

BIRMINGHAM CITY COUNCIL

**AUDIT COMMITTEE
18 OCTOBER 2023**

**MINUTES OF A MEETING OF AUDIT COMMITTEE HELD ON WEDNESDAY,
18 OCTOBER 2023 AT 1400 HOURS IN COMMITTEE ROOM 3 & 4,
COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB**

PRESENT:-

Councillor Fred Grindrod in the Chair;

Councillors Shabrana Hussain, Meirion Jenkins, Shafique Shah, and Paul Tilsley

NOTICE OF RECORDING/WEBCAST

669 The Chair advised and the Committee noted this meeting will be webcast for live or subsequent broadcast via the Council's Public-I microsite ([please click this link](#)) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

The business of the meeting and all discussions in relation to individual reports was available for public inspection via the web-stream.

APOLOGIES

670 Apologies were submitted on behalf of Councillors Bruce Lines and Miranda Perks for their inability to attend the meeting.

DECLARATIONS OF INTEREST

671 Councillor Tilsley declared his standing declaration. He was a Non-Executive Director for Birmingham Airport (Non-pecuniary).

EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

Item 5 – The private minutes - Audit Committee 27 September 2023 was listed as a possible private session under exempt paragraph 3 of schedule 12A of the Local Government Act 1972.

Audit Committee – 18 October 2023

At this juncture, a member of the public queried on the private item. The Chair stated he could only respond to questions raised by Committee members however, provided the public clarification on what this entailed i.e. Advice given on items by the City Solicitor and Monitoring Officer.

The Committee agreed this.

Upon consideration, it was:

672

RESOLVED

That in accordance with Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to information) (Variation order) 2006, the public be excluded from the meeting during consideration of those parts of the agenda designated as exempt on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information.

MINUTES – AUDIT COMMITTEE 27 SEPTEMBER 2023 AND EXTRAORDINARY MEETING 06 OCTOBER 2023

673

It was noted the public minutes of the 06 October were agreed by the Committee.

The City Solicitor and Monitoring Officer had reviewed the 27 September 2023, private minutes, and the relevant sections were placed back into the public minutes. There were no matters arising.

The public and private minutes from the meeting held on 27 September 2023 were agreed as a full set.

COMMISSIONER'S REVIEW AND COMMENTS ON THE AGENDA

The following document from the Commissioner was submitted:

(See document No.1 of the agenda pack)

The Chair made members aware, the Commissioner was reviewing and providing comments to the City Council's Committee agendas.

The Commissioner's Review was read out by the Chair. It stated:

"Commissioners have reviewed the documents presented to the Committee. In the time available we can only note the contents. In the next period, Commissioners intend to meet the AD Audit and fully understand the approach that is being followed in promoting an acceptable Audit programme to the Committee and the level of resources available to deliver it. In the first 6 months, it will be essential to review the Committees terms of reference to

Audit Committee – 18 October 2023

ensure that it meets CIPFA’s best practice guidance, review the mandatory training requirements for Members to ensure they are equipped to undertake this essential role and ensure that, as of right, the Committee can require its reports and recommendations to be fully considered by Cabinet and Council as appropriate. It will be important to ensure that where High Priority audit recommendations are not actioned and implemented within the specified timetable, that the responsible Cabinet Member and officers attend the Committee in person to explain the position.

In the first period it will also be necessary to comprehensively review the approach to identifying and mitigating risk in a real time environment. It is already clear from the first cycle of reports that this is not presently the case across the Council as a whole.

Finally, it has been drawn to our attention that the Committee has had difficulty in ensuring all relevant documentation is available to it to enable the Committee to properly discharge its duty. If accurate, this position will need to be rectified as a matter of urgency. The Committee and its members collectively and individually, will play a crucial role in the road to improvement.”

Councillor Jenkins commented upon the Commissioners review and noted the Committee’s role would finally be taken seriously across the Council. Access to information was an area members had historically raised concerns around and the Commissioners had recognised this was an area to be rectified.

Upon consideration, it was:

674

RESOLVED:-

The Audit Committee noted the comments made by the Commissioner on the 18 October 2023 agenda.

