

Minutes of Audit and Standards Committee

Wednesday 29th March, 2017 at 6.00 p.m.
in Committee Room 3, The Council House, Dudley

Present:-

Councillor P Brothwood (Chair)
Councillor S Waltho (Vice-Chair)
Councillors A Aston, J Baines, Z Islam, S Ridney, A Taylor and T Westwood

Officers:

I Newman (Chief Officer Finance and Legal Services), R Cooper (Head of Financial Services), M Grainger (Corporate Fraud Manager), G Harrison (Acting Head of Audit Services), A Taylor (Principal Auditor) and H Shepherd (Democratic Services Officer).

Also in Attendance:-

S Griffiths (Democratic Services Officer) (Agenda Item No. 5 Only)
R Percival (Engagement Lead – Grant Thornton)
T Tobin (Senior Manager – Grant Thornton)
J Cook (Director – Grant Thornton)

43 **Apologies for Absence**

Apologies for absence from the meeting were received on behalf of Councillors S Craigie and M Mottram.

44 **Appointment of Substitute Members**

It was noted that Councillors Z Islam and S Ridney had been appointed as substitute members for Councillors S Craigie and M Mottram, respectively, for this meeting of the Committee only.

45 **Declarations of Interest**

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

46 **Minutes**

Resolved

That the minutes of the meeting held on 9th February, 2017, be approved as a correct record and signed.

47 **Whistleblowing Policy**

The Committee considered a report of the Monitoring Officer in relation to the operation of the Council's Whistleblowing Policy.

During the presentation of the report, the Democratic Services Manager referred to the survey that had been undertaken in February, 2017 and highlighted the responses received. It was noted that there had been nine reports of use of the Whistleblowing Policy in a twelve month period, of which six cases in total had been investigated, two had been proven and three cases were still on-going.

The ways in which the Policy was communicated and promoted to employees were outlined and it was emphasised that all Managers were required to apply the policy where appropriate.

Arising from the presentation of the report and in response to a question raised by a Member in relation to the recent changes for the protection of whistleblowers and the impact this may have on Dudley's Whistleblowing Policy, the Democratic Services Manager advised that information as how whistleblower employees were protected and what would happen if an allegation was confirmed to be untrue was included in the current policy and reiterated that action would only be taken if the allegation had been made maliciously or for personal gain, but agreed that this section may need to be reviewed.

In response to a question raised by the Chair, the Acting Head of Audit Services confirmed that the reports made via the Whistleblowing Policy would also be included in the figure for the number of calls received via the fraud hotline.

Resolved

That the outcome from the recent monitoring of the Whistleblowing Policy, be noted.

48 **Grant Thornton Audit Plan 2016/17**

A report of the Chief Officer Finance and Legal Services was submitted on the Grant Thornton Audit Plan 2016/17, attached as Appendix 1 to the report submitted.

External Auditors, Mr R Percival, Mr T Tobin and Mr J Cook from Grant Thornton, were in attendance at the meeting and presented the Audit Plan for Dudley Metropolitan Borough Council. It was noted that this would be Mr J Cook's final meeting at Dudley and the Chair, on behalf of the Committee, expressed thanks for his assistance over the past three years.

Mr R Percival referred to the content of Appendix 1, which outlined the planned scope and timing for the audit and highlighted the key business and developments, the materiality and the significant risks of material misstatement.

Arising from the presentation of the report and in response to a question raised, Mr Percival confirmed that the approval and audit of the financial statement would be required to be submitted by 31st July from the 2017/18 financial year. It was not anticipated that this would be an issue for Dudley due their superior track record, however it was acknowledged that this would be challenging and it was recognised that estimates rather than indicative figures would be provided. The Chief Officer Finance and Legal Services echoed the comments made and advised that a 'practise run' would be trialled for the 2016/17 submission and commented that due to the requirement for an earlier submission this would also impact upon the meeting programme for Audit and Standards Committee as a meeting would need to be scheduled at the end of July for the Statement of Accounts to be considered and approved by the Committee prior to submission.

