

AUDIT AND STANDARDS COMMITTEE

THURSDAY 17TH APRIL 2014

**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.
 KT/kt Mrs K Taylor 01384 818116

9th April, 2014

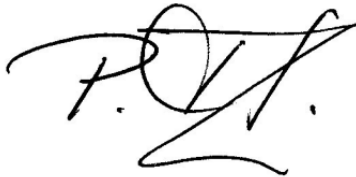
Dear Member

Audit and Standards Committee – Thursday 17th April, 2014.

You are requested to attend a meeting of the Audit and Standards Committee to be held on Thursday 17th April, 2014 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 13th February, 2014 (copy attached).
5. GRANT THORNTON AUDIT COMMITTEE UPDATE (PAGES 1 - 18)
To consider a report of the Treasurer
6. GRANT THORNTON AUDIT PLAN 2013/14 (PAGES 19 - 35)
To consider a report of the Treasurer
7. GRANT THORNTON - INFORMING THE AUDIT RISK ASSESSMENT (PAGES 36 - 61)
To consider a report of the Treasurer
8. AUDIT PLAN FOR THE PERIOD 2014 / 2015 (PAGES 62 - 67)
To consider a report of the Treasurer
9. REVIEW OF THE CODE OF CORPORATE GOVERNANCE (PAGES 68 - 107)
To consider a report of the Treasurer
10. CONFIDENTIAL REPORTING POLICY (PAGES 108 - 117)
To consider a report of the Monitoring Officer
11. 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

12. 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>
13	Report Required Under Standing Orders	2 and 7
14	Audit Services Annual Fraud Report	2 and 7

13. REPORT REQUIRED UNDER STANDING ORDERS (PAGES 118 - 121)

To consider a report of the Treasurer

14. AUDIT SERVICES ANNUAL FRAUD REPORT (PAGES 122 - 163)

To consider a report of the Treasurer

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

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

AUDIT AND STANDARDS COMMITTEE

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

PRESENT:-

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

Officers

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

Also in Attendance

Ms. S. Joburns (Grant Thornton)

40. **APOLOGIES FOR ABSENCE**

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

41. **APPOINTMENT OF SUBSTITUTE MEMBER**

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

42. **DECLARATIONS OF INTEREST**

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

43. **MINUTES**

RESOLVED

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

44 CHANGE IN ORDER OF BUSINESS

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

RESOLVED

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

45. EXCLUSION OF THE PUBLIC

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

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

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

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

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

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

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

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

RESOLVED

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

47. GRANT THORNTON – FEE LETTER 2013/14

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

RESOLVED

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

48. GRANT THORNTON REPORT: CERTIFICATION WORK 2012/13

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

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

RESOLVED

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

49. RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

- That the key areas that had been adopted over a twelve month period were: -
 - The budget remaining constantly on the agenda allowing the issue to be challenged.
 - Identifying the relevant approach for addressing possible savings in each area including the possibility of out-sourcing in some services.
 - Ensuring that there were no areas that were considered immune to scrutiny including sensitive areas.
 - The possibility of prioritising services (in a structured way and taking account of public consultation) , as some services may as a last resort have to be reduced or cease to meet the savings required.

- The Treasurer outlined his role as Section 151 Officer, in circumstances where the Council were likely to exceed its available resources.
- In responding to a question, The Treasurer reported that Dudley Council was in a stronger financial position than a number of other local authorities .
- A survey in the Municipal Journal identified that 91% of councils would not consider holding a referendum.

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

Following further discussion it was

RESOLVED

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

50. TREASURY MANAGEMENT

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

RESOLVED

That, subject to the approval of Council:-

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

51. EXCLUSION OF THE PUBLIC

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

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

52. AUDIT SERVICES INTERIM PERFORMANCE REPORT

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

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

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

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

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

RESOLVED

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

The meeting ended at 7.50 p.m.

CHAIR

Audit and Standards Committee - 17th April 2014

Report of the Treasurer

Grant Thornton Audit Committee Update

Purpose of Report

1. Grant Thornton have produced a report to update Audit and Standards Committee members on progress in delivering their responsibilities as Dudley's external auditors, and the Audit Manager will be available at the meeting to deal with any issues.

Background

2. The report is attached as Appendix 1. The report provides Audit and Standards Committee with an update on progress in delivering Grant Thornton's responsibilities as external auditors. The report also includes a summary of emerging national issues and developments that are relevant to the Council.

Finance

3. 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. The proposals take into account the Council's Policy on Equality and Diversity.

Recommendation

6. That Members note the Audit Committee Update report



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Iain Newman
Treasurer

List of Background Papers

Appendix 1 Grant Thornton Audit Committee Update for
Dudley Metropolitan Borough Council

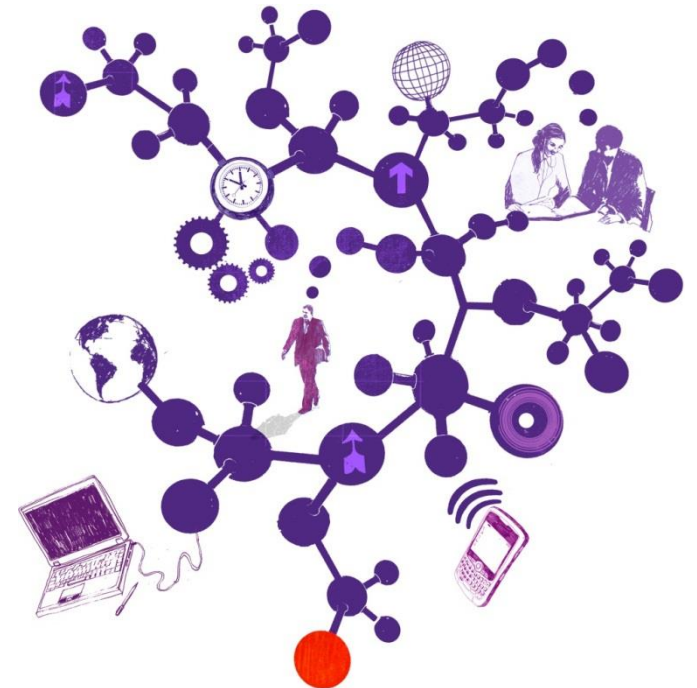
Audit Committee Update for Dudley Metropolitan Borough Council

Year ended 31 March 2014

March 2014

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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 your business 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.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Council.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at 20th March 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on 2013-14 financial statements.</p>	March 2014	Yes	The audit plan was issued to officers in March and included as a separate agenda item.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February-March 2014	On going	<p>We have commenced our interim accounts audit visit and will have completed this by early April 2014.</p> <p>This has included early work on accounting issues and early substantive testing.</p> <p>We have also commenced our work on the value for money conclusion, in particular our review of arrangement for the Better Care Fund.</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the accounts • proposed Value for Money conclusion. 	June – July 2014	No	The final accounts audit is scheduled for June – July 2014.

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Joint Health and Social Care Plans to be in place by 4th April

Local government guidance

Better Care Fund

In the June 2013 Spending Round the Government announced the prospective implementation of the Better Care Fund (formerly the integration transformation fund). The key aim is to ensure a transformation in integrated health and social care through local single pooled budget arrangements. Pooled budget arrangements are formally underpinned by Section 75 of the NHS Act 2006.

Key issues

- £3.8 billion for funding will be available from 2015/16, largely through a top slice of existing Clinical Commissioning Group (CCG) budgets;
- Local Authorities with Adult Social Services, CCGs and NHS Trusts will need to collaborate through a single pooled budget arrangement to support the delivery of health and social care services in their designated local areas;
- finalised joint health and social care plans must be in place setting out how pooled budgets will be spent – draft plans must be formally signed off by each statutory Health and Well Being Board and submitted to NHS England area teams by 14 February, with a 4 April 2014 deadline for submission of finalised plans

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, <http://bit.ly/1eLlq7L>, focuses on the financial and managerial aspects of welfare reform.

This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Keeping your PFI accounting up to date

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

Updating the accounting model during the operational phase

Most authorities derive their accounting entries from an accounting model which, in turn, is derived from the operators costing model. The initial accounting model will have included a range of assumptions, such as inflationary increases. We would expect authorities to update the accounting model for actual information, such as inflationary increases and performance variations, during the contract.

Disclosing the impact of inflation on commitments

We expect authorities to disclose the impact of inflation on their service concession commitments. These commitments are affected by:

- past inflation – previous price rises will be built into future payments
- fluctuations in future inflation – this gives rise to uncertainties about future payments.

Disclosing the fair value of the service concession liability

Service concession liabilities are financial instruments. Therefore, we would expect authorities to disclose the fair value of the liability unless this is not materially different from the carrying value. In most cases we would expect the fair value for operational schemes to be higher than the carrying value. This is because once a scheme is operational, authorities have access to lower interest rates for refinancing. This is because the pre-construction interest rate reflects the risks associated with construction.

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuation

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.



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Audit and Standards Committee – 17th April 2014

Report of the Treasurer

Grant Thornton Audit Plan 2013/14

Purpose of Report

1. The External Auditor's Audit Plan for 2013/14 is attached and the Audit Manager will be available at the meeting to deal with any issues.

Background

2. The Audit Plan 2013/14 is attached as Appendix 1. This document is produced by the Grant Thornton. It sets out the work they will carry out in discharging their responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money.

The key considerations set out within this report are:

- This plan sets out Grant Thornton's responsibilities under the Code of Audit Practice.
- The plan includes an assessment of current local risks relevant to the audit and the proposed response to these.

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. The proposals take into account the Council's Policy on Equality and Diversity.

Recommendation

6. That Members note and comment as appropriate, on Grant Thornton's Audit Plan 2013/14



.....
Iain Newman
Treasurer

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List of Background Papers

Appendix 1 Grant Thornton The Audit Plan for Dudley Metropolitan Borough Council

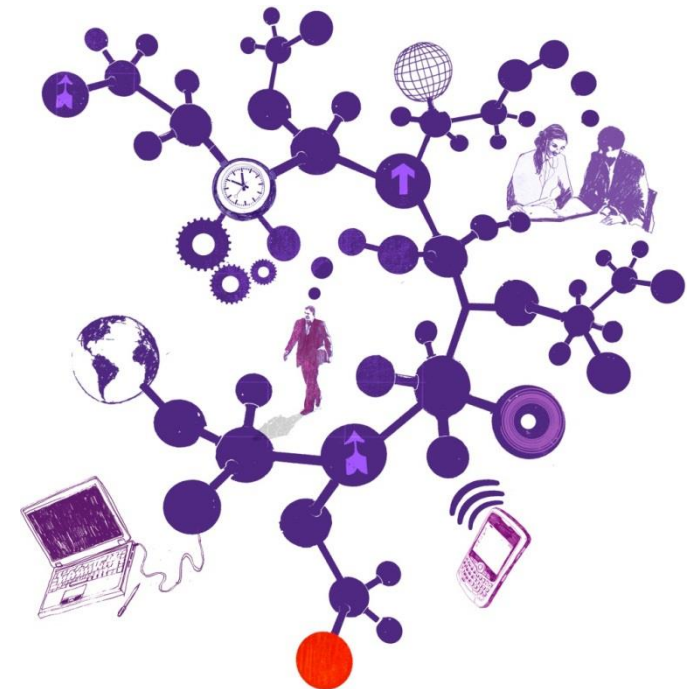
The Audit Plan for Dudley Metropolitan Borough Council

Year ended 31 March 2014

March 2014

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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.

