progress : The HoA must establish and maintain a system to monitor the disposition of results communicated to management.</p>	<p>Formalised follow up arrangements exist for certain reports and type of recommendation</p>
<p>2600 Communicating the Acceptance of Risks : When the HoA concludes that management has accepted a level of risk that may be unacceptable to the organisation, the HoA must discuss the matter with senior management. If the HoA determines that the matter has not been resolved, the HoA must communicate the matter to the ASC.</p>	<p>Noted and such matters would be raised with Treasurer and, within scope of Annual Directorate Audit reports to ASC</p>

CIPFA “A Toolkit for Local Authority Audit Committees”

Self Assessment Checklist 2013

ESTABLISHMENT, OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/A	Comment/Action
1	Does the Committee have written terms of Reference?	Y			
1	Do the terms of reference cover the core functions of a Committee as identified in the CIPFA guidance?	Y			
1	Are the terms of reference approved by the Council and reviewed periodically?	Y			Constitution approved by Council and Terms of Reference amended as appropriate
1	Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			
1	Can the Committee access other Committees and full Council as necessary?	Y			
1	Does the authority’s AGS include a description of the Committee’s establishment and activities?	Y			
2	Does the Committee periodically assess its own effectiveness?	Y			
2	Does the Committee make a formal annual report on its work and performance during the year to full Council?		N		

Membership, Induction and Training					
1	Has the membership of the Committee been formally agreed and a quorum set?	Y			
1	Is the Chair independent of the Executive function?	Y			
1	Has the Committee Chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Y			
1	Are new Committee Members provided with an appropriate induction?	Y			There is no formal induction. New Members have a briefing with Head of Audit.
1	Have all Members' skills and experiences been assessed and training given for identified gaps?		N		
1	Has each Member declared his or her business interests?	Y			
2	Are Members sufficiently independent of the other key Committees of the Council?	Y			
Meetings					
1	Does the Committee meet regularly?	Y			Additional meeting scheduled for 2013/14
1	Do the terms of reference set out the frequency of meetings?		N		This is covered by annual report to Council
1	Does the Committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y			

1	Are Members attending meetings on a regular basis and if not, is appropriate action taken?	Y			
1	Are meetings free and open without political influences being displayed?	Y			
1	Does the authority's S151 officer or deputy attend all meetings?	Y			
1	Does the Committee have the benefit of attendance of appropriate officers at its meetings?	Y			
Internal Control					
1	Does the Committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			
1	Does the Committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y			
1	Does the Committee consider how meaningful the AGS is?	Y			
1	Does the Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			
1	Has the Committee considered how it integrates with other committees that may have responsibility for risk management?	Y			

1	Has the Committee (with delegated responsibility) or the full Council adopted “Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?”	Y			Audit & Standards Committee receive bench marking information against CIPFA/Audit Commission/NFA guidelines
1	Does the Committee ensure that the “Actions to Counter Fraud and Corruption” are being Implemented ?	Y			Audit & Standards Committee receive Annual Fraud Report and approve the Anti Fraud & Corruption Strategy
2	Is Committee made aware of the role of risk management in the internal audit plan?	Y			
2	Does the Committee review the authority’s strategic risk register at least annually?	Y			Y
2	Does the Committee monitor how the authority assesses its risk?	Y			Approval of the Risk Management Strategy and consideration of Corporate Risks in three separate reports
2	Do the Committee’s terms of reference include oversight of the risk management process?	Y			
Financial Reporting and Regulatory Matters					
1	Is the Committee’s role in the consideration and/or approval of the annual accounts clearly defined?	Y			
1	Does the Committee consider specifically: a.The suitability of accounting policies and treatments b.Major judgments made c.Large write-offs d.Changes in accounting treatment e.The reasonableness of accounting estimates f.The narrative aspects of reporting?	Y			Majority of these covered in reports of the Treasurer