In referring to the key challenge identified in relation to Children's Services Ofsted, Mr Percival confirmed that he was in receipt of the most recent progress letter, which would be taken into account, together with any further correspondence submitted from future follow-up visits.

In response to a question raised by a Member in relation to the early substantive testing and the awaited responses from line managers to confirm the existence of employees, Mr Percival acknowledged it could take time to provide this information due to remote working, therefore the remainder of the testing would be completed at the year end.

Resolved

That the Grant Thornton Audit Plan 2016/17 and progress report, attached as Appendix 1 to the report submitted, be noted.

49 **Internal Audit Plan for 2017/18**

The Committee considered a report of the Chief Officer Finance and Legal Services in relation to the proposed Internal Audit Plan for the period from 1st April, 2017 to 31st March, 2018.

The Acting Head of Audit Services presented the report, referring Members to paragraphs of specific importance and made particular reference to the significant reduction in resources within the internal audit team, with a further loss of a Senior Auditor post in 2017/18. It was noted that in addition to the planned audits as outlined in Appendix A to the report submitted, further audits were planned to be carried out which included fourteen Schools, two Honorary audits for charitable trusts, fifty-six School Financial Value Standard Assessments, work for three academies and work on Fraud prevention, detection, investigation and resolution in line with the Fraud Action plan, some of which would generate external income.

Arising from a question raised, the Acting Head of Audit Services commented that opportunities to generate external income would be pursued wherever possible, but it was becoming increasingly difficult due to capacity issues and the significant amount of internal work that needed to be undertaken.

Resolved

That the information contained in the report be noted and the Internal Audit Plan for 2017/18, be approved.

50 **Review of the Code of Corporate Governance**

A report of the Chief Officer Finance and Legal Services was submitted on the review of the Code of Corporate Governance.

The Acting Head of Audit Services presented the report and advised that the original framework had been reviewed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and a revised version of the Code was published in 2016. It was stated that due to the changes within the Code and the significant change within the Council, a review of Dudley's code had also been undertaken to ascertain that it remained fit for purpose.

Resolved

- (1) That the information contained in the report and the revised Code of Corporate Governance, be noted.
 - (2) That the Chief Officer Finance and Legal Services be authorised to undertake the necessary action to incorporate the revised Code into the Constitution.
-

51 **Exclusion of the Public**

That the public and press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information relating to any individual(s) and that in all circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exception from disclosure.

<u>Description of Item</u>	<u>Relevant Paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972</u>
Report required under Standing Orders Relating to Contracts	2 and 7
Audit Services Annual Fraud Report	2 and 7

52 **Report Required under Standing Orders Relating to Contracts**

A report of the Chief Officer Finance and Legal Services was submitted on any cases arising under Standing Order 1.9 during the period July to December, 2016, inclusive.

The Acting Head of Audit Services advised the Committee of a slight error within the report and Members noted the amendment.

Following the presentation of the report, Members asked questions and responses were provided where necessary.

Resolved

That the information contained in the report submitted, be accepted.

53 **Audit Services Annual Fraud Report**

A report of the Chief Officer Finance and Legal Services was submitted on the work that Audit Services had undertaken, and was planning to undertake to manage the risk of fraud, and the work of the Housing Benefit Team, Housing Tenancy Fraud Team and other Anti-Fraud work undertaken across the Council. A copy of the Fraud Action Plan was appended to the report submitted for approval.

The Acting Head of Audit Services, together with the Corporate Fraud Manager presented the report and in doing so made particular reference to the recent review of the Anti Fraud and Corruption Strategy; the work undertaken to prevent and detect fraud; the continual development of the Fraud and Enforcement Data Hub which enabled various Council services to access 'person at an address' data and the number of Audit Services and Housing Tenancy Fraud investigations.

Arising from the presentation of the report, Members asked questions and made comments in relation to the content within the report and appendices, particularly in relation 'data matching' and the high number of in progress Housing Tenancy Fraud investigations.

Resolved

- (1) That the information contained in the report and appendices to the report submitted, be noted.
- (2) That the Fraud Action Plan 2017/18, attached as Appendix A to the report submitted, be approved.

The meeting ended at 7.05pm.

CHAIR
ASC/37