INTERNAL AUDIT UPDATE

The following report of the Assistant Director for Audit and Risk Management was submitted:

(See document No.2 of the agenda pack)

The Assistant Director for Audit and Risk Management gave an overview of the report. Future reports would cover shorter periods however, this report covered the period between 1st April – 30th September 2023 (6 months period). A summary of the following areas was provided;

- Significant Issues Impacting upon the Organisation. These were noted as the delay to the accounts; issues with the ERP system, general fund position and section 114 notice. In relation to the section 114 notice, there were spend controls where internal audit would monitor the payments and approvals.

Audit Committee – 18 October 2023

- Internal Audit – Process / Key Findings (A ‘green’ level 1 report would mean there was nothing of concern whereas a ‘red’ level 4 report had serious concerns).
- There were several types of reports. These were noted as;
 - Normal Internal audit report – a Internal Audit review and report.
 - If Internal Audit findings indicate high risk/high level, then a progress or follow up report would be produced. The assurance rating would not be changed for a progress report at this point.
 - All high-risk and low assurance areas would be followed up to ensure recommendations had been implemented.
 - Between 1st April and 30th September 2023, 62 final reports had been issued and 31% of the current plan completed to draft audit report stage.
 - 3 reports with a high-risk rating had been issued. These were noted as
 - Home To School Transport – Strategic Review;
 - Equality and Cohesion Review of EIAs
 - Commissioning and Monitoring Arrangements – Day Six Provision
- Other Work Internal Audit were working on was outlined.
- The 2023/24 Plan update was shared with the Committee.

Assurance was provided from the Assistant Director of Audit and Risk Management on all the reports marked ‘green’ or a level 1 and 2. It was noted risk ratings would not be reassigned on a progress reports therefore the original risk ratings would be noted.

A summary of significant findings from final reports issued to date and an update on baseline 2023/24 Internal Audit Plan was shared.

An annual fraud report was scheduled to be shared at the next meeting of the Committee.

(Note: Due to the number of questions raised by members, these have been grouped in a section within the minutes followed by responses by officers).

Members raised questions and made the following comments;

- Assurances was sought from the Assistant Director for Audit and Risk Management around Home to School Transport. Reference was made to an article on from the Daily Mail regarding overcharging by taxi providers. It was questioned if this area was being investigated and if the report from Internal Audit report would be shared with the Committee.
- A request was made for more information to be available around concerns raised by the Committee on this issue and possibly a review of the articles in the public domain. Reference was made to the Commissioners review and for the Committee requesting for reports to assist with their role and responsibilities.
- Copies of the Internal Audit Reports should be shared with the Committee. Page 36 of the document pack, issues in Home to School Transport Service had been identified. It stated the current service delivery model was unsustainable and unaffordable. Eventually, the service would need to get to

Audit Committee – 18 October 2023

a position where children with special needs were in mainstream schools as there was a limited number of Special Schools across Birmingham.

- Reference was made to point 2.3 of the Executive Summary of the report, and it was questioned when the remaining reports would be completed.
- In relation to point 2.2 of the report, it was queried when the internal audit plans would be completed and when would be provided to the Committee.
- Issues had occurred since setting out the plan, and it was questioned how confident was the Assistant Director was on the impact of equal pay, Oracle (ERP), external auditor's recommendations had been considered in the work of internal audit.
- Equal Pay - Ways of working – had this been reviewed and applied to all investigations carried out by Internal Audit? Further discussions on this area took place.
- Equal Pay had appeared as a new risk in the plan, and this should have been visible earlier. Items such as this should have been on the Risk Register therefore there was no confidence this function was working.
- Point 2.1 of the report, 2022/23 only a limited assurance on the system of internal controls was provided by the Assistant Director as there was access issues to systems to the ERP system. It was questioned if regular reports were being provided by the project Director.
- Was the Committee notified that there were issues with Internal Audit accessing the ERP system and this was not functioning smoothly?
- Further questions were raised to the ERP systems and its functions linked to the risks on the plan. Examples such as schools HR, payroll were referred to and it was questioned why these were indicated as a 'green' rating on the document as ERP system should be a part of this and underpinning this area. Concerns were raised on this. The colour coding/assigning of risk was questioned.
- The Assistant Director was questioned if she was confident Internal Audit were receiving right support and engagement from the business areas (i.e. Directors) to address the issues in the Audit Reviews.
- It was questioned why concerns from Internal Audit were not raised with the Chair of the Audit Committee and the Committee itself. In addition, who the Assistant Director for Audit and Risk Management reported to. Discussions continued around the reporting lines and a conflict in the structure.
- Question arose around details of a full 'User Acceptance Test – UAT' and if this was undertaken before ERP system went live had not been shared with the Committee, therefore this was queried.
- Reference was made to page 39 of the report – Payroll Corporate and Schools Overpayment – This indicated a low-risk when members felt this should be high. Cabinet had allocated £46 million pounds from depleted reserves to rectify the ERP issue. The Audit Committee could not provide the rest of the council assurance on the systems in place therefore members felt they had failed in their duties.
- Further suggestions on the Internal Audit Plan, risks was raised by the Committee for officers to consider as members were not confident with the information being shared at the meeting.
- It was questioned which members of the Council were aware of the issues on the ERP system as member of the Audit Committee were not made aware.

