

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 24 APRIL 2024 AT 14:00 HOURS
IN COMMITTEE ROOMS 3 & 4, COUNCIL HOUSE, VICTORIA
SQUARE, BIRMINGHAM, B1 1BB

A G E N D A

1 NOTICE OF RECORDING/WEBCAST

The Chair to advise/meeting to note that 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.

2 APOLOGIES

To receive any apologies.

3 DECLARATIONS OF INTERESTS

Members are reminded they must declare all relevant pecuniary and other registerable interests arising from any business to be discussed at this meeting.

If a disclosable pecuniary interest is declared a Member must not participate in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation.

If other registerable interests are declared a Member may speak on the matter only if members of the public are allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation.

If it is a 'sensitive interest', Members do not have to disclose the nature of the interest, just that they have an interest.

Information on the Local Government Association's Model Councillor Code of Conduct is set out via <http://bit.ly/3WtGQnN>. This includes, at Appendix 1, an interests flowchart which provides a simple guide to declaring interests at meetings.

4 **EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC**

a) To consider whether any matter on the agenda contains exempt information within the meaning of Section 100I of the Local Government Act 1972, and where it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.

b) If so, to formally pass the following resolution:-

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.

5 - 22

5 **MINUTES - AUDIT COMMITTEE 21 FEBRUARY 2024**

To confirm and sign the minutes of the last meeting of the Committee held 21 February 2024.

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6 **INTERNAL AUDIT UPDATE: JANUARY – FEBRUARY 2024**

(20 minutes allocated) (1405 – 1425 hours)

Report of the Principal Group Auditor

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7 **EXTERNAL AUDIT UPDATE**

(20 minutes allocated) (1425 - 1445 hours)

Report of the External Auditors

65 - 72

8 **FINANCE UPDATE**

To include Management Response to External Auditors Progress Report

(15 minutes allocated) (1445 – 1500 hours)

Report of the Interim Director of Finance (& Section 151 Officer)

- 73 - 90**
- 9 **INTERNAL AUDIT PLAN AND INTERNAL AUDIT CHARTER 2024/25**
(30 minutes allocated) (1500 – 1530 hours)
Report of the Principal Group Auditor
- 91 - 164**
- 10 **ANNUAL GOVERNANCE STATEMENTS 2020-21 & 2021-22**
(30 minutes allocated) (1530 – 1600 hours)
Report of the Interim City Solicitor & Monitoring Officer
- 165 - 174**
- 11 **SCHEDULE OF OUTSTANDING ACTIONS**
Information for noting.
- 12 **OTHER URGENT BUSINESS**
To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.

BIRMINGHAM CITY COUNCIL

<p>AUDIT COMMITTEE 21 FEBRUARY 2024</p>

**MINUTES OF A MEETING OF AUDIT COMMITTEE HELD ON WEDNESDAY,
21 FEBRUARY 2024 AT 1400 HOURS IN COMMITTEE ROOM 3 & 4,
COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB**

PRESENT:-

Councillor Fred Grindrod in the Chair;

Councillors Robert Alden, Shabrana Hussain, Meirion Jenkins, Miranda Perks and Paul Tilsley

ALSO PRESENT:-

Fiona Baldwin, External Auditor, Grant Thornton (Online)
Deborah Cadman, Chief Executive
Anthony Farmer, Head of Professional Standards
Fiona Greenway, Interim Finance Director & Section 151 Officer
Ed Hammonds, Deputy Chief Executive, Centre for Governance and Scrutiny (Online)
Andrew Hardingham, Independent Technical Advisor, Audit Committee (Online)
Dr Robert Milford, Managing Director, Milford Research & Consultancy Limited
Craig Price, Principal Group Auditor
Marie Rosenthal, Interim City Solicitor & Monitoring Officer
Mohammed Sajid, Assistant Director Financial Strategy
Mark Stocks, External Auditor, Grant Thornton
Philip Macpherson, Oracle Programme Director
Mandeep Marwaha, Committee Services

The meeting started at 1409 hours.