1	Is an Committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			
1	Does the Committee review management's letter of representation?	Y			
2	Does the Committee annually review the accounting policies of the authority?	Y			
2	Does the Committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			Training offered to Members
2	Does the Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			"Audit Committee Updates" published by CIPFA forwarded to Members and External Auditors also submit a similar type of report
Internal Audit					
1	Does the Committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			
1	Does internal audit have an appropriate reporting line to the Committee?	Y			
1	Does the Committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y			

1	Are follow-up audits by internal audit monitored by the Committee and does the Committee consider the adequacy of implementation of recommendations?	Y			
1	Does the Committee hold periodic private discussions with the Head of Internal Audit?		N		
1	Is there appropriate cooperation between the internal and external auditors?	Y			
1	Does the Committee review the adequacy of internal audit staffing and other resources?	Y			
1	Has the Committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	Y			Compliance with new IA Standards being assessed as part of the 2013 Review of Internal Audit
2	Are internal audit performance measures monitored by the Committee?	Y			
2	Has the Committee considered the information it wishes to receive from internal audit?	Y			Benchmarking exercises undertaken in 2009 and 2012 and reported to Committee to advise Members of practices at other Authorities. Improvements to information required by Committee on each occasion
External Audit					
1	Do the external auditors present and discuss their audit plans and strategy with the Committee	Y			
1	Does the Committee hold periodic private discussions with the external auditor?		N		

1	Does the Committee review the external auditor's annual report to those charged with governance?	Y			
1	Does the Committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			
1	Are reports on the work of external audit and other inspection agencies presented to the Committee, including the external auditors annual audit and inspection letter?	Y			In respect of External Audit. Other Committee's deal with reports from OFSTED, etc.
1	Does the Committee assess the performance of external audit?	Y			Opinion based on reports from Treasurer
1	Does the Committee consider and approve the external audit fee?	Y			
Agenda Management					
1	Does the Committee have a designated secretary from Committee / Member Services?	Y			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by Committee members?	Y			
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			
2	Are inputs for Any Other Business formally requested in advance from Committee members, relevant officers, internal and external audit?		N		

Papers					
1	Do reports to the Committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			
2	Does the Committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?			N/A	Council Policy
Actions Arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	Y			
1	Is a report on matters arising made and minuted at the Committee's next meeting?	Y			
1	Do action points indicate who is to perform what and by when?	Y			

Priority Rating set by CIPFA Better Governance Forum

Audit and Standards Committee 9th July 2013

Report of the Treasurer

Agenda Item. No 7

Review of current Corporate Risks

Purpose of report

1. To update members of current Corporate Risks (as most recently reviewed by Corporate Board) and to advise of future scrutiny arrangements of these risks.

Background

2. At its meeting of the 25th April 2013, this Committee requested it should receive details of Corporate Risks three times per annum. Accordingly, this report constitutes one such report and as the timetable currently stands, further reports will be submitted in December and February.

Risks currently deemed as 'Corporate'

3. Appendix one shows details of Corporate Risks (as reviewed by Corporate Board on the 4th June 2013) and therefore those appearing at the highest level on the Council's risk register. In simple terms, these risks are generally acknowledged as being the most significant facing the Council, impacting upon at least one or several of Council's key objectives
4. Corporate Board also receives reports on Corporate Risks at least 3 times per annum and in addition, all Directors continue to review Directorate risks on a quarterly basis which form part of the Quarterly Corporate Performance Report.
5. In addition to these reports, it is envisaged that this Committee will, in future, identify and scrutinise a specific risk. This will entail the risk owner or pertinent officer/s attending the Committee to provide more details about the risk e.g. its substance, severity (rating) and how it is being controlled i.e. mitigating actions. It is envisaged that this process should be on a rolling basis and that a particular risk from the Appendix should be identified. The risk owner or pertinent officer/s will be then invited to attend the next appropriate meeting.
6. In addition to risks tabled in Appendix one, it is acknowledged that this Committee may identify any additional risks that it considers should form part of the Corporate Risks list.

