

**Minutes of the Audit and Standards Committee
Monday 8th February, 2021 at 6.00pm
on Microsoft Teams**

Present:

Councillor A Taylor (Chair)
Councillor J Roberts (Vice-Chair)
Councillors A Aston, J Cowell, M Evans, S Keasey, S Mugal, G Partridge and T Westwood

Officers:

M Farooq (Lead for Law and Governance); G Harrison (Head of Audit Services); R Cooper (Head of Financial Services); A Uppal (Finance Manager); A Taylor (Senior Principal Auditor) and L Jury (Democratic Services Officer).

Also in attendance:

R Percival and T Tobin - Grant Thornton (External Auditors) - for agenda Item no. 5

M Williams (Deputy Chief Executive), P Davies (Director of Housing and Community Services), J Catley (Head of Customer Services), G Dean (Head of Street and Green Care), J Stevenson (Head of Housing Maintenance) and A Tromans (Information Systems Manager) – for agenda item no. 10

35 **Declarations of Interest**

Councillor J Cowell declared a non-pecuniary interest in agenda Item no. 10 in relation to Housing Maintenance System, as a tenant of Dudley MBC.

36 **Minutes**

Resolved

That the minutes of the meeting held on, 7th December, 2020, be approved as a correct record.

37 **Annual Audit Letter 2019/2020**

A joint report of the Chief Executive and the Director of Finance and Legal was submitted on the External Auditor's Annual Audit Letter for 2019/2020.

Prior to presenting the report, R Percival (Grant Thornton) commented that this would be the last meeting he would be attending due to his impending retirement. It was confirmed that Terry Tobin would continue to audit the Council's accounts together with his successor, Mark Stokes. It was noted that as this letter repeated the Audit Findings report that had been considered at this meeting in September 2020, it was proposed to present only the key areas to the Committee.

It was reported that towards the end of the audit, difficulties had been experienced in relation to the information supporting the valuation of land and buildings, specifically the accuracy of floor areas used to calculate valuations. This had resulted in extra work being undertaken and therefore, the auditors were not able to issue the audit opinion until 18th December 2020.

Referring to the Executive Summary on page 6 of the report submitted, it was noted that this would be the last time a Value For Money (VFM) conclusion would be issued as the requirement had now changed, and a commentary on the VFM conclusion would be included in the Auditors Annual Report. It was noted that the auditors were satisfied that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except for the arrangement for strategic financial report planning.

Referring to the certification of claims, it was reported that the audit of the Council's Housing Benefit Subsidy Claim had now been completed and had been dispatched to the Department for Work and Pensions. It was noted that the Housing Capital Receipt and the Teachers' Pension return were still in progress.

In reference to page 7 of the report, R Percival commented that the difficulty experienced with the valuation of land and buildings, as reported on earlier in the meeting, had resulted in a significant amount of additional work, and the External Auditors wished to record their appreciation for the excellent assistance and co-operation of the Council staff, in particular the Finance Team, throughout the audit in what had been a particularly difficult year.

In relation to the VFM conclusion, it was noted that at the Audit Findings report stage in September, the External Auditors had considered issuing an 'adverse' conclusion due to the concern with regard to the Council's medium-term financial position. However, following the Government's comprehensive spending review, and the better than anticipated settlement as a result, although the External Auditors' believed that the Council would have some significant financial challenges going forward, including a low level of reserves, a 'qualified' VFM conclusion had been issued.

In concluding, R Percival made reference to the fee terms, as set out on page 18 of the report, noting that the impact of the Covid pandemic had resulted in remote working, which had increased the time it had taken to complete the audit and the additional work that had to be carried out, particularly in relation to the valuation of assets and liabilities, and a variation of the fee of £18,600 was proposed, as detailed in the table on page 18. An additional fee of £14,360 was also proposed in relation to the extra work that had been undertaken on the land and building valuation. It was noted that both these fees had been discussed with the Section 151 Officer and had been agreed in principle and had been brought to this meeting for the Committee's attention.

Arising from the presentation, in reply to a Members' concern raised in relation to the housing stock valuers, R Percival confirmed that the External Auditors had been satisfied that the valuers had undertaken the appropriate work necessary and that there had been clear communication with them. However, this had not been adequately documented and therefore, had been reported as a deficiency but acknowledging that this had not been a major deficiency and it was expected that this would be rectified for future years. The Director for Housing and Community Services concurred with the External Auditors and assured Members that he was aware of the issue and would also be looking to retender the service going forward.

In reply to a Member's question raised with regard to any impact the errors and inconsistencies identified in the valuation of land and buildings had on the accounts, as set out on page 18 of the report, R Percival reported that the overall impact of the error was a net adjustment to the accounts and it was emphasised that this had not resulted in a material risk to the accounts and Members were assured that the Property Team had recognised the error and a significant work programme had been undertaken to rectify this. The Head of Financial Services concurred that the error on the accounts had not impacted on the general fund reserves and did not change the useable reserves, and it was noted that work had been undertaken with Property colleagues to address this issue and the situation would be rectified for the 2021 accounts.