Audit Committee – 18 October 2023

- It was queried if the Assistant Director for Audit and Risk Management had meetings with the Cabinet Member for Finance.
- Were there any warnings or signs before the 'go live' date?
- Were there any risks that were closed cause problems later on?

In response to members question the Assistant Director for Audit and Risk Management; Principal Group Auditor and the Cabinet Member for Children, Young People and Families made the following points:

- A response to assurances of area referred to in the Daily Mail could not be provided at present. Internal Audit had looked into various accusations made towards the providers and concluded there was no systematic or deliberate overcharging. In view from Internal Audit, the charges made by the taxi firm were not considered as fraudulent.
- Current investigation details were not with Internal Audit however, details around previous investigations for similar accusations were available.
- Councillor McCarthy made the Committee aware she had the previous Internal Audit Reports around Home to School Transport, and this was scheduled for discussion later on the agenda. It was highlighted care for profoundly in need children was expensive for education or care settings.
- A Strategic Review of Home to School Transport was taking place. Discussions were taking place with the Director of Children Services, Sue Harrison on a plan for additional work for scoping the Audit Plan Memorandum to address the concerns and issues in this area.
- The Internal Audit Plan will be approved in March where most of the reports would be at a draft stage by 31 March with some into the early months of the following year.
- Details around new issues and the role of internal audit to add value to the report was shared. All the plan was risk assessed.
- The Assistant Director Audit and Risk Management had to look at key controls which contributed to an opinion the Assistant Director would provide the Committee and give her assurance that controls were robust and operating well. The Oracle (ERP) was the main factor of the other issues. Historically, it was found that equal pay was not an area where internal audit could add value, unless this was requested in future.
- Ways of working – this was applied via Internal Audit when requested for. An example of this was the request from Craig Cooper (Director of City Operations) to review timesheets of the workers.
- Reference was made to section 4 of the report 'other work' where internal audit were a member of the Pay Compliance Group.
- Base Plan – work around payroll, HR policies where audit compliance was in place.
- Point 2.1 – Pre-implementation Internal Audit had access to information and there was a robust risk log which had been reported to Overview and Scrutiny. The Programme Governance had been looked at pre Go-Live where no specific concerns were raised. When the system went to live mode, the Programme Governance fell away and risk registers that were maintained as a project moved to business as usual. Reports were not being produced by the system and internal audit did not have access to analyse the detail. At present there were still limitations to the system as roles had to be corrected. Audit logs were now available and segregation of duties,

Audit Committee – 18 October 2023

controls however, these were not available to Internal Audit in the last financial year.

- The Audit logs go back to when a new module was switched on in ERP system but does not go into the extensions to the system. Further detail around this was shared with the Committee.
- There were problems with payments when Oracle (ERP) system was first implemented. An Emergency Payment Process was put into place which had been audited and was fine. Further fixes to the system took place in September 2022. Internal Audit had more concerns during the autumn of 2022.
- Payroll was one of the easier implementations therefore referred to as a green rating on the plan. Details around the ratings was shared with the Committee.
- Issues were taking place in Accounts Receivable and debt collection .
- The Assistant Director advised there was good engagement across the council from the business areas despite the impact of the ERP system.
- The Assistant Director for Audit and Risk Management now reported to the Interim Director for Finance (Section 151 Officer), Fiona Greenway. Previously, this was the Director of Council Management, Rebecca Hellard.
- UAT tests did take place however, there were some issues when the ERP system went live which was reported to Overview and Scrutiny Committee.
- Work around the 'go live' was being looked at through one of the Governance Reviews.
- Concerns around the ERP bank reconciliation system was raised with the Director of Council Management in December 2022. Within 4 days, this was followed up with a meeting with a consultant and the Director of Finance in which a plan was devised. The Assistant Director for Audit and Risk Management was satisfied with the plan. The level of resource to support the plan was reasonable.
- The work around the financial systems was broken down into smaller sections. Details around this was shared by the Principal Group Auditor and gave the reasons as to why the Payroll Corporate and Schools Overpayment was rated as green.