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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

724 Apologies were submitted on behalf of Councillor Shafique Shah due to his inability to attend the meeting.

DECLARATIONS OF INTEREST

725 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

The Chair referred to the minutes of the last meeting, 31 January 2024. Discussions took place in a private session and there was a private set of minutes. It was suggested this item would possibly move into a private session for discussion.

In addition, there were two possible exempt items for discussion under item 12 – Other Urgent Business. These issues related to the last meeting of the Audit Committee (31 January 2024).

Upon consideration, it was:

726 **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 31 JANUARY 2024

727 The Chair referred to the minutes of the last meeting in two sections.

1) Public minutes – 31 January 2024

The public minutes of the meeting held on 31 January 2024 were agreed by the Committee as a true and accurate record of the meeting.

The Chair and Vice Chair thanked the Committee Manager and officers for accurate record of the meeting.

2) Private minutes – 31 January 2024

At this juncture, the Chair checked with the Interim City Solicitor and Monitoring Officer if aspects of the private minutes could be read into the public domain however, to hold a discussion on these in private session first.

The Interim City Solicitor and Monitoring Officer advised the Chair the Constitution did not allow the Committee to debate on the minutes. The Committee could only discuss the accuracy and related points of order on these. These were exempt minutes due to the nature of the discussions.

The Chair queried the process in which matters discussed in private session which were not exempt, legally privileged or met the Local Government Act 1972 to be placed back into the public domain. This had occurred previously in Audit Committee.

The Interim City Solicitor and Monitoring Officer suggested the Committee moved into the private session and decide if the minutes were accurate or not. In addition, she could then gain a better understanding of what sections of the minute was being referred to and which information the Chair wanted to place into the public.

On this basis, the Chair requested for all members of the press and public to leave the room and only the Committee Members and relevant officers remained in the meeting.

At 1418 hours, the Committee moved to a private session.

(Note: Minute 728 is in private)

RE-ADMITTANCE OF THE PUBLIC

729

At 1439 hours, following discussions on item 5, Audit Committee – 31 January 2024, the Committee moved back into the public meeting.

(The Committee moved back to Item 5 on the agenda)

MINUTES – AUDIT COMMITTEE 31 JANUARY 2024

The Chair informed the meeting that the Committee and agreed the accuracy of the exempt minutes of the 31 January 2024 meeting. The Chair had also moved a motion to move a section of the exempt minutes into the public meeting however, this motion was ruled 'out of order' by the Interim City Solicitor and Monitoring Officer. The advice provided was accepted.

Members were informed there were two items of urgent business which had been raised by the Chair and Councillor Alden. Both items related to the exempt minutes of the meeting on 31 January 2024 and would be discussed under item 12. At this juncture, the Chair circulated copies of the published letters which would be referred to for item 12 – other urgent business.

The Committee agreed the public and exempt minutes of 31 January 2024 were an accurate record of the meeting.

Upon consideration it was;

730

RESOLVED

The public and exempt minutes of the meeting held on 31 January 2024, having been previously circulated, were confirmed and signed by the Chair.

COMMISSIONER’S REVIEW AND COMMENTS ON THE AGENDA

The Chair highlighted the Commissioners were now providing comments on individual items and these will now be read ahead of each agenda item.

Upon consideration, it was:

731

RESOLVED:-

The Audit Committee noted comments from the Commissioner would be provided under each agenda item.

ANNUAL GOVERNANCE & INTERNAL AUDIT PROCESSES

(For the purpose of the minutes and record, the comments made by the Commissioners on item 7 - Annual Governance & Internal Audit Processes were as follows):

“Commissioners support the recommendations. The Audit committee’s review of the Annual Governance Statement is an important safeguard of the financial and managerial integrity of the Council and Committee should ensure, in future, that it properly programmes the receipt of this document so that the gap that has occurred cannot happen again. It is also important that the annual self-appraisal of the Committees performance is undertaken as a learning and improving experience to better fulfil the required role”.

The comments from the Commissioners were accepted by the Committee.

The following document from the Interim Director of Finance, Section 151 Officer and the Interim City Solicitor & Monitoring Officer was submitted:

(See document No.1 of the agenda pack)

Introductory comments were made by the Managing Director, Milford Research & Consultancy Limited. The report brought together key aspects of the assurance process that informed the Annual Governance Statement (AGS). A new AGS would be brought back to the Committee. The last AGS came to the

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Committee on 28 April 2022, and it was highlighted this was a critical document for the Committee to be supportive of in order to understand the governance framework for the local authority.