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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

1. Equal pay

- The Council is making provision for outstanding settlements with current and former employees in respect of actual or potential claims under Equal Pay legislation.

2. Better Care Fund

- The Better Care Fund (formerly the integrated transformation fund) is a single pooled budget for health and social care services to work more closely together in local areas. The Council need to plan with their partners for access to the fund by submitting plans in early 2014.

3. Medium Term Financial Plan

- The Council is operating in an era of significant uncertainty about the financial position. This places continued pressure on the Council to identify and deliver significant savings on an on going basis.
- Despite this savings programme by 2016/17 the Council is facing a funding gap of £23 million.

4. Business rates retention scheme

- The Local Government Finance Act 2012 introduced from April 2013 a business rates retention scheme. The Council is able to keep a proportion of the business rates revenues received as well as growth on the revenue that is generated in the area.

5. Localisation of Council Tax Benefit and welfare reform

- In 2013/14 it is estimated that the Council will award approximately £24 million worth of reduction in liability to about 33,500 council tax payers, the average amounting to £13.54 per week.

Our response

- We will discuss progress to settle these claims since 12/13 with senior finance staff during the audit.
- We will review the Council's estimate of the provision within the financial statements.

- We will consider the progress the Council has made in submitting a joint plan with its partners by 31/3/2014.
- We will assess the impact of these changes as part of our VFM conclusion.

- 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.

- We will continue to discuss the impact of these 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.

- We will continue to discuss the impact of these 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.

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 ('the code') 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 • Clarification of Code requirements around PPE valuations • Changes to NDR accounting and provisions for business rate appeals • Transfer of assets to Academies 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • 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"> • The impact of 2013/14 changes to the accounting requirements for the Local Government pension Scheme (LGPS). • In addition all schemes are due to have a triennial revaluation which will impact on future contribution. 	<p>5. VFM conclusion</p> <ul style="list-style-type: none"> • We are required to satisfy ourselves that you have achieved economy, effectiveness and efficiency in your use of resources 	<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 and business rate appeals through discussions with management and our substantive testing • schools are accounted for correctly and in line with the latest guidance 	<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 review how the Council dealt 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 arrangements for securing economy, efficiency and effectiveness in its use of resources 	<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

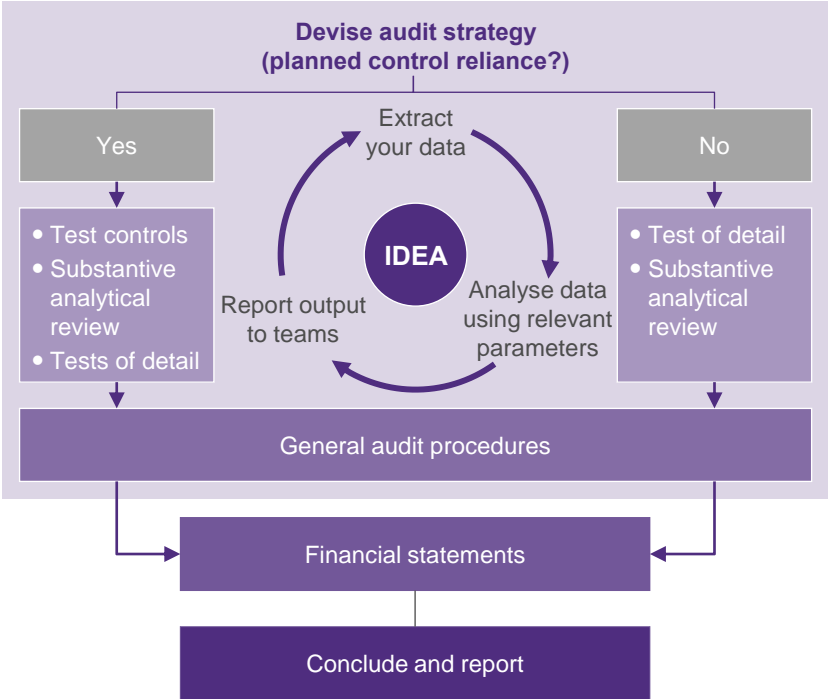
Global audit technology

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

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.	Work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of 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.	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 identified

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). In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period (completeness)	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risk 	<ul style="list-style-type: none"> We will undertake a mix of tests to provide sufficient assurance that expenditure is not understated and is recorded in the correct period.
Employee remuneration	Employee remuneration accrual understated (completeness)	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risk 	<ul style="list-style-type: none"> We will undertake a mix to tests to provide sufficient assurance that employee remuneration is not materially understated.
Welfare Expenditure	Welfare benefit expenditure improperly computed (valuation gross)	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risk 	<ul style="list-style-type: none"> Testing of the final Housing Benefit claim will be completed using the HB COUNT methodology.
Housing Rent Revenue Account	Revenue transactions not recorded (completeness)	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risk 	<ul style="list-style-type: none"> We will undertake detailed analytical review to provide sufficient assurance that housing rents are not materially understated.
Property, Plant & Equipment	PPE activity not valid (valuation gross) & Revaluation measurement not correct (valuation gross)	<ul style="list-style-type: none"> Walkthrough tests were completed in relation to the specific accounts assertion risk 	<ul style="list-style-type: none"> We will review of the Council's arrangements for instructing the valuer We will perform procedures for relying on the work of the valuer and 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. Perform substantive tests to provide sufficient assurance that activity in year is valid

Value for money

Value for money

The Code 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.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Review the Council's financial resilience, as reflected in the medium term financial strategy and the savings factored into the annual budgets.
- Review the Council's progress in planning for its role under the Better Care Fund (previously Integration Transformation Fund).
- Follow up areas highlighted in our 2012/13 financial resilience report.
 - We will review the 201/4 sickness absence performance indicators (PIs) to assess whether the new attendance management policy is working effectively
 - We will review the balances held by schools at 31/3/14 to ensure that they are not held for any longer than is necessary
 - We will review the reporting of financial performance to cabinet.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

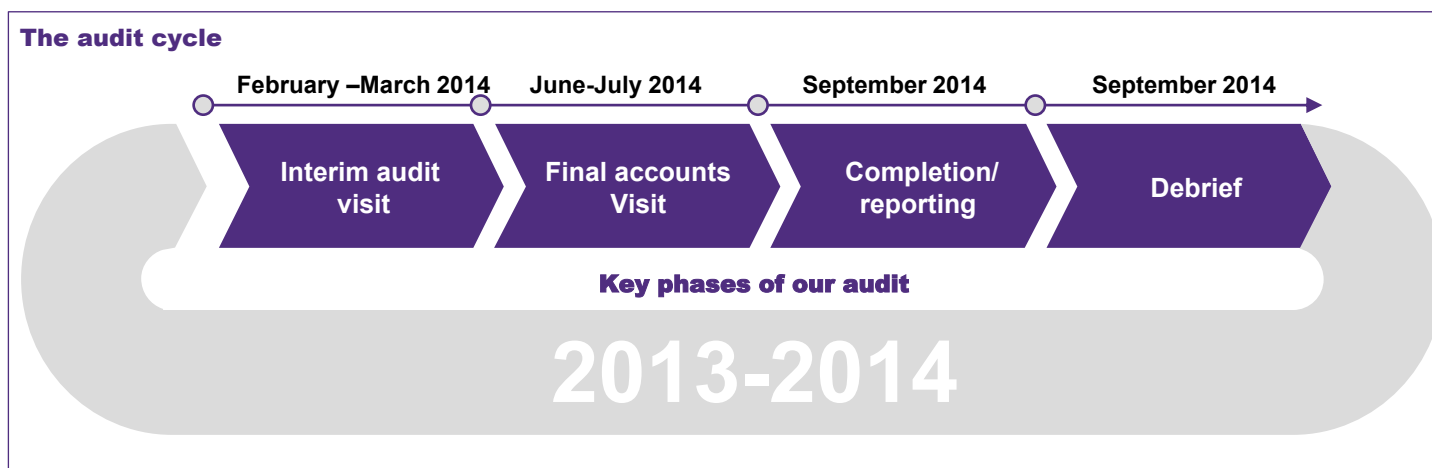
	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist performs a high level review of the general IT control environment, as part of the overall review of the internal controls system. We also perform a follow up of the issues that were raised last year.</p>	<p>We will conclude whether our work identifies any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Journal entry controls	<p>We have commenced our review of the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p>	<p>The work will identify whether there any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Early substantive testing	<p>We have commenced our testing on initial samples of employee remuneration, operating expenses and income.</p> <p>We have also had initial discussions regarding our work on housing benefits (HB count)</p>	<p>The work will inform our approach to the audit of the Council's accounts and contribute to the assurance for material items.</p>
Value for Money Conclusion	<p>We have carried out an initial review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following this a more detailed review will be undertaken. As part of this we are scheduled to meet the service directors.</p>	<p>The work will inform our conclusion on the arrangements to secure value for money.</p>

Key dates



Date	Activity
December 2013	Planning
February – March 2014	Interim site visit
April 2014	Presentation of audit plan to Audit & Standards Committee
June-July 2014	Year end fieldwork
August 2014	Audit findings clearance meeting with the Head of Accountancy
September 2014	Report audit findings to those charged with governance Audit & Standards Committee
September 2014	Sign financial statements opinion and VFM conclusion (statutory deadline 30 th September 2014)

Fees and independence

Fees

	£
Council audit	178,177
Grant certification*	32,500
Total fees (excluding VAT)	210,677

Our fee assumptions include:

- 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
- * The Grants certification fee is subject to review by the Audit Commission following changes to the certification requirements for NNDR and Council Tax benefits

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 and Standards Committee – 17th April 2014

Report of the Treasurer

Grant Thornton - Informing the audit risk assessment

Purpose of Report

1. The purpose of the report by the Council's external auditors, Grant Thornton, "Informing the Audit Risk Assessment for Dudley Metropolitan Borough Council" is to contribute towards the communication between the external auditors and the Audit and Standards Committee (as those charged with Governance).

Background

2. As part of external audit's risk assessment procedures, Grant Thornton are required to obtain an understanding of management process and the Audit and Standards Committee's oversight of the following matters:
 - Fraud;
 - Laws and regulations;
 - Going concern
 - Related Parties
 - Accounting Estimates
3. Appendix 1 sets out the proposed Management Response to the matters covered in each of the above matters for consideration by Members of the Audit and Standards Committee.

Finance

4. There are no resource implications as a consequence of the report.

Law

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

Equality Impact

6. The proposals take into account the Council's Policy on Equality and Diversity

Recommendation

7. That Members note the “Informing the audit risk assessment for Dudley Metropolitan Borough Council” Report and comment on matters in the Report.