The Chair sought advice from the City Solicitor and Monitoring officer around the term used for Oracle and if the Committee should be referring to this as an ERP system instead. It was confirmed ERP system should be referred to rather than Oracle.

Further discussions took place between the members and officer on the ERP system and the risks and concerns raised. Assurances were provided by the Assistant Director of Audit and Risk Management that the risk management was now being managed effectively.

Additional responses were made by the Assistant Director for Audit and Risk Management to members questions;

- A comment could not be provided on which members of the council were made aware of the issues on ERP issues.
- Meetings took place with the Cabinet Member of Finance mainly on the audits that had been completed. Questions could be raised against the report that

Audit Committee – 18 October 2023

were being issued and recapped on the risks within her portfolio. ERP was not a Strategic Risk at that time. The Cabinet Member for Finance was briefed on the ERP system however the seriousness was not accelerated.

- Internal Audit had the report in relation to the 'go live' decision. There were concern around the lack of training.

The Interim Director for Finance (S151 Officer) notified the committee KPMG had undertaken work on segregation of duties which was shared with Audit Committee. This can be re-circulated to the committee.

Upon consideration, it was:

675

RESOLVED:-

That the Audit Committee

- (i) Noted the update, progress in delivering the 2023/24 internal audit programme, and the key findings arising from the work completed.
- (ii) Noted and discussed any emerging issues / risks for inclusion in the planning Process; and
- (iii) Noted the report on the work from KPMG on segregation of duties would be shared with members.

STRATEGIC RISK REGISTER – RISK MANAGEMENT UPDATE

The following report of the Assistant Director for Audit and Risk Management was submitted:

(See document No.3 of the agenda pack)

The Assistant Director for Audit and Risk Management gave an overview of the report. A summary was provided on the Risk Management Framework; Strategic Risk Register and Directorate Risk Registers.

Comments around real time risk management from the Commissioners had been noted however, it was difficult to demonstrate real time risk management. At project level there were good examples to demonstrate real time risk management.

The Strategic Risk register was presented monthly to the Corporate Leadership Team (CLT). The next cycle would include the relative positioning on the heat map in the context of the section 114 notice. Some of the risks would be impacted due to the spend controls.

There was one operational risk which had been escalated. Changes to the risk register were shared.

Audit Committee – 18 October 2023

Risk 5.1 – Health and Safety was well managed and was an example where real time risk management could be demonstrated.

(Note: Due to the number of questions raised by members, these have been grouped in a section within the minutes followed by responses by officers).

Members raised questions and made the following comments;

- Strategic Risk register and the Directorate risk register – It was queried if Internal Audit had sight of Directorate Risk Registers.
- The Chair referred to a previous Audit Committee, where the Director for HR (Darren Hockaday) had stated Equal Pay was at the top of their Directorate Risk Register however, this did not get flagged in the Strategic Risk Register. It was questioned if the Assistant Director for Audit and Risk was aware this was at the top of the Directorate Risk Register.
- There was a gap between Directorate Risk Registers feeding to the Strategic Risk Register. Questions were raised on how to improve this area.
- ERP was not highlighted on the Strategic Risk Register until recently. It was questioned if the Directorate Risk Register had been seen by Internal Audit and flagged as a concern on their Directorate Risk Register and then not placed on the Strategic Risk Register?
- The culture had to change within the organisation and for officers to draw attention to succinct information.
- Equal Pay (risk 5.7) – Had just appeared on the Strategic Risk Register. It was questioned why?
- All the risks indicated on the register require a three-lens approach identified by the External Auditors; ii) Financial Sustainability; ii) ERP and iii) Equal Pay.