A summary of the report was shared with the Committee with a particular focus on roles e.g. the New Corporate Governance Group to support in shaping the new AGS. Audit Committee had approved the terms of reference for the Corporate Governance Group at the November 2023 Audit Committee. Work with Internal Audit and timelines would be brought together as part of this work.

The Annual Letter from the Audit Committee to full council could also inform the AGS and the Governance Framework. Members were informed the next bitesize training session ahead of the next meeting would be a facilitated workshop to reflect on the work of the Committee. This would include the Annual Letter, the AGS process and when the final AGS to be shared with the Committee in June 2024. A Task and Finish Group had been established via the Corporate Governance Group to monitor this work. External Reviews would also be factored into this work.

(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;

- Reference was made to the self-assessment of good practice and the questionnaire within this. It was queried how would this be implemented i.e. continually assessing/monitoring via the Audit Committee
- Concerns were raised around the timeline of reporting the Annual report to full Council (April 2024) and the training session for the Committee. It was suggested the timing of the Annual Report of Audit Committee to full Council would need to be reconsidered in future.
- The process of the AGS was referred to and the requirement for an AGS, for every year of a closed audit. The report presented referred to 2023-2024 however, 2022-23 accounts had to be legally compliant. This would have to be factored into the work.
- Concerns were raised around membership and support for Audit Committee. Audit Committee consisted of limited elected members. The skills and knowledge were important to appointments made to the Committee. It was noted the training schedule for the Members was important and would raise the knowledge for Committee Members.

In response to members questions, the Managing Director, Milford Research & Consultancy Limited and the Chair made the following points:

- Self-assessment should look back at what had been achieved by the Committee by using the questionnaire to inform discussions. The Audit Committee could have their own action plan on what areas they would need to develop upon.
- The Annual Report of the Audit Committee was postponed from the February to April City Council Meeting due to the timescales. The Independent Technical

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Advisor to the Audit Committee was currently drafting the report with the Interim City Solicitor and Monitoring Officer.

- Initial discussions on the Annual report to City Council would take place on 20 March bitesize training session. The Annual report would feed into the draft AGS process.
- An appropriate AGS would be available for the relevant financial year. Information would be gathered for the 2022-23, 2023-24 and 2024-25 AGS.
- The training schedule was key to expand on Members skills and knowledge.
- The new Terms of reference for the Audit Committee referred to the CIPFA Position Statement around Members to be trained to serve on the Audit Committee.

The Principal Group Auditor gave a summary of the Internal Audit process including a risk-based plan. A 6-month plan would be set, and this would be continually reviewed and updated. The initial focus of the Internal Audit Plan would be on the Stabilisation Plan, Implementation and recovery plan, savings, delivery and address significant governance issues raised by the External Auditors. In addition, this would support in the development of the AGS. The Risk Management Rebuild was key to provide greater in-depth visibility on risk including high risk work. Further details on the Internal Audit functions was shared with the Committee.

In summing up, the Chair highlighted he valued the work of the officers on the area of improvements in particular setting up the Corporate Governance Group. The Chair wanted to explore what the Audit Committee could have done better, learn from and improve on in the future as part of the self-assessment work. The Chair welcomed the Corporate Governance Group to support the Audit Committees work.

Upon consideration it was;

732

RESOLVED:-

That the Audit Committee;

- (i) Supported the Corporate Governance Group and the methodology for the creation of the Annual Governance Statement (AGS).
- (ii) Noted the Audit Committee's Annual Letter to inform the AGS review.
- (iii) Noted the Audit Committee members to attend a specific facilitated review workshop in March to compile their letter, using CIPFA tools and questionnaires as necessary to aid in this process.
- (iv) Supported the action plan arising from the AGS review; and
- (v) Supported the Internal Audit Plan methodology to provide assurance over the significant governance issues and their assurance role over the creation of the AGS.