.....
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Treasurer

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List of Background Papers

Appendix 1 Grant Thornton Informing the audit risk assessment for Dudley Metropolitan Borough Council Report

Informing the audit risk assessment for Dudley Metropolitan Borough Council

Year ended 31 March 2014

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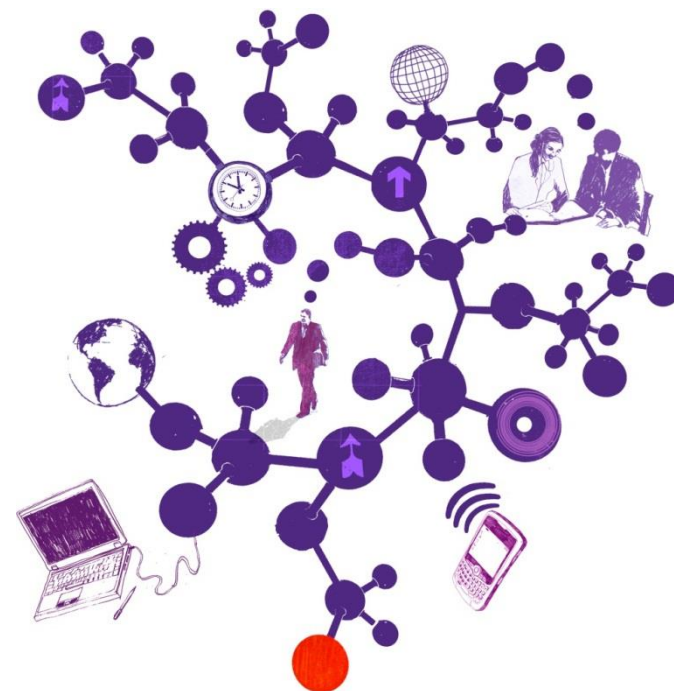
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between external auditors and the Council's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Standards Committee's oversight of the following areas:

- Fraud
- Laws and regulations
- Going concern.
- Related Parties
- Accounting estimates

This report includes a series of questions on each of these areas and the responses we have received from the Council's management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management.

Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud or error? What are the results of this process?</p>	<p>The corporate Risk Assurance Protocols specifically include financial risk as a category. The audit risk assessment process which informs the audit plan covers reporting systems as well as areas with large or vulnerable transactions. Internal Audit have also developed a fraud risk register which is being used to inform the work of, and approach to, audits.</p> <p>The Guidance associated with the Risk Assurance Protocols, which are updated quarterly, help directorates and managers to identify areas at risk, and to address or mitigate where appropriate. The protocols are included in a quarterly report to Cabinet. Specific exercises have been undertaken by Internal audit on significant fraud risks identified by the National Fraud Authority and the Audit Commission.</p> <p>Internal audit reports are first discussed with managers of the areas involved, for response and confirmation, and advice if necessary. The reports are then issued to Heads of Service and Directors. Directorates have nominated officers to ensure compliance with recommendations, and internal audit also check compliance.</p> <p>Areas identified as higher risk receive additional audit inspection. Management can draw audit attention to areas of possible concern for advice on mitigating work, or for additional inspection.</p> <p>The risk of material misstatement in the financial statements due to fraud or error is low.</p>
<p>How are the Audit and Standards committee satisfied that the overall control environment is robust. In particular, what processes does the Council have in place to identify and respond to risks of fraud in the organisation?</p>	<p>Audit & Standards Committee receive a wide range of reports during the Municipal year which provide information on control.</p> <p>Whilst Management are reminded in the Risk Management Strategy that they have primary responsibility for risk management, Internal Audit takes responsibility for providing Management with information and assistance in identifying the risks of fraud. Internal Audit have also organised a Corporate Fraud Group to cascade information on high fraud risks.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>The National Fraud Authority and the Audit Commission have identified high risk areas and these have been subject to additional input by Internal Audit, whereby we have worked with responsible officers to look at how they mitigate risk.</p>

Fraud risk assessment (continued)

Question	Management response
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Based on the work of Internal Audit, controls appear to be in place and operating effectively. Where internal audit work identifies areas of minimal assurance, these are reported to Audit and Standards Committee and follow up audits are conducted to ensure that control weaknesses are rectified promptly.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>No system can be immune from an officer overriding controls. Internal Audit will aim to ensure appropriate segregation of duties in key financial systems e.g. Treasury management.</p>
<p>How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?</p>	<p>Audit and Standards Committee receives a wide range of reports during the Municipal year which provide information on control and fraud.</p> <p>An Annual Fraud Report is presented to Audit and Standards Committee, as well as updated information in two Interim Reports. Details of significant frauds have to be reported to the Committee as soon as possible, in line with the Anti Fraud and Corruption Strategy</p>
<p>How does the Council communicate and encourage appropriate business practice and ethical behaviour of its employees and contractors?</p>	<p>A Code of Conduct is in place for both employees and Members. Work is underway to provide additional information for suppliers.</p>
<p>How do you encourage employees to report their concerns about fraud? Have any significant issues been reported?</p>	<p>A Confidential Reporting Policy is in place for employees who wish to raise concerns on any matter. More specifically, Internal Audit has introduced a Fraud Hotline which can be accessed by employees, public, etc. No significant issues have been reported on the Fraud Hotline.</p>

Fraud risk assessment (continued)

Question	Management response
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	When Internal Audit identifies related party transactions, the associated procurement process is reviewed.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2013? If so how does the Audit and Standards Committee respond to these	The Annual Fraud Report to the Committee in April 2014 will provide details of several frauds. The Report will also discuss the range of prevention, detection and investigation initiatives which aim to reduce the level of fraud.
Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2013? If so how does the Audit and Standards Committee respond to these	A report on the Confidential Reporting Policy is presented to the April Committee and this will highlight the level of use of this Policy. The Committee will then discuss the report and Policy.

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Standards Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of Laws and regulations

Question	Management response
<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The Monitoring Officer is responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that these responsibilities cover:</p> <ul style="list-style-type: none"> ■ complying with the law of the land (including any relevant Codes of Conduct); ■ complying with any General Guidance issued, from time to time, by the Monitoring Officer; ■ making lawful and proportionate decisions; and ■ generally, not taking action that would bring the Council, their officers or professions into disrepute. <p>This officer has access to all Council committee reports. The Monitoring Officer raises awareness on legal requirements at meetings where needed. In addition in terms of any specific legal issues the monitoring officer would get involved at an early stage.</p> <p>Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p> <p>All internal policies, from Standing Orders downwards, are so written as to embed relevant legal, regulatory, and governance standards. Financial Regulations, and the design of accounting systems, are designed to encompass accounting requirements. Internal audit work includes reviewing for actual compliance with council policies; breaches of regulations are referred to management in audit reports, and responses and subsequent actions are monitored.</p>
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>Verification of compliance with laws and regulations is implicit in many audit work programmes. Instances of non compliance are brought to the attention of management through the standard reporting process. The authority also has an in-house legal team which works with service departments in ensuring that the authority complies with laws and regulations.</p>

Impact of Laws and regulations (continued)

Question	Management response
How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements.</p> <p>The Monitoring Officer (or representative) attends Scrutiny Committee meetings and advises members on any areas of concern</p>
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013 with an on-going impact on the 2013/14 financial statements?	<p>Payments to individuals who are self employed are taxed differently from those made to employees and because of this HM Revenue and Customs (HMRC) will often check to see whether individuals have been correctly treated as being self employed.</p> <p>On internal investigation, some areas of the Council have made incorrect employment decisions regarding payments to certain individuals who should have been treated as employed rather than self employed for tax purposes.</p> <p>It is proposed to make provision in the 13/14 accounts for potential liability where employment status of self-employed may be refused by HMRC.</p>
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	<p>The Monitoring Officer is responsible for ensuring that the Council is compliant with laws and regulations and will raise awareness of legal matters / requirements where needed. Appropriate legal advice is sought as necessary.</p> <p>Any costs and amounts paid out are accounted for under normal accounting policies.</p>
Are there any actual or potential litigation or claims that would affect the 2013/14 financial statements?	None other than disclosed under provisions and contingent liabilities.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	See note above on employment status

Going Concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial position and is good practice. A key consideration of going concern is that the Council has cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

Going concern considerations have been set out below and management has provided its response.

Going Concern Considerations

Question	Management response
<p>Does the Council have procedures in place to assess the Council's ability to continue as a going concern?</p>	<p>Council on 3rd March 2014 approved a balanced budget for the financial year 2014/15, and the latest Medium Term Financial Strategy (MTFS), which sets out spending and resources for three years ahead. The Council has a track record of identifying savings each year and delivering these.</p> <p>The MTFS is regularly reviewed and reports to Cabinet are prepared highlighting variances and the latest financial outlook.</p>
<p>Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?</p>	<p>While the Council expects to face very severe challenges over the three years of the MTFS, and the years to follow, there have been no events casting doubt on the Council's ability to continue as a going concern.</p>
<p>Are arrangements in place to report the going concern assessment to the Audit and Standards Committee? How has the Audit and Standards Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?</p>	<p>The Treasurer (as s151 Officer) has reported (under Section 25 of the Local Government Act 2003) that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.</p> <p>Members of the Audit and Standards Committee are members of Council, and as such receive the budget setting report, which includes the Medium Term Financial Strategy.</p>
<p>Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?</p>	<p>The Council's final budget and MTFS are determined according to the Council's priorities, as set out in the Community Strategy, Council Plan and Service Strategies, ensuring that funding is allocated according to the corporate vision, aims and objectives.</p>

Going Concern Considerations (continued)

Question	Management response
<p>Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?</p>	<p>The Medium-Term Financial Strategy, and the Budget for 2014/15, as approved by Council on 3rd March 2014, incorporated the most up-to-date information on statutory changes, and proposals and policies from central government.</p>
<p>Have there been any significant issues raised with the Audit and Standards Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>Neither internal or external audit reports have raised issues of such significance on internal matters. The external audit report on the 2012/13 accounts concluded overall that whilst the Council would face challenges during 2013/14 and beyond, its arrangements for achieving financial resilience were adequate.</p> <p>The Quarterly performance management report to December Cabinet noted that the Council were on target to achieve planned financial targets.</p>
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?</p>	<p>The Quarterly performance management report to December Cabinet noted that the Council were on target to achieve planned financial targets. Cash flow is predicted and monitored for treasury purposes. Any anticipated periods of negative cash flow, perhaps due to redemption of fixed term debt, or expenditure on major projects falling due before grant –funding is received, can be met through the council’s access to short-term borrowing and there is allowance in the budget for the interest costs of such cash flows.</p>
<p>Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council’s objectives? If not, what action is being taken to obtain those skills?</p>	<p>Yes.</p> <p>The Quarterly performance management report to Cabinet includes the objective “To ensure our work force are skilled and empowered to deliver quality services.”</p>

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries);
- associates and/or joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related party considerations have been set out below and management has provided its response.

Related Parties (Continued)

Question	Management response
What controls does the Council have in place to identify, account for, and disclose related party transactions and relationships? Related Parties	Related Parties s are identified using registers of interests for members and officers, and running these against payments and income records, and data-matching exercises carried out by internal audit. Total amounts, and any significant transactions linked to an individual are disclosed.
Who have the Council identified as related parties?	In 2012/13, transactions with members, officers, and preceptors were disclosed. In 2013/14 accounts we propose to disclose “bodies under common control” (i.e. other governmental bodies), to make the disclosure more systematic.