Finance

7. There are no explicit financial implications arising from this report.

Law

8. The Council has a statutory responsibility for managing risks as laid out in Section 4 of the Accounts and Audit Regulations 2003 (amended 2006)

Equality Impact

9. There are no equality issues arising from this report.

Recommendations

10. That this committee:

- Notes and comments on the Corporate Risks as set out in Appendix 1.
- Identifies any additional risks that it considers should form part of the Corporate Risks list.
- Identifies a particular risk for closer scrutiny the next time a risk report is scheduled (Provisionally 10th December 2013). .



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Iain Newman, Treasurer

Contact Officer: Sara McNally, 01384 815346. sara.mcnally@dudley.gov.uk

Corporate Risks following review by Corporate Board 4th June 2013

Risk Ref	The Risk	Risk Rating	Owner	Mitigating controls	Status since last report 14 Feb 2013
ORG0001	Single Status. Failure to complete appeals by end of September 2013 and potential cost implications of successful appeals and/or equal pay settlements	Significant	John Millar	<p>Corporate Board to receive reports as each division Stage 3 is completed to review if additional resources needed John Millar</p> <p>Communications with employees to confirm need to prepare for Stage 3 hearing when appeal submitted, not wait for allocated date Teresa Reilly</p> <p>Corporate Board release managers and union representatives as required for Panels John Millar</p> <p>Specialist legal advice and support in relation to equal pay litigation Philip Tart</p> <p>Prudent provision has been made and this provision is regularly reviewed. Iain Newman</p>	●
ORG0002	Assumptions made in the Medium Term Financial Strategy change e.g. inflation, grant awards and investment income returns may not be achieved and funding may be inadequate for the Council to meet all of its statutory obligations.	Major	Iain Newman	<p>Business Rates Localisation - financial planning in conjunction with accountants Iain Wollaston</p> <p>FMMR meetings with budget holders and directorate management teams Jan Szczechowski</p> <p>Finance representation on working groups Jan Szczechowski</p> <p>General and working capital reserves Jan Szczechowski</p> <p>Budget review pro-formas for completion by directorates Jan Szczechowski</p> <p>Financial reporting to members Jan Szczechowski</p> <p>Longer term budget prioritisation Iain Newman</p>	●

ORG0003	Carbon reduction targets not achieved There is an absolute risk to the environment and the Council risks incurring fines for non compliance.	Major	Phil Tart	CRC Operational Group (to ensure compliance in future years) Steve Cooper Low Carbon Management Plan (to deliver actions within plan) CRC Performance Management Steve Cooper Framework (to monitor and manage performance) Steve Cooper	●
ORG0006	Collaborative working opportunities are not realised.	Moderate	John Polychronakis	Lead the Black Country Collaboration programme for Dudley MBC Geoff Thomas Work with partners around the progression of the City Region proposal Geoff Thomas	●
ORG0007	Corporate Property Review There is a risk that the Council fails to vacate sites in a timely manner and is unable to release sites to the LLP for disposal in accordance with the development agreement, resulting in financial consequences detrimental to the Council	Moderate	Phil Tart	Detail project/partnership underway incorporating Corporate Property and the LLP Steve Cooper	✱
ORG0011	Community Cohesion There is a risk that high profile local issues may adversely affect community cohesion	Moderate	Andrea Pope-Smith	To understand and engage with local community dynamics and identify potential for actual tensions Rosina Ottewell Minimise potential negative effects of tension, prevent escalation and reduce conflict Rosina Ottewell Implementation of Hate Crime Strategy Rosina Ottewell Regular monitoring via Community Cohesion Tension Executive Geoff Thomas Support and promote community cohesion Rosina Ottewell Consider and plan interventions short, medium and long term Rosina Ottewell Initiatives to prevent gang activity within the borough via Gang Prevention Working group Rosina Ottewell	●
ORG0013	Information Governance: The Council may fail to; assess the importance of information to the business and may be unaware of the potential impact on the organisation should the confidentiality, integrity or availability of information be	Significant	Iain Newman	Information asset owners identified /named for each information asset Lewis Bourne Key information assets across the organisation	●