In response to members question the Assistant Director for Audit and Risk Management made the following comments;

- Internal Audit did not see the Directorate Risk Registers regularly. On an annual basis, the External Auditors (Grant Thornton) request for copies of the Directorate Risk Registers from Internal Audit. These would then be gathered and submitted to the External Auditors.
- Directorate Risk Registers would be requested for as part of internal audit work.
- The Assistant Director for Audit and Risk was not aware that Equal Pay was flagged at the top of the HR Directorate Risk Register. She had discussed risk in February 2023 during a HR management meeting however, documentation had not been shared at that time despite being on the agenda. This had not been raised to place onto the Strategic Risk Register.
- The Assistant Director would need to discuss monthly the Directorate Risk Registers.
- A Corporate Risk Management system was being devised with Digital and Technical Services which would pull together all the strategic and operational risks together.
- It was noted, in April 2022, a decision had been taken Council Management Team, ERP would be on all risk registers, however they did not go onto the Strategic Risk Register as it was considered as an ‘operational’ risk.

Audit Committee – 18 October 2023

The Interim Director for Finance (Section 151 Officer) assured the Committee a full root and branch review was taking place on risk management approach. Two workshops were scheduled to take place in November around the Strategic Risk Register. Members of the Audit Committee as well as Overview and Scrutiny members would be involved in training. This would be delivered independently.

The Committee was not assured on the Strategic Risk Register however recognised a root and branch review would take place.

Upon consideration, it was:

676 **RESOLVED:-**

That the Audit Committee

- (i) Noted the progress in implementing the Risk Management Framework and the assurance and oversight provided by the Council Leadership Team (CLT); and
- (ii) Noted there was a root and branch review taking place to review the strategic risks.

RESPONSE TO THE STATUTORY RECOMMENDATIONS

The following report of the Chief Executive was submitted:

(See document No.4 of the agenda pack)

The Chief Executive made introductory comments. It was noted the Statutory Recommendations were reported to an extraordinary meeting of the Council. The recommendations had been accepted by the Council in full. A regular update on all the recommendations would be shared with Audit Committee. An update would be provided on the 12 recommendations at each Committee.

The Commissioners will continue to meet with the three statutory officers on a regular basis to focus on i) Financial Sustainability; ii) ERP; iii) Equal Pay and iv) Governance. Decisions made with the Commissioners would be reported back to the Committee.

(Note: Due to the number of questions raised by members, these have been grouped in a section within the minutes followed by responses by officers).

Members raised questions and made the following comments;

- Concerns around the responses to the Statutory recommendation – Equal Pay.
- Concerns around the clauses related to the commitments to have the job evaluation scheme in place by April 2025.
- Sought assurances around getting to new budget completed by 31st October 2023

Audit Committee – 18 October 2023

- If the ERP system would be safe and compliant by 30 November 2023.
- Concerns were raised around the timescales which were relatively short and there was a lack of confidence that these would be met.
- External Auditor had been notified of these concerns around deadlines via members of the Committee.
- Reference was made to the second part of Equal Pay liability around the Task and Finish and assurance was sought around the continuous work on this area.
- Internal Audit flagged the Bank reconciliation as an issue. This should be a part of safe and complaint and members sought a date of when this would be achieved. Equal Pay liability was also linked to this area and the growing cost. Members sought assurance of when the bank reconciliation system would be fully automated.
- Members sought assurance around the budget and if this would be approved by full Council and not Cabinet.

In response to members questions, the Chief Executive, the Interim Director for Finance (Section 151 Officer) and the Programme Manager for the ERP system made the following comments;

- Equal Pay – Continuous work was being undertaken with the Trade Unions with the intention to sign a revised addendum by 22 October 2023 in line with the recommendation that had been agreed at the extraordinary meeting of the Council.
- Reassurance was provided that the Council protects its interests.
- Budget – Discussions were taking place with the Finance Commissioner, Chris Tambini. The Council was not in a position to have a budget by 31 October 2023 that could be signed up to. Max Caller, the Commissioner agreed with this position.
- Cash limits, saving levels would be looked at via the Overview and Scrutiny Committees. Once there was a balanced position, this would be reported to the Council. All Group Leaders had been briefed that the 31 October deadline was not achievable.
- Information around the Safe and Compliant plan outlining the phases of the work had been shared with the Committee previously. An outline of the Safe and Complaint plan was shared with members. A set of activities that had to be addressed were outlined. The External Auditors recommended a target date of 30 November 2023 to complete the work however, there was a number of outstanding items to resolve. A review was taking place with the External Auditors to review the recommendations and the target date alongside the Commissioners. At present, officers could not provide a definitive date of when the ERP system would be Safe and Compliant. Further details around this area was shared.
- Bank reconciliation was a complicated issue and additional resources were being placed to resolve matters. A significant number of transactions were now placed in the correct place however, some were still in the wrong place. Officers could not provide a date of when this would be rectified.
- Finance colleagues had been exploring an interim solution (income management system) to resolve the bank reconciliation issue. A couple of key pieces of work have to be completed first including engagement with the

Audit Committee – 18 October 2023

External Auditors and the Commissioners. The plan and costs had to be identified.