Accounting Estimates

Issue

Matters in relation to accounting estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate. Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all material estimates that the Council is using as part of its accounts preparation; these are detailed in Appendix A to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

Accounting estimates considerations have been set out below and management has provided its response.

Question	Management response
Are the management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgment?	The most significant areas are identified as <ul style="list-style-type: none"> • Revaluation of Property assets • Use of the major repairs allowance (MRA) as a proxy when depreciating council dwellings • Valuation of net Pension Liability on the LGPS
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes. There are arrangements to obtain advice from appropriate professionals.
How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate?	The ASC relies on the professional skill and judgement of officers and professional advisors.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
<p>Non adjusting events - events after the balance sheet date</p>	<p>These are events that happen after the 31st March, but before the accounts are finalised, which do not affect the conditions at the 31st March, but are significant enough to affect the decisions of users of the accounts.</p> <p>S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event.</p> <p>For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.</p>	<p>There is a process for checking for the existence of such events, but any estimate of amounts to disclose as narrative depends on the type of event. Heads of Services notify the S151 Officer</p>	<p>This would depend on the type of event. In 2012/13, the figures disclosed for the effect on the balance sheet of schools taking academy or trust status used the existing valuation information, while the estimate of the effect of the forthcoming Localisation of business rates used information available at the time.</p>	<p>This would depend on the type of event occurring.</p>	<p>Method is dependent on the type of event, if any.</p>

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	The Fair Value of assets and liabilities carried at amortised cost is calculated with reference to interest rates.	We are required to disclose fair values, but are not required to include them in the accounts. We take advice from our treasury consultants.	PWLB reports for PWLB loans; treasury advisors for other treasury items. Airport shares were valued by a professional advisor, who also moderates an annual desk-top exercise to review the valuation.	Financial instruments are valued using new borrowing rates.	No
Property plant & equipment valuations	Valuations are made by the Internal Valuer (local RICS / CIB member) in line with RICS guidance on the basis of 5 year valuations with interim reviews.	Accountancy notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.	Internal professionally qualified valuers with local knowledge, as specified by property and accountancy professional bodies	It is generally assumed that the assets will continue in present type and level of use	No
Estimated remaining useful lives of PPE	Based on the physical life of the asset, and the period, if shorter, for which the council intends to use the asset.	Consistent asset lives applied to each asset category	As above	It is generally assumed that adequate maintenance will be carried out.	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation & Amortisation	Straight line over useful economic life, i.e. The period over which the council expects to benefit from the asset.	Consistent application of depreciation method across all assets.	No, but common accounting practice	The useful economic life is reviewed with each revaluation, so that any changes in plans or conditions of the asset are reflected in depreciation. Intangible assets (purchased software) are not generally revalued, but the amounts are very small.	No
Impairments	Impairments could be due to an overall fall in values over the year, or to damage (e.g. arson, subsidence) or to a decision to stop using an asset, such that its value to the council ended or was substantially reduced.	The property valuers review for indications of possible impairment every year.	Yes, the professional internal valuers described above.	Assumptions would depend on the nature of the impairment.	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Overhead allocation.	For support services (Central Establishment Charges) each service is recharged out either on actual service usage e.g. Dudley Council +, or we use service indicators to estimate usage e.g. head count for HR/Payroll. Directorate admin charges use equivalent methods.	All support service cost centres are allocated according to the agreed spread sheet and reconciled through out targets model.	No	Apportionment bases are reviewed each year to ensure equitable and that service indicators give a reasonable approximation to actual service usage.	No
Bad Debt Provision.	The provisions for doubtful debts relating to council tax and NNDR are based on historical cash flows, aged debt, and forecast collection levels; that for general debtors is based on full provision for aged debt;	These amounts are disclosed in notes to the accounts, and are necessarily estimated.	No, experience	That receipt of amounts due to the Council will broadly follow recent experience.	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
	and that for housing is calculated by providing for 20% of all current tenants arrears & 100% of all former tenants arrears.				
Accruals	Accruals are based on either actual amounts owing, or best estimates made by budget-holders, or by splitting amounts by date.	Activity is accounted for in the financial year that it takes place, not when money is paid or received. Accruals are visible in the ledger by means of the coding structure. Creditor and debtor balances are disclosed and analysed in notes to the accounts.	Accruals are made by or in conjunction with budget-holder or other professional as appropriate.	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used	No

Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.	Provisions are made when a liability is not exactly known, so necessarily involve an estimate as to amount of timing.	In some areas where provisions have been made, some external professional advice has been used.	Provisions are made when it is more likely than not that a payment will be required. The estimates available depend on the particular case.	No change in the underlying policy of providing for probable liabilities due to past events, but of uncertain timing or amount.



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Audit and Standards Committee – 17th April 2014

Report of the Treasurer

Audit Plan for the period 2014 / 2015

Purpose of the Report

1. To inform members of the work that the Audit Services Division plan to undertake during the period from 1st April 2014 to 31st March 2015.

Background

2. The Accounts and Audit Regulations 2011 require the Council to have “an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.” The work of the Audit Services Division enables the Council to comply with this requirement of the Accounts and Audit Regulations. The concept of “proper internal audit practices” requires compliance with the Public Sector Internal Audit Standards.
3. In addition, it provides the Council’s Section 151 officer i.e. Treasurer with assurance that the financial affairs of the Council are conducted in a proper manner. It also provides assurance as part of the governance/assurance framework used in preparing the Annual Governance Statement and, Head of Audit control opinion.
4. In the Interim Performance Report presented to the February meeting we reported that three members of staff left at the end of December 2013 and this has reduced our establishment to 9.7 FTE. In drafting the audit plan we have followed some basic rules which will help to mitigate the reduction in resources but also enable us to continue to provide assurance to Directors and Councillors on the overall control, risk and governance framework :-
 - a. Cover large risks and material spend
 - b. Carry on covering a broad range of audits
 - c. Consolidate audits where possible
 - d. Extend the time between audits
 - e. Recognise areas which have previously received “significant” assurance ratings
 - f. Reduction in allocations for value for money, fraud, administration and advice and support.
5. The Council’s risk management strategy is embedded across the Authority and the Head of Audit Services has reviewed the risk register to ensure all significant risks are represented in the audit plan. The Head of Audit Services has also used an additional risk assessment methodology based on our own automated audit planning system. This is consistent with the assessments used by Audit Services in previous years.

6. The plan uses risk and judgemental assessment to determine the frequency with which the various systems should be audited and the Head of Audit Services balances the need for audit coverage against the available resources. The audit plan does not, therefore, include some of the low risk aspects of the Council's operations. The systems that are assessed as high risk are audited each year whilst others are examined every two, three or four years.

The draft plan is attached as Appendix A, with a summary attached as Appendix B.

7. Audit Services has consulted with all Directors about the plan, to obtain their views and to identify new activities that should be considered for audit and any activities that are no longer taking place and can be removed from the audit plan.
8. In addition to the planned audits listed in Appendix A, Audit Services also carry out :-
 - a. Honorary audits
 - b. Traded service to schools for the audit of School Funds
 - c. Assurance to Governors on the completion of Financial Value Standard assessments
 - d. External contracts to provide audit services to two Academies.
9. We have reviewed the Audit Charter and Audit Strategy which were approved by Audit & Standards Committee in September 2013, and no changes are required at this time.

Finance

10. 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 2014/15 envisages an out turn of £367,000 against £401,000 for 2013/14.

Law

11. The Account and Audit Regulations 2011 require the Council to have an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.

Equality Impact

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

13. The work included in the audit plan will help to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the plan.

Recommendation

14. That members note the content of this report and approve the Audit Plan for 2014/2015.



.....
Iain Newman
Treasurer

Contact Officer : Les Bradshaw
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Email : Les.Bradshaw@dudley.gov.uk

Appendix A

Audit Plan : April 2014 to March 2015

ADULTS, COMMUNITY & HOUSING SERVICES	209 days
Directorate Procurement	Safeguarding Vulnerable Adults
Hospital Access Team	Queens Cross Network
Dementia Gateways	Business Continuity
Living Independently Team	Physical & Sensory Disabilities Team
Blue Badge Team	Deaf Support Team
Disabilities Long Term Team	Falls Service
Housing Stores	Finance Social Care Team
Rechargeable Works	Housing Repair Service
Lettings policies/procedures	Rent Collection & setting
Ensuring the safety of homes and estates	Constructionline Procedures
Decoration Card	Service Quality/Tenant Satisfaction
Tenant Empowerment	Other properties (garages, shops etc)
Consultancy	Follow up
CHILDRENS SERVICES	181 days
Catering & Client Services	Children with Disabilities
Safeguarding & Review Team	Social Care Commissioning Team
Childcare Sufficiency	Early Years
Adshead Road Residential Unit	Directorate Performance & Risk Management
Counselling	Troubled Families Programme
Independent Review Service for Looked After Children	Cherry Tree Learning Centre
Maitland Road	Information Governance
Parkes Street	Youth Offending Team
St James Road	Sycamore Centre
Stourbridge Children's Centres	Tipton Road
Follow up	Consultancy
SCHOOLS	132 days
The Brier School	Old Park School
Pens Meadow School	Blowers Green
Christchurch	Colley Lane
Crestwood Park	Glynne
Greenfield	Hob Green
Howley Grange	Jessons
Kates Hill	Milking Bank
Netherbrook	Olive Hill
Quarry Bank	Redhall
Russells Hall	Thorns School & Community College
Wrens Nest	School Recruitment
Follow up	School Procurement

CHIEF EXECUTIVE	118 days
Customer Feedback/Complaints	Anti-Social Behaviour
Corporate Performance Management	Community Asset Transfer
Equality & Diversity	Public Health
Consultancy	Corporate Governance
Annual Governance Statement	Corporate Grants
Corporate Follow Up	Troubled Families Grant Certification
CORPORATE RESOURCES	276 days
Control Accounts Review	Creditors System Review
Revenues Exchequer Team Review	Business Rates Review
Treasury Review	Corporate Personnel & Payroll
Transformation - Records M'ment/Time Recording	Directorate Performance & Risk Management
Teachers Pension Scheme	BACS and Cheque Process
IT Governance	Information Governance Team
IT Systems Administration	Dudley MBC Internet & Intranet
Application review - Tribal	Application review - SWIFT
Carbon Reduction Commitment Annual Report	RIPA
National Fraud Initiative	Licensing including vehicle inspections
Mayoral/Members Allowances	Central Safety
Central Training	Follow up
Consultancy	
URBAN ENVIRONMENT	103 days
Geotech contracts [all stages]	Consultancy
Car parks	Directorate Procurement
Health and Safety Enforcement	Management of vehicles
Traffic Management (incl Strategy)	Refuse collection
Section 106 Administration	Waste Disposal
Follow up	
EXTERNAL CONTRACTS/TRADED SERVICES	141 days
Schools Financial Value Standard	Consultancy
Redhill	Earls High
TOTAL	1,160 days

Appendix B

Audit Coverage [Days] 2009/10 to 2014/15 : By Directorate

Audit	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Plan	14/15 Plan
Adult, Community & Housing	311	276	258	156	242	209
Chief Executive	99	76	121	82	94	118
Children's Services	286	297	295	205	199	181
Corporate Resources	388	329	384	277	370	276
Schools	273	253	381	223	210	132
External Contracts / Traded Services	94	68	0	159	130	141
Urban Environment	209	196	211	158	168	103
Honorary Audits	25	26	17	96	68	50
Sub Total	1,685	1,521	1,667	1,356	1,481	1,210
Fraud & Investigations	134	124	145	173	235	175
Value for Money	259	371	343	253	150	50
Advice & Support [NB1]	241	263	251	201	170	100
Administration [NB2]	341	298	324	269	271	200
Total	2,660	2,577	2,730	2,252	2,307	1,735
Number of Audits	196	178	218	147	132	127

NB1 : Includes time spent on assisting Directorates with system development, process queries, Constitution questions, etc.