Members expressed their thanks to R Percival for the work he had undertaken as external auditor for the authority for many years and conveyed their best wishes for his forthcoming retirement.

Resolved

That the information contained in the report and Appendix 1 to the report submitted on the External Auditor's Annual Audit Letter 2019/2020, be noted.

38 Treasury Management

A report of the Director of Finance and Legal was submitted outlining treasury activity during the financial year 2020/2021 up to the end of December and seeking the Committee's approval of the Treasury Strategy Statement 2020/2021, attached as Appendix 2 to the report submitted.

In presenting the report, the Head of Financial Services commented that this was one of two reports on treasury management that were submitted to this Committee and full Council for consideration each year and this report outlined financial activity during the financial year 2021 and set out the treasury strategy for the following year.

The Covid 19 pandemic had caused many problems for the Council this year, however, it had not impacted on the Council's cash flow as the Government had provided large grants upfront in the summer 2020 which had compensated the Council for its loss of income and additional expenditure.

Referring to paragraph 10 of the report, it was noted that the average investments throughout the year had been £63m, and although it was noted that this figure could vary from day to day, in the same period last year, this figure had been at an average of £15m and it was noted that the cash had been invested in safe institutions. This investment information was detailed in Appendix One to the report.

Paragraph 12 of the report detailed the average value of long-term borrowing, and it was noted that this had averaged around £681.3m and were due to mature on dates ranging from the current year to 2061.

In reference to the Treasury Management Strategy attached as Appendix two to the report, it was noted that a revised report had been circulated to Members which had replaced paragraph 3.4 of the strategy. This had been necessary due to late changes that had to be made to the capital programme after the agenda had been circulated and it was noted that it was these figures that approval from the Committee was sought. It was reported that all the prudential indicators assist in assessing whether borrowing was affordable and prudent and the changes to the Table in 3.4 of the report were based on the authorised limit and the operational boundary limits, calculated numbers based on the authority's capital programme.

In conclusion, the Head of Financial Services reported that the investment strategy also examined the institutions in which the authority invested its cash and it was noted that the authority only invested in institutions with high credit ratings and limited its exposure to £15m and £20m in each of the institutions. It was confirmed that money was invested in call accounts which gave instant access to funds should they be required. It was noted that during the year, as a response to the pandemic, the Bank of England, had reduced the interest rates again to 0.1%.

Arising from the presentation, in response to clarification sought on the £63m investment, the Head of Financial Services confirmed that at the beginning of the financial year, the authority had already made borrowing deals in order to pay the West Midlands Pension Fund of £90m, before the Government allocated £50m to the authority in compensation for the loss of business rates which the authority would have collected throughout the year. It was noted that the authority also received other grants upfront that were to be distributed to businesses and organisations.

In response to a question raised in relation to any future movement in the financial markets, the Head of Financial Services referred to the uncertainty at this time but it was noted that the authority's treasury advisors had advised that they expected the interest rate to stay at 0.1%. However, it was acknowledged that future increases or decreases in the interest rate could occur as these were unprecedented times.

Members made further comments and raised further questions, including information relating to the prudential indicators detailed in the table at 3.4 of the report and potential income from Birmingham Airport, which were responded to at the meeting.

Resolved

- (1) That, the Treasury Management activities for 2020/2021 as outlined in the report submitted, be noted.
- (2) That, the Treasury Management Strategy for 2021/2022, attached as Appendix 2 to the report, be approved, subject to the typographical amendments raised by Members.
- (3) That, the Director of Finance and Legal be authorised to effect such borrowings, repayments and investments as are appropriate and consistent with the approved Treasury Strategy and relevant guidance.

- (4) That, the report and Appendices to the report submitted, be referred to full Council for approval at its meeting on 22nd February 2021.
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39 **Exclusion of the Public**

Resolved

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) or any action taken, or to be taken in connection with the prevention, investigation or prosecution of crime, as defined under Part I of Schedule 12A to the Local Government Act 1972.

40 **Annual Audit Report for the Deputy Chief Executive**

A report of the Director of Finance and Legal was submitted summarising the audit work undertaken for those Directors (Commercial and Customer Services, Housing and Community Services, Public Realm and Regeneration and Enterprise) who reported directly to the Deputy Chief Executive for the financial year 2019/2020.

In presenting the report, the Head of Audit Services stated that during the year, eighteen assurance audits had been undertaken, of which four had received a minimal or limited assurance rating, as set out in paragraph 4 of the report. It was noted that Appendix 2 detailed the critical priority actions, and high priority actions were detailed in Appendix 3.

The Head of Audit Services reported that, following the issue of the Service Centre Audit Report, a decision had been made by the Strategic Executive Board (SEB) to end the programme as the business case for the programme could not be made.