	compromised.			<p>identified and classified with Protective Marking System Lewis Bourne</p> <p>A structure consisting of a Board level Senior Information Risk Owner (SIRO) in place. Lewis Bourne</p> <p>Information asset owners responsible for completion of a self assessment Data Protection Compliance checklist Lewis Bourne</p>	
ORG0017	Welfare reform/s - There is a risk that various changes to welfare and benefits due in 2013 could place people at risk and increase demand for statutory services	Significant	Phil Tart	<p>Welfare Reform Project Board in place to monitor actions and outcome Owner TBC</p> <p>Increased provision for bad debt (Housing related in this instance) Owner TBC</p> <p>Reviewing use of Discretionary Housing Payments in line with new guidance Owner TBC</p> <p>Health & Well being Board established to manage its work programme including Strategy delivery Brendan Clifford</p> <p>Local Welfare Assistance/Members Steering Group in place a replacement scheme for DWP Social Fund Owner TBC</p> <p>Joint working in place to involve Social Housing Providers, CAB and Housing Benefits to identify people affected by changes Owner TBC</p> <p>Ensure the council fulfils its legal obligations resulting from the Localism Act Philip Tart</p> <p>Housing Stock options both locally and regionally being considered Owner TBC</p> <p>Provide advice & guidance on the implications of Localism Act 2011, the major measures to come into effect in April 2012 Andy Wright</p> <p>Ensure the council oversees/guides the changes the council will undergo as a result of responding to community activity Philip Tart</p>	

ORG0019	The Council acknowledges that there is a risk of fraud across all areas of its operations and is working both internally and with external partners to prevent and reduce this risk.	Significant	Iain Newman	<p>Detailed fraud risk register is held within Audit Services which is reviewed on a quarterly basis. Les Bradshaw</p> <p>Audit staff are aware of the risk register and utilise the information before completing audits in any specific areas mentioned Les Bradshaw</p> <p>Data matching exercises undertaken Les Bradshaw</p> <p>Audit Services have a programme of work as detailed below Les Bradshaw</p> <p>Networking within the West Midlands Anti Fraud Group and exchanges of intelligence. Les Bradshaw</p> <p>Audit Services have a fraud strategy action plan - the progress of this is monitored on a quarterly basis at Divisional Management Les Bradshaw</p>	●
ORG0020	Transfer of Public Health responsibilities to the Council is new to local government and as such presents challenges and potential risks.	Significant	Brendan Clifford	Public Health Transition Group established Valerie Little	●
ORG0021	Factors are combining to create a situation in which the Directorate of Children's Services may not be able to ensure the safety of children and young people. In particular whilst our budget is being reduced the level of need for services to protect children and young people from harm and neglect is rising.	Major	Jane Porter	<p>Development of early intervention services Ian McGuff</p> <p>DSLTL prioritises spend and manages budgets to ensure children are safe from harm and neglect Ian McGuff</p> <p>Optimise management structures to ensure service improvements are maintained Ian McGuff</p>	New

Risk rating is a combination of impact and likelihood

Status should reflect risk history.