NB2 : Includes time spent on IT development, team and divisional meetings, methodology reviews, etc

Audit and Standards Committee - 17th April 2014

Report of the Treasurer

Review of the Code of Corporate Governance

Purpose of the Report

1. To inform Members of the results of a review of the Code of Corporate Governance.
2. To ask Members to approve a revised Code of Corporate Governance.

Background

3. The Audit & Standards Committee has responsibility for corporate governance as per the Terms of Reference i.e. :-

“Determination of all necessary action associated with the Council’s Corporate Governance Arrangements.”
4. In 2001, the Chartered Institute of Public Finance and Accountancy [CIPFA] and the Society of Local Authority Chief Executives [SOLACE] produced a framework for good governance and Dudley subsequently issued its own Code of Corporate Governance based around the CIPFA/SOLACE model.
5. CIPFA/SOLACE issued a revised framework in July 2007 and the guidance stated that good governance :-
 - a. Leads to good management, performance, stewardship of public money, public engagement and, ultimately, good outcomes for citizens and service users
 - b. Enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk
 - c. Is how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner
 - d. Comprises the systems and processes, and culture and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
6. The CIPFA/SOLACE framework is supported by guidance which is formally based around six core principles of good governance as follows :-
 - a. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- b. Members and officers working together to achieve a common purpose with clearly defined functions and roles
- c. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- d. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- e. Developing the capacity and capability of members and officers to be effective
- f. Engaging with local people and other stakeholders to ensure robust accountability

For each of the six core principles, CIPFA/SOLACE issued "supporting principles".

7. CIPFA/SOLACE have periodically produced additional guidance including matters appertaining to the role of the Chief Financial Office and, in December 2012 an addendum review of their original guidance to ensure it remained 'fit for purpose', which they deemed it did. They stated that local government has been undergoing significant change and the environment in which it works is increasing in complexity. In addition to economic and financial challenge, the Localism Act and other key legislation has brought new roles and opportunities and greater flexibility for authorities.

They went on to say that local authorities are changing the way in which they operate and undertake service provision including services delivered directly, through partnerships and collaboration and through commissioning. The introduction of new structures and ways of working provide challenges for managing risk, ensuring transparency and demonstrating accountability. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with control and the management of risk. A one-size-fits-all approach to governance is inappropriate.

Finally, CIPFA/SOLACE stated that local governance arrangements must be proportionate to the risks and are acknowledged as the responsibility of each local authority in its area of operation.

8. The Code of Corporate Governance is an important part of the arrangements for corporate governance and it has been usual practice for it to be reviewed annually. The Head of Audit coordinates the review and consults with the Corporate Governance Group which is made up of senior officers from each Directorate. Consultation also takes place with the Chief Executive, Director of Corporate Resources [and Monitoring Officer], and the Treasurer.
9. The consultation concluded that the Code of Corporate Governance was still "fit for purpose". A revised Code of Corporate Governance has been drafted and is attached at Appendix A. There are minor amendments to reflect new strategies, partnership arrangements, etc. New text is highlighted in italics.

10. The "Action" referred to in the third column of Appendix A tables is dynamic and will take place throughout the year. An action plan will be prepared and shared with relevant Officers and, an update will be presented to the September meeting of the Committee.
11. In June 2012 Audit Services introduced a document called "Beating Fraud Is Everyone's Business" to help educate new staff and members on roles and responsibilities in the fight against fraud. Distribution of the document has become a standard part of the induction process. Audit Services has now drafted a similar type of document called "Good Governance Is Everyone's Business" which is aimed at managers and members. A copy is attached at Appendix B.

Finance

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

Law

14. There is no statutory requirement for the Council to produce a Code of Corporate Governance.
15. The Accounts & Audit Regulations 2011 require the Council to produce an Annual Governance Statement which has to be published.

Equality Impact

16. The adoption of a Code of Corporate Governance is one part of the Councils commitment to fair treatment for all.
17. Children and young people were not consulted on, or involved, with the preparation of this report.

Recommendation

18. That members note the content of this report and approve the revised Code of Corporate Governance.
19. That members authorise the Director of Corporate Resources to take the necessary action to incorporate the revised Code into the Constitution.
20. That members approve the publication "Good Governance Is Everyone's Business".



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Iain Newman

Treasurer

Contact Officer : Les Bradshaw

Email : Les.Bradshaw@dudley.gov.uk

Draft

Code of Corporate Governance

**To be approved by Audit & Standards
Committee
April 2014**

Introduction

A framework for good governance was produced by CIPFA /SOLACE in 2007 based around the Cadbury and Nolan Reports. Dudley has issued its own Code of Corporate Governance based around the CIPFA/SOLACE model.

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities.

The guidance notes to the framework states that local government has been subject to continued reform to improve accountability and engagement and that given the change in financing, service delivery and community engagement a strong governance framework will be needed.

The guidance states that:

“Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.”

“Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.”

“It comprises the systems and processes, and culture and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.”

The governance framework is based around six core principles of good governance drawn up by the Independent Commission on Good Governance in Public Services which was established by CIPFA and the Office for Public Management in partnership with the Joseph Rowntree Foundation.

The six core principles are as follows :-

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust accountability

For each of the six core principles, CIPFA/SOLACE have issued “supporting principles” together with examples of how any local code of governance should reflect each core principle. Detailed below is a suggested revised draft for our Code of Corporate Governance.

CIPFA/SOLACE guidance also includes the completion of the Annual Governance Statement (AGS), which requires the consideration of:

- a. Scope of responsibility
- b. Purpose of the governance framework
- c. Governance framework
- d. Review of effectiveness
- e. Significant governance issues

CIPFA envisage that work on the governance statement will be co-ordinated by a designated working group of the authority, which would report its findings to the designated committee of the authority. In Dudley we have established a Corporate Governance Group which will assist in co-ordinating evidence gathering and production of the AGS before it is submitted to the Audit & Standards Committee for approval. Audit Services are also developing an assurance mapping framework to assist in the review of governance arrangements.

In December 2012 CIPFA/SOLACE reviewed the Framework to ensure it remains ‘fit for purpose’, and they issued a revised guidance note. They stated that local government has been undergoing significant change and the environment in which it works is increasing in complexity. In addition to economic and financial challenge, the Localism Act and other key legislation has brought new roles and opportunities and greater flexibility for authorities.

They went on to say that local authorities are changing the way in which they operate and undertake service provision including services delivered directly, through partnerships and collaboration and through commissioning. Shared services and partnership boards have come into existence. The introduction of new structures and ways of working provide challenges for managing risk, ensuring transparency and demonstrating accountability.

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with control and the management of risk. A one-size-fits-all approach to governance is inappropriate. Local governance arrangements must be proportionate to the risks and are acknowledged as the responsibility of each local authority in its area of operation.