Reference was made to the five other areas of audit activity that had been undertaken in addition to the assurance audits, and a full list of the audits, including the number of actions raised and assurance ratings, were detailed in Appendix 1 to the report. Paragraph 6 of the report detailed the priority categories that the actions raised had been split into, and the number of unimplemented actions from the previous review. Unimplemented actions not classified as 'critical' or 'high' were detailed in Appendix 4.

The audit finding and agreed actions detailed in Appendices 2, 3 and 4 had been completed at the time of the audit and the first final audit report had been issued in September 2019. The implementation update included at the bottom of Appendices 2, 3 and 4 were Management's recent update on the current status of actions.

Reference was made to the performance against targets for receiving initial management comments and the issue of final audit reports, as set out in paragraph 7 of the report, and it was acknowledged that performance on the issue of final reports had been slightly below the standard expected. However, this could be attributed to the number of draft reports that had been issued just before or just after lockdown, and the high demands that had been placed on staff and management dealing with the pandemic.

Information relating to the number of post-audit questionnaires that had been returned by Managers at the completion of audits was reported, noting that all stated that they had received a good or a very good service.

The Deputy Chief Executive, and a number of officers were in attendance at the meeting to respond to questions raised by Members.

Arising from the presentation, the Chair acknowledged the excellent response from the post-audit questionnaires that had stated that all had received a good/very good service, but the low number of returns was again noted. A general concern across many of the audits was raised in relation to the security and the working practises in some of the systems and the number of unimplemented actions from previous audits, some of which were due to the delay in Future Council work. It was questioned when the Future Council would be completed.

In response, the Deputy Chief Executive made reference to the issues in relation to the Digital Platform, noting that the Covid pandemic had impacted on the system and the need for additional investment was acknowledged. It was noted that next month the Future Council programme would be launched with three main pillars, workforce and estates/facilities and technology, and all the issues relating to the Digital Platform would be addressed through this piece of work, which would primarily focus on ensuring that the Digital Platform would be efficiently and effectively utilised.

Members made comments and raised questions which were responded to at the meeting as follows:

- In response to a question raised with regards to the communities involvement in the digital future of the Council, the Deputy Chief Executive stated that in addition to the three pillars mentioned, two other areas that would be focused on as part of the Council plan would be cleaner/greener and the community. Using technology, it was aimed to form links with the Council Plan which would address the needs of the community and be underpinned by the three other pillars as mentioned.

In addition, the Information System Manager made reference to the local digital declaration that had been signed last year that committed the authority to monitor a number of pilot programmes that were in progress throughout the country. The results of some of these had been gathered, however, some of the results had been delayed due to the pandemic. With regard to community engagement, it was reported that a piece of work had been undertaken early 2020 which had focused on engagement with a range of different areas of the community, including some areas that it was believed might be disadvantaged or might not be able to fully take up the digital opportunities put forward. It was noted that as a result of the work, a report had been produced and a number of the recommendations had already been addressed. The website had been relaunched recently and it was intended that a survey of the user-base of the website would be undertaken again over the next few months, to assist in making further improvements to the website to encourage people to engage digitally. The officer undertook to send a copy of the signed declaration and the consultation details to Members as requested.

- In response to a question raised with regards to the Aspire System, the Information System Manager confirmed that support for the system would be on-going and that the issues that had been raised, had related to the system and had been addressed by moving the system onto a new platform. An update to some equipment in Dudley Council Plus had been undertaken to ensure that the system could be accessed successfully.
- In response to a concern raised with regard to future funding to Dudley Federation of Tenants and Residents Association (DFTRA), the Director of Housing and Community Services stated that a restructure was taking place due to the departure of the Head of Estates and Communities, and a new Head of Service would be recruited who would focus on the relationship with tenants and provide a neighbourhood based service. The important roles that DFTRA and the Housing Board provided was acknowledged, and it was noted that the Housing Strategy needed to be more reflective of the Housing White Paper in relation to giving tenants more of a say. It was confirmed that funding was in place for the year ahead to allow DFTRA to continue with their important work.
- In response to a comment raised with regards to anti-social behaviour issues in relation to housing and the establishment of the task and finish group, the Director of Housing and Community Services replied that funding had been allocated for a new case management system that would help with IT systems. It was noted that, training had also been arranged for officers and as a result of a meeting with the Director of Finance and Legal and the Monitoring Officer to discuss the Housing Legal Team, joint working between the two departments would be strengthened, and management roles and consistency in standards would be reviewed and addressed.
- In response to a comment raised with regards to a request to review and investigate the possibility of digitalising forms used by the authority, the Deputy Chief Executive undertook to feedback the Member's comments to the team reviewing the digital platform.

Members made further comments, and raised questions on the individual audits, some of which were responded to at the meeting and for questions that required further investigation, Officer's undertook to provide the Committee with written responses.

Resolved

- (1). That the information contained in the report, and Appendices to the report submitted on audit work undertaken for those Directors who report directly to the Deputy Chief Executive for the financial year 2019/20, be received and noted.
- (2). That Officers provide Democratic Services with detailed responses to questions raised by Members at the meeting for circulation.

The meeting ended at 7.00pm

CHAIR

ASC/39