Status key: ▲ Worsening ● Stable * Improving

Audit and Standards Committee – 9th July 2013

Report of the Treasurer and the Director of Corporate Resources

Committee Work Plan 2013/14

Purpose of the Report

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

Background

2. A Benchmarking Report, presented to the April Committee meeting, compared working practices with Birmingham City Council and the other Black Country Councils.
3. A number of recommendations were made and accepted by the Committee including the following :-
 - a. Introduce a work plan report setting out scheduled agenda items for the Committee at the first meeting in the 2013/14 Municipal year.
 - b. That the Committee receives regular reports on the Corporate Risk Register at three meetings per year and identifies a specific risk in each report to focus on
 - c. That in view of the other recommendations set out above, the Committee agrees to increase the frequency of meetings from four per year to five per year.
4. Attached as Appendix 1 is a draft schedule of agenda items for the five meetings in the new Municipal year, including a meeting scheduled for December.

Finance

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

Law

6. The Accounts and Audit Regulations 2011 require the Council to have an adequate and effective system of internal audit which includes all elements of the audit framework including the Audit & Standards Committee.

Equality Impact

7. This report does not raise any equal opportunities issues.

Recommendations

8. The Committee notes the contents of this report and approves the agenda schedule at Appendix 1.



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Iain Newman
Treasurer



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Philip Tart
Director of Corporate Resources

Contact Officer: Les Bradshaw (ext. 4853)

Appendix 1

Schedule of Agenda items – Municipal Year 2013/14

Date of Meeting	Report
2013	
9 July	Grant Thornton Annual Plan [Opinion Plan]
	Audit Services Performance/Review Report 12/13
	Annual Audit Report - Chief Executive
	Annual Audit Report – Corporate Resources
	Risk Report
	Committee Work Plan 13/14
19 September	Statement of Accounts 12/13
	Annual Governance Statement 12/13 [Incorporating Assurance Mapping]
	Treasury Management
	Annual Audit Report – DUE
	Exceptions to Standing Orders 01/13 – 06/13
	Grant Thornton Annual Governance Report
	Grant Thornton Audit Committee Update Report
	Audit Services Interim Performance Report
	Employee Code of Conduct Update
10 December	Annual Audit Report – DACHS
	Risk Report
	Grant Thornton Audit Committee Update Report
	Annual Report of the Committee on Standards in Public Life
	Disciplinary suspensions
2014	
13 February	Audit Services Interim Performance Report
	Annual Audit Report – DCS
	Audit Commission Annual Audit/Inspection Letter 2013
	Grant Thornton Fee Letter 13/14
	Grant Thornton Audit of Grants 12/13
	Grant Thornton Audit Committee Update Report
	Risk Management Strategy
	Treasury Management
17 April	Exceptions to Standing Orders 07/13 – 12/13
	Annual Fraud Report including Anti Fraud & Corruption Strategy
	Audit Services Plan 14/15 [Incorporating Assurance Mapping]
	Code of Corporate Governance
	Confidential Reporting Policy
	Grant Thornton Audit Committee Update

Audit and Standards Committee – 9th July, 2013

Report of the Director of Corporate Resources

Re-appointment of the Standards Sub-Committee

Purpose of Report

1. To re-appoint the Standards Sub-Committee

Background

2. This Committee at its meeting held on 3rd July, 2012, following consideration of a report on the Localism Act, 2011 – The New Standards Arrangements, agreed amongst other things, to appoint a Standards Sub-Committee.
3. The purpose of the sub-committee is to hear and determine complaints against Members and Co-opted Members under the provisions of the Members' Code of Conduct and in accordance with the local procedures that have been put in place.
4. The membership of the Sub-Committee in 2012/13 comprised four elected members, Councillors Cowell, Taylor, Mrs Westwood and Zada, being two from each political group represented on the Committee, with proportionality waived as to Membership. The Council at its annual meeting on 16th May, 2013 agreed that the proportionality requirement again be waived.

Finance

5. The cost of holding meetings of the sub-committee would be met from within existing resources

Law

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

Equality Impact

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

Recommendation

- 8. That the Standards Sub-Committee be re-appointed for 2013/14 with its existing terms of reference and that the Membership of the sub-committee comprise four members of this Committee, two from each of the political groups on the committee, with proportionality waived as to membership.



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List of Background Papers

None