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties</p>	<p><i>The Community Collaboration Framework is being developed in conjunction with DCVS to facilitate the local partnership approach and vision for Dudley.</i></p> <p><i>The partnership landscape in the Borough has changed in the last 12 months as the Dudley Community Partnership ceased. However, robust partnership working takes place, for example the Health and Well-being Board. The core of the partnership work around Health, Crime, Regeneration and Children and Young People is informed by a shared needs assessment, owned by the partnership and used to prioritise action. Also, the Council Partnership Evaluation Tool needs to be reviewed and applied during 2014 to assess how appropriate it remains for the new partnership landscape.</i></p> <p><i>During 2013/14 the Council has worked with Health Partners to successfully deliver public health functions of the Authority.</i></p> <p>A first Joint Health and Well Being Strategy has been developed by partners on the Dudley Health and Wellbeing Board</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</p>	<p>Publish an annual Statement of Accounts and simple summary document on the Internet demonstrating the Authority's financial position and performance.</p> <p>Publish the Council Plan on the Internet.</p> <p>Publish quarterly and annual performance reports which are subject to review by Members on the Internet.</p> <p>Publish annual report and account on adult social care services, which provides an assessment of how council has performed as a provider and commissioner of adult social care as well as identifying areas for further focus.</p>
<p>Ensuring that users receive a high quality service whether directly, or in a partnership, or by commissioning</p>	<p>Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</p>	<p>Improved Corporate Performance Management system, which will continue to be monitored by, the Corporate Management, Efficiency and Effectiveness Scrutiny Committee, Corporate Board & Cabinet each quarter. Each Directorate will set, and monitor, quality service measures as part of the Corporate Strategic Planning framework.</p> <p>Engage with the Health and Wellbeing Board and Safe and Sound Partnership on performance matters.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Put in place effective arrangements to identify and deal with failure in service delivery</p>	<p><i>Determine future partnership framework in light of decisions made by the Council regarding service delivery options and the differing types of partnerships that will develop as a result and develop framework for new strategic partnerships and performance management .</i></p> <p><i>Actively challenging unacceptable performance within the quarterly Corporate Performance Management system. New member review arrangements have been put in place with the establishment of the corporate performance management, effectiveness and efficiency committee.</i></p> <p>Facilitate a revised Corporate Complaints system for the public to identify failures in service as part of a wider facility for the public to engage with the Council to express feedback, issues or ideas in the context of their community rights. The proposals were scrutinised and approved through the Corporate Performance Management Efficiency and Effectiveness Committee in February 2014.</p> <p>Provide a statutory complaints service for adult and children’s social care services.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money</p>	<p>Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.</p>	<p>Corporate Board and Cabinet determining budget requirements within available resources.</p> <p><i>Corporate Transformation Group established with agreed terms of reference, this is now subject to review to respond to the revised transformation agenda being developed by the Authority. At a strategic level the Assistant Directors meet with Corporate Board monthly to drive forward transformation, with particular focus on resources</i></p> <p>Corporate Performance Management system to facilitate data, which is monitored by Corporate Board & Cabinet each quarter.</p> <p><i>Corporate Information Quality Assurance Group established who report directly to Information Governance Board.</i></p> <p>Publish expenditure over £500 and other data in accordance with government guidance on transparency.</p> <p>Regular financial monitoring reports to Cabinet and Council to assist in decision making and effective stewardship of public funds.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Measure the environmental impact of policies, plans and decisions</p>	<p>Constitution sets out Financial Management Regime, which includes Standing Orders and Financial Regulations.</p> <p>Ensure we comply with CIPFA Prudential Code for Capital Finance and report to Members as required.</p> <p>Adopted CIPFA Code of Practice for Treasury Management as integral part of Treasury Strategy, which is approved by Members.</p> <p><i>The Corporate Reporting template requires consideration of environmental and sustainability factors</i></p> <p><i>Corporate Board agreed to set up a Corporate Energy Management function which will establish a programme of work to improve council's energy & environmental performance on sustainable development. The Councils intranet site has a section on policies and guidance with regard to project delivery and sustainable outcomes.</i></p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	<p>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required</p> <p>Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management</p> <p>Develop protocols to ensure that the Leader and Chief Executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</p>	<p>Constitution and Scheme of Delegation are reviewed at least annually or as necessary. Constitution has been reviewed in the context of the Localism Act.</p> <p>Specify within the Constitution the role of Chief Executive (Head of Paid Service) and his designation as a Director of the organisation. Chief Executive will chair Corporate Board which includes all Directors and Treasurer.</p> <p>Publish Protocol on Member/Officer Relations within the Constitution</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</p> <p>Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p>	<p>Specify within the Constitution the role of the Treasurer. Ensure responsibilities are in line with CIPFA Statement on the Role of Chief Financial Officer.</p> <p>Ensure that Treasurer is accountable for all finance staff throughout the organisation, thus promoting safeguarding of public money.</p> <p>Ensure that appropriate management accounting systems, functions and controls are in place to keep finances under regular review. Proper standards of behaviour are set out within Standing Orders and Financial Regulations. These are monitored by Internal Audit and reported upon as part of Audit Work</p> <p>Ensure that the Treasurer is designated as a Corporate Board member.</p> <p>Ensure budget calculations are robust and reserves adequate and reported to Members in line with CIPFA requirements.</p> <p>Specify the role of Monitoring Officer within the Constitution and ensure responsibility areas highlighted are included. Ensure that the Monitoring Officer is designated as a Director of the organisation.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other</p>	<p>Develop protocols to ensure effective communication between members and officers in their respective roles</p> <p>Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)</p> <p>Ensure that effective mechanisms exist to monitor service delivery</p>	<p>Protocol on Members/Officers Relations published within the Constitution.</p> <p><i>The Council needs to revisit the Partnership working framework to ensure that it remains relevant to the changed partnership landscape, and developments which have occurred since its production, for example the Localism Act.</i></p> <p>Publish within the Constitution Members Allowance Scheme. Utilise an independent panel for implementing changes to Members' Allowances.</p> <p>Use national terms, conditions and pay rates for Officers. Implementing pay review as approved by Unions and Members.</p> <p>Corporate performance management framework in place used to monitor service performance and delivery.</p> <p><i>Developing framework to engage with the Health and Well-being Board on framework for performance matters. This is reflected within the development of Spectrum the Council Performance Management system as well as "All about Dudley", the Local Information System which provides wider demographic and outcome data.</i></p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p>	<p><i>Work has taken place during 2013/14 with a range of partnerships e.g. Health and Well Being and Safe and Sound to review and develop partnership performance management framework, this needs to be extended across wider partnerships during 2014.</i></p> <p><i>The 2014-2017 Community Engagement Strategy, framework and action plan will ensure widespread consultation and engagement takes place appropriate to the issue and the need to undertake it.</i></p> <p>Publish the Council Plan on the internet.</p> <p>Annual review of Council Plan and publish on the internet. The 2013-16 review of the Council Plan to set out the medium term future relationship between the Council & Dudley Residents.</p> <p>Medium Term Financial Strategy in place and reported to Members. Robust annual budget process in place reported and approved by Members. Financial Monitoring reports taken to Members.</p> <p><i>Publish Community Engagement Database to allow more effective engagement. A corporate review of Community Engagement has been undertaken through the TORCh programme during 2013/14 and the action plan implemented during 2014.</i></p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>When working in partnership ensure that member are clear about their roles an responsibilities both individually and collectively in relation to the partnership and to the authority</p> <p>When working in partnership :-</p> <ul style="list-style-type: none"> a. Ensure that there is clarity about the legal status of the partnership b. Ensure that representative or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions 	<p><i>Develop a partnership framework to include guidance on working in partnerships. This is being developed to incorporate aspects within Localism Act and statutory body status of the Health and Wellbeing Board.</i></p> <p>External legal advice obtained concerning the creation and operation of key partnerships concerning roles and responsibilities. This will be undertaken for any future key partnership arrangements.</p>

CORE PRINCIPLE 3 : Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</p>	<p>Ensure that the authority’s leadership sets a tone for the organisation by creating a climate of openness, support and respect</p> <p>Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols</p>	<p>Require adherence to Members and Officer Codes of Conduct. Members Code of Conduct has been reviewed to reflect Localism Act.</p> <p>Publish Protocol on Member/Officer Relations.</p> <p>Require the adherence to Member and Officer Codes of Conduct. Protocol on Member/Officer Relations published within Constitution.</p> <p><i>Develop partnership framework in light of decisions made by the Council regarding service delivery options and the differing types of partnerships that will develop as a result.</i></p> <p><i>The Council is investing in a new Leadership programme called Future-Engage-Deliver. This is a key component of the Council’s plans to define and develop its long term role and structure and take the organisation through toward realising its ambition.</i></p> <p>The Council has approved policies in respect of Equal Opportunities.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</p>	<p>Proper standards of behaviour are set out within Standing Orders and Financial Regulations. These are monitored by Internal Audit and reported upon as part of Audit Work.</p> <p>Confidential Reporting Policy and Fraud hotline available to Officers, Members, Contractors & members of the public. Publish Member and Officer Codes of Conduct.</p> <p>Processes for recording Officer and Member declarations of interest and gifts and hospitality.</p>
<p>Ensuring that organisational values are put into practice and are effective</p>	<p>Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners</p> <p>Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</p>	<p>Publish Member and Officer Codes of Conduct.</p> <p>Publish an Anti Fraud & Corruption Strategy</p> <p>Embed values within the Council Plan</p> <p>A new Members' Code of Conduct introduced in accordance with the Localism Act. The new Standards Regime is administered by the Monitoring Officer; Independent Persons and the Audit and Standards Committee.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Develop and maintain an effective standards committee</p> <p>Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority</p> <p>In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.</p>	<p>Proper standards of behaviour are set out within Standing Orders and Financial Regulations, which ensure that systems and processes for financial administration, financial control and protections of resources are in place. These are monitored by Internal Audit and reported upon as part of Audit Work.</p> <p>Constitution reflects the requirements of the Localism Act including a new Members Code of Conduct and arrangements for monitoring the ethical standards and behaviour of Members and Officers.</p> <p>Publish the Constitution and various Codes of Practice.</p> <p>Protocols are in place to ensure that executive decisions indicate how they will support Council Priorities.</p> <p><i>Review the current Council partnership framework in light of decisions made by the Council regarding service delivery options and the differing types of partnerships that will develop as a result. This should include guidance on working in partnerships and requiring the use of a Partnership Review Tool to ensure partnerships are operating effectively and producing agreed outcomes. Whilst the benefits of partnership working are widely acknowledged DMBC will continually review partnership working to ensure it provides value for</i></p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
		<i>money for communities.</i>

CORE PRINCIPLE 4 : Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny</p>	<p>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority’s performance overall and that of any organisation for which it is responsible</p> <p>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</p> <p>Put in place arrangements to safeguard members and employees against conflict of interest and put in place appropriate processes to ensure that they continue to operate in practice</p>	<p>Operate Scrutiny Committees whose rules are clearly set out in the Constitution and are subject to review. Terms of reference will be considered as part of the review of the democratic framework being undertaken as part of the Localism Act.</p> <p>Operate Community Forums, which allow more local input from members of the public.</p> <p>Ensure effective internal audit function is resourced and maintained, the performance, plans, outcomes reported to Audit Committee.</p> <p>Set out decision making protocols within the Constitution</p> <p>Publish within Constitution Codes of Conduct for Members and Officers. The Constitution includes a new Members Code of Conduct and arrangements for monitoring the ethical standards and behaviour of Members and Officers, in accordance with the Localism Act.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the function of such a committee</p> <p>Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</p>	<p>Operate Audit & Standards Committee with terms of reference set out within the Constitution. Terms of reference will be considered as democratic framework and Constitution are reviewed to meet requirements of Localism Act.</p> <p>Evaluate the operation and effectiveness of the Audit & Standards Committee against best practice determined by CIPFA.</p> <p>Ensure Treasurer has direct access to the Audit & Standards Committee and external audit.</p> <p>Operate a Corporate Complaints system and statutory complaints system for adults and children’s social care. The Council’s website has feedback facility available to members of the public.</p>
<p>Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</p>	<p>Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</p>	<p><i>Established Corporate Information Quality Assurance Group (IQAG) with published Data Quality Strategy and Toolkit. IQAG to report directly to Information Governance Board.</i></p> <p>Ensure accurate performance and budgetary reports provided to Members and Senior Officers.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</p>	<p><i>Develop a partnership framework in light of decisions made by the Council regarding service delivery options and the differing types of partnerships that will develop as a result.; with an appropriate performance monitoring framework and review process.</i></p> <p><i>Continue to promote and develop “All About Dudley Borough” – the web-based intelligence tool designed to share corporate and partnership data and the engine behind the joint needs assessment process.</i></p> <p>Ensure the Constitution includes relevant guidance on the roles and responsibilities of the Chief Financial Officer (the Treasurer) and the Monitoring Officer. Senior Officers in attendance at all decision making meetings for advice.</p> <p>Members receive induction training and training to assist with decision making, particularly for quasi judicial committees.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Ensuring that an effective risk management system is in place</p>	<p>Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs</p> <p>Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access</p>	<p>Publish a Risk Management Strategy endorsed by Members.</p> <p>Provide training to Members and Officers on risk management.</p> <p>Directors sign on quarterly basis that risk management assurances are in place.</p> <p>Ensure arrangements for financial and internal control and managing risk are addressed in annual governance report.</p> <p>Publish Confidential Reporting Policy.</p> <p>Fraud hotline available to Officers, Members, Contractors & members of the public.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Using the legal powers to the full benefit of the citizens and communities in their area</p>	<p>Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities</p> <p>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law</p> <p>Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law :-</p> <ul style="list-style-type: none"> a. Rationality, legality and natural justice b. Into their procedures and decision making processes. 	<p>Ensure the Constitution covers the question of legality and the role and responsibilities of the Monitoring Officer.</p> <p>Ensure the Constitution covers the question of legality and the role and responsibilities of the Monitoring Officer. Review of the Constitution will encompass the Localism Act requirements.</p> <p>Ensure the Constitution covers the role and responsibilities of the Monitoring Officer. The review of the Constitution encompasses the Localism Act provisions.</p> <p>Publish a Corporate Reporting Template, which includes a mandatory requirement for legal issues to be considered in each report to Members.</p>

CORE PRINCIPLE 5 : Developing the capacity and capability of members and officers to be effective