- The Programme Manager was on an interim contract for Birmingham City Council.

In summary, the Chair highlighted another update was required to the Committee and for the Director of Transformation to be in attendance.

Upon consideration, it was:

677

RESOLVED:-

That the Audit Committee;

- (i) Noted the paper and contents of the report presented for Full Council on the 12 October 2023; and
- (ii) Noted that Full Council agreed for Audit Committee to receive regular updates on progress against the recommendations and actions within this report.

UPDATE FROM EXTERNAL AUDIT

This item was a verbal update from the External Auditors.

The Chair opened the discussion by asking the External Auditors that in their view if the Council's responses were reasonable to the Statutory Recommendations. The External Auditor was content that the Council had taken the Statutory Recommendations very seriously. Dates to complete tasks had been agreed however, the External Auditors recognised this was being tested. There was a commitment to achieve targets as close to the dates identified.

The following points were made by the External Auditor;

2020-21, 2021 -22 Audits - the work was in progress with officers. Key information required was around the Equal Pay Model as well as other outstanding areas.

2022 – 23 Audit – A two phase approach was being applied to this audit. Work was taking place on Phase 1 with the Finance Team around IT, journal, cash etc to gain assurance. This work was scheduled to complete by December 2023. It was envisaged a set of accounts would be available for January 2024 and a decision will be made between the S151 Officer and the External Auditors to see if the Audit should continue. This would be reported to the Audit Committee.

(Note: Due to the number of questions raised by members, these have been grouped in a section within the minutes followed by responses by officers).

Members raised questions and made the following comments;

Audit Committee – 18 October 2023

- Full Council agreed to accept the recommendations from the External Auditors however, there may be some challenge around the commentary around the recommendations. Independent reviews would be taking place and members sought advice as to how the independent reviews should take place to ensure they were impartial.
- Was the External Auditor content there was no unlawful contamination with the HRA account and the general fund?
- Was the External Auditor confident that there was engagement from the council on the Equal Pay Liability and the working practice aspect?
- Further questions were raised by the Chair around Equal Pay Liability. Reference was made to the Commissioners comments on the agenda and identifying and mitigating risk in a real time environment and members requested more context to this statement and the impact to the External Auditor.

In response to members questions, the External Auditors made the following points;

- Independent Reviews – There were two areas to this i) Governance (Officer and member relationship) ii) legal information and access to information. The view was to wait for the Governance Reviews to be published in order to establish if additional work was required by the Council. The External Auditors had shared their views on Governance.
- Discussions would be taking place with the Chief Executive in relation to legal access to reports. A terms of reference to be set out and agreed with the Audit Committee.
- A pragmatic view would be taken on each of the recommendations from the External Auditors and how they are implemented. Sufficient information would be shared in order to make informed decisions.
- There was flexibility with the dates shared on the various tasks within the recommendations as the systems and reports need to be accurate however, the dates should not slip too much.
- There was hope the addendum with the trade unions will be signed.
- The financial system for the Council had to be accurate in order to provide the council with correct information to make decisions upon.
- The External Auditor could not provide assurance on the question raised on the contamination of HRA and the General Fund as insufficient financial information was available at present.
- There was a number of aspects to the work i.e. financial sustainability, equal pay and ERP system reviews. These were all at different stages. The reviews would be looked at both forward and backwards i.e. what solutions were now being put into place.
- The Equal Pay model had not yet been shared with the External Auditors and was currently being worked upon. This was a complex model where a number of assumptions would be made. Updates would be provided to the Committee.
- Commissioner comments on the agenda – Risk Management Committees was only as good as the information it received. There was a need to move to an open culture where the information was forward to the committee rather than officers managing the information themselves. This was a two-way relationship. Basic function of risk register should be in place throughout the

organisation with a strategic risk register. Between the operational and strategic register risks the committee should be receiving the right information.