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At this juncture, the Chair raised for a point of order in relation to the exempt minutes of the meeting on 31 January 2024. It was noted that exempt minutes of the meeting were not available on CMIS. The Chair requested for this to be

corrected as soon as possible and a copy for the exempt minutes published to all Councillors.

The Interim City Solicitor and Monitoring Officer advised that exempt minutes must be published to all members of the Audit Committee. The exempt minutes would be available upon request on a 'need to know' basis for other Members not serving on the Committee.

STABILISATION PLAN MONITORING ARRANGEMENTS

(For the purpose of the minutes and record, the comments made by the Commissioners on item 8 – Stabilisation Plan Monitoring Arrangements were as follows):

“Commissioner Review The response and actions to the Centre of Governance and Scrutiny (CFGs) report are a fundamental element of the Improvement and Recovery Plan required by the Directions. Regular updates will need to be reported to both the Improvement and Recovery Board and Full Council”.

The Chair was grateful for Deputy Chief Executive, Centre for Governance and Scrutiny for joining the meeting online.

The following document from the Interim City Solicitor and Monitoring Officer was submitted:

(See document No.2 of the agenda pack)

Introductory comments were made by Interim City Solicitor and Monitoring Officer. Members were informed the report outlined the monitoring arrangements for the Stabilisation Plan. Members were reminded an Independent Review of Governance for the Council was commissioned last year. This was reported to Cabinet on the 12th of December 2023. The Interim City Solicitor and Monitoring Officer was overseeing the delivery of the Stabilisation Plan.

This was a 6-month set of recommendations and activities to stabilise the governance of the Council. There were 13 recommendations with around 47 streams of activity taking place. The Deputy Chief Executive, Centre for Governance and Scrutiny would be supporting some of these activities to Scrutiny Committees.

It was highlighted, the Council was currently in month 2 of the plan. Reporting would take place to the Corporate Leadership Team, Improvement Recovery Board and to Council on the successful delivery of the recommendations and activity. Further details around the Improvement and Recovery Plan were provide to the Members.

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The Committee were informed there were currently two recommendations that was 'amber' rated. These related to the Risk Management Framework and strengthening of the Audit Function.

The Deputy Chief Executive, Centre for Governance and Scrutiny gave a summary of some of the issues that had been identified including culture, behaviours, financial management, oversight on Oracle and Equal Pay, opportunities that some systems in place were not efficient, accuracy of information, effective challenge, capability, and capacity of Members. It was highlighted any improvements made to the Audit Committee in isolation would not overcome the broader issue. This was a systemic issue across the organisation.

(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;

- The Centre for Governance and Scrutiny Report (CFGS) and Stabilisation Plan was not included in the agenda pack however, Members had received the documents prior to the meeting.
- The CFGS report highlighted serious challenges for the Audit Committee in which the Committee had reflected upon.
- It was noted there was a culture and behaviour issue across the organisation.
- Oracle implementation – The former Director of Finance was challenged on issues 12 months ago on this area. Members felt there should have been openness and honesty to share information. Culture came from the top of the organisation.
- Questions were raised on how the Audit Committee could have changed the situation with Oracle especially with the lack of information and being part time representatives on the Committee.
- There was a longstanding issue where the Council never had ownership across the organisation. Regular updates should go to full Council with the correct time to debate.
- The report shared with Audit Committee and Cabinet was difficult to understand i.e. what the Council viewed the role of the Audit Committee to be and the general role of Audit to the plan. The Stabilisation Plan should be linked to the Annual Governance Statement.
- Point 3.5 of the report - Monthly milestones to be developed – timelines should be indicated on the document to gain a better understanding how this was being tracked.
- Point 3.7 & 3.8 – CLT and Cabinet progress reports – it was questioned where else the progress report were going and how would this be shared with the wider Council.
- It was questioned if officers were satisfied with the Stabilisation Plan and monitoring arrangements.
- Reference was made to the implementation of Oracle in the report and the extent of the customisation. This was noted as an area where recruitment was not taking place. There was a lack of Oracle expertise in

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- house. Members questioned how much more investment was required to fix a system and if a decision had to be made to stop this altogether.
- Further comments were made around the oversight and the role of the Audit Committee. It was queried who had ultimate accountability for delivery of the savings.
 - Members trust with officers was very low and this had to be rebuilt.
 - Detailed discussions took place around the Member, officer protocols.
 - Reference was made to the Audit Committee being misled to the information provided and the linkage of the disciplinary process and issues around misleading information.
 - Queries were raised on how the milestones were worded and graded i.e. was the grading being judged before the deadline through the year (6-month period).