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p>	<p>Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis</p> <p>Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</p>	<p>Ensure that all new Members and Officers undergo induction training and they are offered a range of appropriate training.</p> <p>Council operates a performance review & development (PRD) scheme for all Officers. Members Development Plans scheme in place.</p> <p>Ensure the Constitution clearly sets out the requirement of the Council to provide sufficient resources for key Officers to carry out their duties.</p>
<p>Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group</p>	<p>Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</p>	<p>Ensure that political groups consider undertaking reviews of Members skills.</p> <p>Ensure that the Council operates a PRD Policy for all Officers. Member Development Plans determined.</p> <p>Members training course programme offered</p> <p>Ensure that training is available for all Members and Officers to develop their skills, with particular emphasis on quasi judicial committee members</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</p> <p>Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs</p>	<p>Provide Member and Officer Development Plans and associated training courses.</p> <p>Ensure that Cabinet Members and the Cabinet as a whole are subject to review. Developed endorsed professional programme of training for Cabinet Members</p>
<p>Encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal</p>	<p>Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</p>	<p><i>The 2014-2017 Community Engagement Strategy, framework and action plan will allow for the further development of community collaboration opportunities between officers, members and communities in order to explore the potential for community-led or community-delivered services. The recently established community forums also exist to encourage wider participation in the work of the authority and local community issues.</i></p> <p>Work with local partners and stakeholders to both encourage and facilitate partnership working within the community.</p> <p>New methods being developed to engage with partners within the community</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Ensure that career structures are in place for members and officer to encourage participation and development</p>	<p><i>Review the Council's Volunteering Strategy in association with promoting the national volunteers month (June 2014)</i></p> <p>Ensure the Cabinet and Corporate Board review succession planning. Member and Officer Development Plans are developed and addressed.</p>

CORE PRINCIPLE 6 : Engaging with local people and other stakeholders to ensure robust public accountability

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships</p>	<p>Make clear to themselves, all staff and the community to whom they are accountable and for what</p> <p>Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationship and any changes required</p> <p>Produce an annual report on the activity of the scrutiny function</p>	<p>The 2013-16 review of Council Plan will set out medium term future relationship between Council and residents.</p> <p><i>Determine partnership framework in light of decisions made by the Council regarding service delivery options and the differing types of partnerships that will develop as a result and develop framework, which will include guidance on working in partnerships and appointments to outside bodies.</i></p> <p><i>The 2014-2017 Community Engagement Strategy, framework and action plan will allow for the further development of community collaboration opportunities and new initiatives in order to explore the potential for community-led or community-delivered services.</i></p> <p>Require the Scrutiny Committees to report annually to the full Council with details of their activities and annual work programme.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
	<p>Ensure that arrangements are in place to enable the authority to engage with all section of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</p> <p>Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result</p> <p>On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statement as well as information about its outcome, achievements and the satisfaction of service users in the previous period</p>	<p>Use the results of consultation to influence decisions and inform choices concerning services delivered and services required by community.</p> <p><i>The 2014-2017 Community Engagement Strategy, framework and action plan will allow for the further development of community collaboration opportunities and new initiatives in order to explore the potential for community-led or community-delivered services; and also link to key objectives set out in directorate strategic plans.</i></p> <p>Publish the Council Plan on the internet.</p> <p>Publish an annual Statement of Accounts and simple summary document on the Internet.</p> <p>Publish quarterly and annual performance reports [which are subject to review by Members] on the Internet.</p>

Supporting Principles	Dudley Council commitment	Action taken by the Council
<p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff.</p>	<p>Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p> <p>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision-making.</p>	<p>Publish a Council Plan which sets out the Council Vision which highlights that Dudley Council will listen, respond, be accountable, provide value for money, set high standards for services, promote good governance standards and build strong collaborative partnerships.</p> <p><i>Determine partnership framework in light of decisions made by the Council regarding service delivery options and the differing types of partnerships that will develop as a result; and develop framework for new strategic partnerships and performance management .</i></p> <p>Publish a Constitution, which demonstrates the Council's commitment to an open and accessible style of operation by Members and Officers in all dealings.</p> <p>Make a commitment to regularly survey staff and ask them to contribute to strategic planning.</p>

Good governance is everyone's business



Dudley Council is committed to delivering the right services, in the right way, to the right people, in a timely, inclusive, open, honest, affordable and accountable manner.

Good governance is an essential element in the efficient running of the organisation and in achieving high levels of performance. It enables the council to pursue its vision effectively whilst managing any risks which could prevent delivery of desired outcomes.

Good governance is achieved by ensuring we have a governance framework that everyone understands. The framework will encompass a range of policies and processes which are embedded in the council and are clearly understood by all staff and members.



In “Simple Terms” we:

- Are fair to all
- Are transparent in all our dealings
- Are accountable for our actions
- Deliver value for money services
- Follow the rules
- Respect everyone with a stake in Dudley
- Maintain the highest standards of conduct



Introduction

An understanding of governance starts with six core principles:

- Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and stakeholders to ensure robust accountability

The Code of Corporate Governance approved by the Audit & Standards Committee takes each of these principles and provides further detail on each one whilst also providing examples of how the council meets each challenge.

In addition to the Code of Corporate Governance the council has a governance framework which ensures that we can comply with the Code and deliver good governance. The framework is made up of various documents such as:

- The Council Constitution • Budgets • The Council Plan & Directorate Plans
- Human Resources Strategy • Risk Management Procedures
- Financial Regulations and Standing Orders • Information Governance • Performance Management
- Equality & Diversity Policy • Community Strategy

This is not a complete list but illustrates the depth of strategies, policies and procedures necessary to underpin the delivery of a wide range of services to the public.

The Constitution is the foundation stone on which we build the governance framework

The Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

It also commits the council to provide clear leadership, support the active involvement of citizens in decision-making and ensure that decision-makers are accountable.

Purpose of the Constitution :

- To enable the council to provide clear leadership to the community in partnership with citizens, businesses and other organisations;
- Support the active involvement of citizens in the process of local authority decision-making;
- Help councillors represent their constituents more effectively;
- Enable decisions to be taken efficiently and effectively;
- Create a powerful and effective means of holding decision-makers to public account;
- Ensure that apart from decisions taken by the full council, no one will review or scrutinise a decision in which they were directly involved;
- Ensure that those responsible for decision-making are clearly identifiable to local people and that they explain the reasons for decisions; and
- Provide a means of improving the delivery of services to the community.

Roles of members in corporate governance:

- Ensure that clear outcomes and priorities are in place;
- Ensure the right resources are in place to achieve these outcomes and priorities and these resources are used effectively
- Scrutinise and monitor the delivery of services to ensure that the council's performance expectations are achieved ;
- Ensure the way the council operates is transparent and accountable to the electorate



Roles of members outlined in the Constitution :

- Collectively be the ultimate policy-makers;
- Contribute to the good governance of the area and actively encourage community participation and citizen involvement in decision-making;
- Effectively represent the interests of their ward and of individual constituents;
- Respond to constituents' enquiries and representations, fairly and impartially;
- Participate in the governance of the council;
- Maintain the highest standards of conduct and **104**cs

What does good governance look like in an organisation ?

- Robust systems and processes are combined with effective leadership and high standards of behaviour;
- Leadership establishes a vision for organisations, generates clarity about strategy and objectives, roles and responsibilities, and fosters professional relationships;
- Has a culture based on honesty and openness, in which decisions and behaviours can be challenged and accountability is clear;
- Supports accountability through systems and processes, such as risk management, financial management, performance management and internal controls;
- Has an external focus on the needs of the service users and the public, reflecting diverse views in decision-making, producing greater ownership among stakeholders and maintaining clarity of purpose;
- Partners share our governance values

Transparent	
	Ethical
Open	
	Prudent
Fair	
	Accountable
Objective	
	Honest
Selfless	
	Inclusive
Accessible	

Principles of decision making in the council

- Proportionality (ie, the action must be proportionate to the desired outcome);
- Due consultation and the taking of professional advice from officers;
- Respect for human rights;
- A presumption in favour of openness;
- Clarity of aims and desired outcomes;
- An explanation of options considered; and
- Giving reasons for decisions.

YOUR actions should always adhere to the seven principles of public life, which include:

Selflessness - act solely in the public interest;

Integrity - avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence their work and decisions;

Objectivity - must act and take decisions impartially, fairly and on merit using the best evidence and without discrimination or bias;

Accountability - be accountable to the public for their decisions and actions and submit themselves to any scrutiny that is necessary;

Openness - must act and make decisions in an open and transparent manner.

Information should not be withheld from the public unless there are clear and lawful reasons for doing so;

Honesty - All should be truthful;

Leadership - Exhibit all these principles in their own behaviour and, actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

One of the ways in which the council communicates and promotes the values of good governance through upholding high standards of conduct and behaviour is through the “Code of Conduct for Employees”.

There are numerous references to conduct and behaviour and the following are a few examples :

The public is entitled to expect the highest standards of conduct from all employees of Dudley Council. It is therefore important that you understand your roles and responsibilities whilst at work. It is also important, where necessary for you to understand how your behaviour and activities outside work may impact upon your ability to do your work during work hours.

Dudley Council's employees are expected to give the highest possible standard of service to the public and where it is part of their duties, to provide appropriate advice to elected members and fellow employees with impartiality.

In summary employees are required to :-

- Act honestly
- Act with dignity and treat all others with dignity and respect
- Be committed to delivering quality services to service users
- Understand and act in accordance with the council's vision and values as set out in the Council Plan, policy and procedures
- Work in accordance with the terms and conditions of their principal statement of employment and job description
- Understand and apply the council's rules policies and procedures applicable to them and their role



There is also a Members Code of Conduct in which members commit to:-

- Championing the needs of residents - the whole community, including those who did not vote for me and putting their interests first.
- Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.
- Not allowing other pressures, including the financial interest of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the borough or the good governance of the council in a proper manner.
- Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member or co-opted member of this council,
- Listening to the interests of all parties, including relevant advice from statutory and other professional officers, taking all relevant information into consideration, remaining objective and making decisions on merit.
- Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.
- Contributing to making this council's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other members to account but restricting access to information when the wider public interest or the law requires it.
- Behaving in accordance with all our legal obligations, alongside any requirements contained within this council's policies, protocols and procedures, including on the use of the council's resources.
- Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.
- Always treating people with respect, including the organisations and public I engage with and those I work alongside and not bullying any person,
- Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this council.
- Respecting the confidentiality of information received as a member by:
 - not disclosing confidential information to third parties unless required by law to do so or where there is a clear and over-riding public interest in doing so; and
 - not obstructing third parties' legal rights to access information.

**For further information on anything in this booklet,
contact Les Bradshaw 01634 814853**

Audit and Standards Committee – 17th April 2014

Report of the Monitoring Officer

Confidential Reporting Policy

Purpose of Report

1. To monitor the operation of the Council's Confidential Reporting Policy.

Background

2. Within its terms of reference the Audit and Standards Committee is responsible for advising the Council on its confidential reporting (i.e. whistle-blowing) policy and monitoring its operation.
3. The Policy was first introduced in July 1999 and was last updated in April 2014. A copy of the current policy is attached at Appendix 1.

