

Meeting of the Council – 15th July, 2024

Report of the Audit and Standards Committee

Annual Report of the Audit and Standards Committee 2023/24

Purpose of the Report

1. To receive the Annual Report of the Audit and Standards Committee.

Recommendation

2. That the Annual Report of the Audit and Standards Committee for 2023/24 be received and noted.

Background

3. A Chartered Institute of Public Finance and Accountancy (CIPFA) self-assessment completed by the Head of Audit and Risk Management Services on the Audit and Standards Committee identified the production of an Annual Report as best practice. The production of an annual report promotes the good work completed by the Audit and Standards Committee and will also be in line with the Council's Scrutiny/Select Committees.
4. The annual report for 2023/24 was agreed by the Audit and Standards Committee on 24th April, 2024, prior to the Municipal Elections and subsequent changes to the Committee's Membership in May, 2024.

Finance

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

Law

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



Risk Management

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

Equality Impact

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

Human Resources/Organisational Development

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

Commercial/Procurement

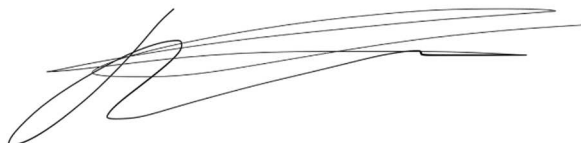
11. This report does not have any commercial/procurement implications.

Environment/Climate Change

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

Council Priorities and Projects

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



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Chair of the Audit and Standards Committee



**Chair -
Councillor
Angus Lees**

Annual report of the Audit and Standards Committee

2023/24 Muncipal Year



**Vice-Chair -
Councillor
Dave
Borley**

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

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

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

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

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

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

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

Internal Audit

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

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

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

Outcomes:

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

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

External Audit

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

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

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

Outcomes:

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

- The External Auditor referred to the 2020/21 Annual Auditor's Report to Cabinet on 27 June 2023, highlighting that urgent action was needed to reduce the Council's significant reliance on the use of reserves and introduce tight scrutiny of additional spending proposals.
- The External Auditor was concerned that following a report to Cabinet in July 2023 where proposals to reverse savings decisions were approved that this represented a significant weakness in the Council's financial sustainability and governance, in particular as the Council had

been unable to remain within its budget less than three months after the budget had been agreed.

- The External Auditor suggested that consideration may need to be given to implementing auditor powers, including statutory recommendations and related actions such as Public Interest reports, should the use of reserves continue.
- External Auditors concluded their audit of the 2022/23 Statement of Accounts in December 2023 with an unqualified audit opinion (fewer than 10% of councils achieved this).
- The Chair informed Committee that an e-mail had been sent to the Leader, Deputy Leader and Cabinet Member for Finance, Legal and Human Resources on behalf of the Chair and Vice-Chair highlighting concerns with the issues raised within the External Auditor's Annual Auditor's Report.
- The Chair was requested to formulate recommendations, arising from concerns raised and comments made, to the Leader, Deputy Leader and Cabinet Member for Finance and Legal, in consultation with the Vice-Chair and officers, on behalf of the Committee.

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

- The External Auditor reported that significant weaknesses had been identified in the Council's arrangements in relation to financial sustainability, governance and improving economy, efficiency and effectiveness.
- The External Auditor made a number of key recommendations including the need to improve the Council's financial position and replenish reserves so as to become financially resilient moving forward. Members were encouraged to support officers in setting a balanced budget, identifying new sources of income and delivering savings plans.
- The External Auditor also suggested that a reset in the relationship between officers and members was required to help restore trust and respect. This could be achieved through the development of a charter setting out the expected standards of behaviour supported by a joint statement from the Leader and the Leader of the Opposition Group calling out previous bad behaviour and making a commitment to improving standards of conduct going forward.
- The External Auditor made a further recommendation related to the Council addressing the requirements of the Regulatory Notice issued by the Regulator of Social Housing with respect to the failure to meet minimum service standards.
- Members raised a lot of questions on the report including were Members engaged with the financial challenges, staff required comprehensive training and support, whether valuations for property, plant and

equipment could now be obtained on a timely basis, role and status of Monitoring Officer and training of new Members.

External Audit Findings Report 2022/23

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

Statement of Accounts 2022-23

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

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

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

Outcome:

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

Risk Management

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

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

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

Outcomes:

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

Fraud

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

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

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

Outcomes:

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

Governance

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

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

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

Outcomes:

- Approved the re-appointment of the Standards Sub-Committee for 2023/24 with its existing terms of reference and that the membership be extended to five members comprising of the Chair (Councillor A Lees), the Vice-Chair (Councillor D Borley), Councillor J Cowell, Councillor J Foster and Councillor W Little.
- The Annual Report of the Committee on Standards in Public Life was discussed and noted. The Chair, on behalf of the Committee and in consultation with the Monitoring Officer, agreed to write a letter to the Chair of the Committee on Standards in Public Life in relation to the lack of local government experience and diversity within the membership of the Board, re-emphasising the frustration of the limitations on sanctions that could be enforced by Standards Sub-Committees and requesting an indication of the work being undertaken during the next 12 months.
- Discussed and approved the Annual Governance Statement 2022/23 and referred to the Leader of the Council and Chief Executive for signature. During the discussion concerns were expressed in relation to the increase in sickness due to work related stress and the staff turnover rate which highlighted low morale and lack of support to staff.

Whistleblowing

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

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

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

Outcomes:

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

Treasury Management

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

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

Outcomes:

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

Local Authority would still only invest with institutions with the highest credit ratings.

- The Committee agreed the reports submitted and the submission to Full Council.

Procurement

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

Outcomes:

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

Suspensions

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

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

Outcomes:

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

Programme, Project and Contract Management

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

Outcomes:

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

Hybrid Working

The Committee received a report on hybrid working.

Outcomes:

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