- The openness and culture throughout the organisation had to change.
- The opinions and views indicated by the external Auditor was evidence based from different sources.
- The final model of the Equal Pay had not been seen by the External Auditors however reassured the Committee active engagement was taking place with officers.

The Chair requested a briefing on the Equal Pay model to be shared with the Committee even if this was a private and confidential meeting or briefing session. The Section 151 officer agreed this. A high-level report would be shared with the committee of the how the model was constructed.

678 **RESOLVED:-**

That the Audit Committee;

- (i) noted the verbal update from the External Auditors; and
- (ii) agreed for the section 151 officer to provide a high-level briefing or report on the Equal Pay Model.

ASSURANCE SESSION – CABINET MEMBER CHILDREN, YOUNG PEOPLE & FAMILIES PORTFOLIO

The following report of the Cabinet Member Children, Young People and Families was submitted:

(See document No.5 of the agenda pack)

The Chair informed the committee a request had been made by Councillor Yip on the Children and Young People Travel Service and the coverage in the media. In addition, the Committee wanted to discuss the wider issue of how the Directorate managed risk.

The Chair read the email and request he received from Councillor Alex Yip on 01 August 2023. In summary, the questions from Councillor Yip were around:

1. *The contract award to Green Destinations process and allegations on improper officer influence*
2. *Cost of taxi's for H2S and it's efficiency*
3. *Contractual management of Green Destinations and others.*
4. *Previous meetings highlighted penalties and clawbacks on poor performance- whether any of this has been done*
5. *Allegations of overpayment when bench marked against other providers*
6. *Allegations of 'serious maladministration and misconduct of individuals' within Council.*
7. *Licensing of drivers for permission to drive under transporting with a valid operators licence potentially invalidating insurance*

Audit Committee – 18 October 2023

8. *Reassessment of all H2S including HATS and AFJ- whether value for money has been achieved as alleged in the article.*
9. *The number of contracts with providers that were done under a competitive procurement process. Written Questions in January 22 showed that out of 266 contracts that expired that financial year, they could only identify 16 that were replaced with a competitive process, and 98 had no information on.*

The Cabinet Member for Children, Young People and Families informed the Committee the Directorate was on an improvement journey as well as a SEND improvement journey. Cabinet had been informed that an accurate reflection of risk should be available.

Members were reminded, in September, this was the second year running of getting the children at the right school at the right time. There was a 99.9% success rate, 0.1% there was a slight hitch with a vehicle journey. This was a huge success, and the Cabinet Member thanked the whole team.

Internal Audit had noted the processes within the directorate were compliant and there was a possibility of further review work. Members were reminded the more expensive costs were related to children with profound disabilities and very complicated medical needs, where 1 to 1 support was required.

The Director for Children Services assured the committee the improvement journey was a comprehensive approach. Details around the approach was shared with members.

An overview on the improvement journey, focus on safeguarding DBS checks was shared however, there were areas of compliance that were being worked upon. The Improvement Plan was monitored by the Improvement Board with an external Chair.

The Assistant Director, Children and Young People's Travel Service had submitted his apologies at this meeting however, he had several meetings with Councillor Yip around the queries raised.

The Director for Children Services emphasised on the successes for the Directorate was to have permanent posts in place. The Head of Strategic Governance and Planning was now in place on a permanent basis.

The Head of Strategic Governance and Planning gave an overview to the foundations of the sustainability within the Directorate and risk assessment arrangements in place. There was confidence around risk management within the directorate. Examples of DBS checks and SEND was flagged as a risk and this had an improvement plan.

(Note: Due to the number of questions raised by members, these have been grouped in a section within the minutes followed by responses by officers).

Members raised questions and made the following comments;

- Was there confidence that high risks flagged on the Directorate Risk register was on the Strategic Risk Register?

Audit Committee – 18 October 2023

- Had the issues around financial resilience, equal pay and ERP been considered to be risks within the Directorate?
- Current contract comes to the end on 31 October and there were concerns around the procurement of the contract and following the correct processes.
- Was the risk management culture prevalent in the Directorate?
- Previously in July's Audit meeting, it was highlighted DBS checks were undertaken manually and members sought assurances the process had now been completed.
- Members congratulated and recognised the 99.9% success rate of getting the right children, to the right schools at the right time.
- Would any red flags within the Directorate be drawn to the Committees attention?
- Missing children/ hidden children to be discussed at a future meeting.
- Contracts having the same costs raised in the media. Members requested details around this query.