A few minor changes have been made to the updated 2014 policy and includes specific reference to the Trade Unions that have been consulted on in developing the policy and specific Acts that the policy has been written in accordance with. The policy also references updated web sites and contact names where applicable. The policy now also directs employees who have concerns to raise them either through line management or senior management but also through the named Directorate contact detailed on the Confidential Reporting Policy posters located in their work area.

4. In my capacity as Monitoring Officer I regularly monitor the Policy by surveying each Directorate and asking a number of standard questions. The latest survey was undertaken during Spring 2014 and the results are set out below

Are you aware of any use of the Policy by your staff and, if so, please supply appropriate details?

5. There has been two recorded uses of the policy:-
 - In the Directorate of Urban Environment (an anonymous allegation which was fully investigated and found to be malicious);
 - In the Directorate of Corporate Resources (an anonymous allegation of fraud which was investigated by Internal Audit and the allegation was not substantiated).

There have been no other incidents of use of the Policy by staff reported this year for any of the Directorates.

How are your staff reminded of the existence of the policy e.g. newsletters and briefings?

6. Generally Directorates make use of briefings, newsletters, management meetings, posters and the induction process.

Are there regular checks of posters and leaflets to make sure that they are up to date and readily available?

7. All Directorates report that regular (i.e. at least annually) checks do take place and any missing or out-dated posters are replaced. Where posters are not used, the policy itself is made available to managers or is displayed on a prominent notice board.

What is the outcome of your Directorate's review of the policy?

8. Each Directorate has reviewed the Policy and considers that it is appropriate for the areas it covers.

Finance

9. There are no financial implications arising from this report.

Law

10. The relevant legislation is contained in the Public Interest Disclosure Act 1998 which affords some statutory protection for whistle-blowers.

Equality Impact

11. This report takes into account the Council's policy on equality and diversity and an Equality Impact Assessment has been produced.

Recommendation

12. It is recommended that the Committee note the outcome of the recent monitoring of the Confidential Reporting Policy.



.....
Philip Tart
Monitoring Officer

Contact Officer: Philip Tart
Telephone: 01384 (81)5300
Email: philip.tart@dudley.gov.uk

List of Background Papers

Various emails from Directorates

DUDLEY METROPOLITAN BOROUGH

CONFIDENTIAL REPORTING POLICY (more commonly known as Whistleblowing)

This Policy applies to all employees (which includes school staff where the local education authority is the employer), and those contractors working for the Council on Council premises. It also covers suppliers and those providing services under a contract with the Council in their own premises.

This Policy is written in accordance with the Employment Rights Act 1996, the Public Interest Disclosure Act 1998 and the Enterprise and Regulatory Reform Act 2013.

This Policy will come into effect from 1 April 2014 and will be reviewed on an annual basis.

This Policy has been developed in consultation with the following Trade Unions: ASCL, ATL, GMB, NAHT, NASUWT, NUT, UCATT, UNITE and UNISON.

April 2014



1. INTRODUCTION

- 1.1. Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2. The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees, suppliers and those providing services under a contract with the Council in their own premises and others that we deal with, who have serious concerns about any aspect of the Council's work, to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.
- 1.3. This Policy makes it clear that you can do so without fear of victimisation, subsequent discrimination or disadvantage. *This Confidential Reporting Policy is intended to encourage and enable employees to raise serious concerns **within** the Council rather than overlooking a problem or "blowing the whistle" outside.*
- 1.4. This Policy applies to all employees (which includes school staff where the local education authority is the employer), and those contractors working for the Council on Council premises. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example, care homes.
- 1.5. These procedures are in addition to the Council's complaints procedures and other statutory reporting procedures applying to some Directorates such as those relating to safeguarding children or vulnerable adults. Managers are responsible for making service users aware of the existence of these procedures.
- 1.6. The relevant trade unions have been consulted and this Policy has their support.

2. AIMS AND SCOPE OF THIS POLICY

- 2.1. This Policy aims to:
 - Encourage you to feel confident in raising concerns and to question and act upon concerns about practice
 - Provide avenues for you to raise those concerns and receive feedback on any action taken
 - Ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied
 - Reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure

2.2. There are existing procedures in place to enable you to lodge a grievance relating to your own employment. The Confidential Reporting Policy is intended to cover major concerns that fall outside the scope of other procedures. These include:-

- Conduct which is an offence or a breach of law, including, for example, data protection and equality legislation
- Disclosures related to miscarriages of justice
- Significant health and safety risks, including risks to the public as well as other employees
- Damage to the environment
- The unauthorised use of public funds
- Possible fraud and corruption
- Sexual, emotional or physical abuse or neglect of clients, or other unethical conduct.

2.3. Thus, any serious concerns that you have about any aspect of service provision or the conduct of officers or members of the Council, or others acting on behalf of the Council, can be reported under the Confidential Reporting Policy. In order for there to be a protected disclosure, information must be disclosed; it is not enough for an allegation to have been made. This may be about something that:

- makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or
- is against the Council's Standing Orders, Financial Regulations and policies; or
- falls below established standards of practice; or
- amounts to improper conduct.

2.4. This Policy does **not** replace the corporate complaints procedure.

3. SAFEGUARDS

3.1. Harassment or Victimisation

3.1.1 The Council is committed to good practice and high standards and wants to be supportive of anyone making a protected disclosure.

- 3.1.2 The Council recognises that the decision to report a concern can be a difficult one to make. If what you are saying is true, or if you have reasonable grounds for believing that it is true, you should have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.
- 3.1.3 The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern.
- 3.1.4 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

4. CONFIDENTIALITY

- 4.1. All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may be asked to come forward as a witness.

5. ANONYMOUS ALLEGATIONS

- 5.1. This Policy encourages you to put your name to your allegation whenever possible.
- 5.2. Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.
- 5.3. In exercising this discretion, the factors to be taken into account would include:
- the seriousness of the issues raised
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources.

6. UNTRUE ALLEGATIONS

- 6.1. If you make an allegation but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

7. HOW TO RAISE A CONCERN

- 7.1. As a first step you should normally raise concerns with your immediate manager (or in the case of schools, the Head Teacher), their superior or their Director. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved, you should approach their manager, or their manager's manager, or the Director. Alternatively, you could approach the Chief Executive, Director of Corporate Resources, the Treasurer, or Internal Audit or the named Directorate contact detailed in the Confidential Reporting Policy poster located in your work area. In the case of schools, staff should normally refer the matter to

their Head Teacher or, where appropriate, to the Director of Children’s Services or Director of Adult, Community and Housing Services, or appropriate Assistant Director direct.

If you believe an employee has:

- Behaved in a way that has harmed or may have harmed a child or vulnerable adult;
- Possibly committed a criminal offence against or related to a child or vulnerable adult; or
- Behaved towards a child or children or vulnerable adults(s) in a way that indicates that she/he is unsuitable to work with children or vulnerable adults.

You should follow safeguarding children procedures (Part B, Section 11) <http://safeguardingchildren.dudley.gov.uk/information-for-professionals/safeguarding-children-procedures/part-b-specific-safeguarding> or contact the Local Authority Designated Officer (LADO) in respect of managing concerns or allegations at Safeguarding & Review via the Safeguarding Review Unit (Tel No 813061).

You should follow safeguard and protect adults’ procedures:- <http://www.dudley.gov.uk/resident/care-health/dudley-social-services/do-you-need-support-now/protecting-vulnerable-adults/safeguarding-adults/>

- 7.2. Concerns may be raised verbally or in writing. Individuals who wish to make a written report are invited to use the following format:
- the background and history of the concern (giving relevant dates), and
 - the reason why you are particularly concerned about the situation.
- 7.3. The earlier you express the concern the earlier any action that needs to take place can be implemented.
- 7.4. Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.
- 7.5. Advice or guidance on how to pursue matters of concern may be obtained internally from:-

Officer	Tel N°	E-Mail
John Polychronakis Chief Executive	01384 815200	john.polychronakis@dudley.gov.uk
Philip Tart Director of Corporate Resources & Monitoring Officer	01384 815300	philip.tart@dudley.gov.uk
Iain Newman Treasurer	01384 814802	iain.newman@dudley.gov.uk
Les Bradshaw Head of Audit Services	01384 814853	les.bradshaw@dudley.gov.uk
Andrea Pope-Smith Director of Adult, Community and Housing	01384 815800	andrea.pope-smith@dudley.gov.uk

Services		
Pauline Sharratt Interim Director of Children's Services	<u>01384 814200</u>	pauline.sharratt@dudley.gov.uk
John Millar Director of the Urban Environment	<u>01384 814150</u>	john.millar@dudley.gov.uk

If you are unsure whether or how to use this Policy, you may seek free confidential help from the independent charity, **Public Concern at Work**
Tel: 0207-404-6609 www.pcaw.org.uk email: whistle@pcaw.co.uk

Public Concern at Work will also be able to help if you feel that it would be inappropriate to speak to any of the officers referred to above.

- 7.6. You may wish to consider discussing your concern with a fellow worker first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 7.7. You may invite your current recognised trade union representative, trade union official or fellow worker to be present during any meetings or interviews in connection with the concerns you have raised.

8. HOW THE COUNCIL WILL RESPOND

- 8.1. The Council will respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.
- 8.2. Where appropriate, the matters raised may:
 - be investigated by management, internal audit or through the disciplinary process
 - be referred to the police
 - be referred to the external auditor
 - form the subject of an independent inquiry.
- 8.3. In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, child or vulnerable adult protection or discrimination issues) will normally be referred for consideration under those procedures.
- 8.4. Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 8.5. Within ten working days of a concern being raised, the responsible person (the Chief Executive) will write to you:
 - acknowledging that the concern has been received

- indicating how we propose to deal with the matter
 - giving an estimate of how long it will take to provide a final response
 - telling you whether any initial enquiries have been made
 - supplying you with information on staff support mechanisms, including confidential welfare counselling, and
 - telling you whether further investigations will take place and, if not, why not.
- 8.6. The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.
- 8.7. Where any meeting is arranged, off-site if you so wish, you can be accompanied by a current recognised trade union representative, trade union official or fellow worker.
- 8.8. The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive advice about the procedure.
- 8.9. The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcome of any investigation.

9. THE RESPONSIBLE OFFICER

- 9.1. The Chief Executive has overall responsibility for the maintenance and operation of this Policy. The Chief Executive maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report to the Audit and Standards Committee.

10. HOW THE MATTER CAN BE TAKEN FURTHER

- 10.1. This Policy is intended to provide you with an avenue within the Council to raise concerns. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:
- the external auditor
 - your trade union
 - relevant professional bodies or regulatory organisations
 - a relevant voluntary organisation
 - the police
 - Public Concern at Work (see paragraph 7.5 above).
 - Health & Safety Executive
 - Children's Commissioner
 - Office of Communications
 - Department for Business, Innovations and Skills

A full list of prescribed persons and bodies can be found in the schedule to the Public Interest Disclosure (Prescribed Persons) Order (SI 1999/1549).

10.2. If you do take the matter outside the Council, you should ensure that you do not disclose confidential information and you should check with one of the contact points listed in Paragraph 10.1 to ensure that you are not doing so.

John Polychronakis

John Polychronakis
Chief Executive
Dudley MBC
April 2014