In response to members questions, the Head of Strategic Governance and Planning; Head of Category (Procurement - People) made the following points;

- There was confidence that high risks flagged on the Directorate Risk register was on the strategic Risk Register and meetings were taking place with the Assistant Director for Internal Audit to ensure the process was more robust.
- There was a period of reflection during the improvement journey and going forward this would now consider issues around financial resilience, equal pay and ERP system.
- Procurement for the Travel Assist Framework would be replaced 01 November 2023. There was a 10 day stand still period and following this period, contract award letters would be issued.
- The risk management and response to risk was being looked at throughout the Directorate and this would be embedded to everything.
- Not having permanent staff was a risk which was recognised in the Improvement Plan. The priority was to ensure permanent staff.
- At present, the Director for Children Service was not confident the right processes were in place but this was being reviewed.
- Recruitment and retention of staff was key to stability therefore currently this was very fragile.
- DBS checks – A manual spreadsheet had been referred to ensure DBS checks are completed. A relevant recent DBS was required for anyone working with children.
- Escalation for any concerns to the committee – officers were content to forward any critical issues to committee however the new arrangements with Internal Audit would support this request.
- There was a struggle with real time financial details however work was taking place within this area. There were a huge number of Education Care Plans requests as well as a rise in number of asylum seekers which would have an impact on finances.
- Contracts – This was related to the Council's Transparency Obligations requirements – Information was available publicly. There were many contracts across the council that was based on a framework contract therefore on the

outset we don't know how much spend was going against the contracts therefore there are multiple providers on the contract. For transparency, the total estimated figure is divided across all the providers as a nominal figure. Most council's satisfy their transparency requirements by undertaking an export from the public forum

The Director for Children Services read out the responses to Councillor Yip's questions and agreed that these would be circulated to members of the Committee. Any Internal Audit reports associated with this query would be circulated to the Committee.

679

RESOLVED:-

That the Audit Committee;

- (i) Noted the report and verbal update regarding the Children and Young People's Travel Service.
- (ii) Noted the information provided on the Children and Families Directorate risk management.
- (iii) Noted the responses to questions raised by Councillor Yip would be circulated to the Committee Members;
- (iv) Information on the actual costs for spend for Contracts to be provided;
- (v) Noted the internal audit reports referred to the Children and Young People's Travel Service to be shared;
- (vi) Noted risk & hidden/missing children to be discussed at a future meeting; and
- (vii) Noted that value for money rather than compliance to be discussed at a future meeting.

SCHEDULE OF OUTSTANDING MINUTES

Minute 575 - 28/03/2023; 577 - 28/03/2023; 603 - 28/06/2023 – Dr Rob Milford gave an overview of the Work Programme for the Committee and the training schedule.

The Chair requested for a 1 to 1 discussions to take place with Dr Milford ahead of the next meeting.

(A new colour coding to take place for ongoing work)

Minute 642 15/09/2023 - (ii) A list of ongoing reviews to be logged and shared with the Committee – outstanding action.

Minute 653 27/09/2023 – Responses were ready to circulate to officers and would be after the meeting.

Minute 655 27/09/2023 – Assurance Session – Leaders Portfolio – This had been adjourned however, options would have to be explored as to how to close this item. (This can be greyed out on the schedule).

Audit Committee – 18 October 2023

Minute 666 06/10/2023 - Assurance Session – Leaders Portfolio – This to remain on the scheduled however stay 'red'.

680 **RESOLVED:-**

That the Audit Committee noted the schedule of outstanding minutes.

681 **DATE OF THE NEXT MEETING**

The next meeting was scheduled to take place on Wednesday, 29 November 2023 at 1400 hours in Committee Room 3 & 4, Council House.

682 **OTHER URGENT BUSINESS**

Councillor Tilsley reflected on the discussions around internal audit. He referred to Audit Committee that he had previously chaired where every year there was a session for the Head of Internal Audit to have a private meeting with the Audit Committee to raise any key issues with the committee. This would be explored with the work programme for the committee.

AUTHORITY TO CHAIRMAN AND OFFICERS

683 **RESOLVED:-**

That in an urgent situation between meetings the Chair, jointly with the relevant Chief Officer, has authority to act on behalf of the Committee.

The meeting ended at 1659 hours

.....
CHAIR