In response to Members questions, Interim City Solicitor and Monitoring Officer, Deputy Chief Executive, Centre for Governance and Scrutiny made the following points:

- The detailed monitoring arrangements documents would be shared with the Committee. There were 47 activities taking place with an owner assigned and a set of milestones, risk rating over the 6 months plan.
- A Members survey would be launched to inform a new Member, officer protocol. This will be reported to the Standards Committee in March 2024.
- Oracle skills and capability – The organisation should be recognising when there was a skills and knowledge gap. In addition, alternative insights, and perspectives to be explored. It was highlighted the Council were unwilling to accept the failure of the system. Officers should be able to escalate matters. There should be clear lines of accountability and responsibility.
- There was an active risk register for the Programme, and the Interim City Solicitor and Monitoring Officer would have oversight on this. The level of monitoring would be shared with Members of the Committee.
- The Deputy Chief Executive, Centre for Governance advised that the Audit Committee, could “credibly assert” that they had, in the past, been misled based on the historic issues highlighted in the report. It was explained that these historic instances of members having been misled may have taken two forms. There may have been deliberate attempts to keep things from members, and there may also have been negligence – in as much as that senior officers were reliant on assurances given by other staff, that they should not have accepted, and that they provided information to members based on these assurances.
- The two ‘Amber’ ratings recommendations in the Stabilisation plan were related to: i) Recommendation 7 (support to Internal Audit, Audit Committee and links to Overview and Scrutiny) and ii) Recommendation 8 (new risk and management information with member accountability). Details of the monitoring arrangements was outlined. All other recommendations were on a ‘green’ rating. If the evidence was not available to support the recommendation having a ‘green’ rating, it would not be moved to this status.

Upon consideration it was;

734 **RESOLVED:-**

That the Audit Committee;

- (i) Noted the arrangements in place to monitor the delivery of the Stabilisation Plan; and
- (ii) Agreed for the Interim City Solicitor and Monitoring Officer to share the monitoring arrangements documents with the Committee and 'reporting by exception' documents if key milestones were not met.

MANAGEMENT RESPONSE TO EXTERNAL AUDITORS UPDATE ON ORACLE

(For the purpose of the minutes and record, the comments made by the Commissioners on item 9 – Management response to External Auditors Update on Oracle were as follows):

“Commissioners welcome the aims and ambition of the Council to manage the recommendations in this report, however in the recent past the Council has not demonstrated the ability and capability to deliver on such aims. Commissioners will want updates as the Council works to deliver these recommendations, to ensure that the Council sets out the missing details from this report. These responses will need to be turned into a more detailed action programme with target dates and responsible officers. Oracle recovery is one of the fundamental elements of the required Improvement Plan and will be reported via the Improvement and Recovery Board.”

The following document from the Interim Director for Finance, Section 151 Officer was submitted:

(See document No.3 of the agenda pack)

Introductory comments were made by Interim Director of Finance, Section 151 Officer. Members were notified the Interim Director of Finance was the new Senior Responsible Officer for Oracle as well as her current role as the Interim Director of Finance. At the 31 January meeting, the Committee received a comprehensive report from the External Auditors outlining recommendations. A full review of the recommendations had been undertaken and all had been accepted with a management response. The Commissioners comments had been accepted around a detailed plan and programme.

The main issue highlighted to the Committee was to agree an income management system through a procurement process as there was a number of risks attached to manual work currently being undertaken around Cash allocations.

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The Oracle Programme Director gave an overview to the report. He highlighted the approval and assurance work on the programme would now be joined up by looking at the three stages on controls (1st, 2nd and 3rd). The recommendations highlighted within the appendix had been built into a tracker. *(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;

- Questions were raised around the project plan for the implementation of Oracle. These consisted of; i) How many consultancy days would be expected between now and go live and reimplemented system. ii) It was raised at what point does a decision be made to stop the reimplementation and look for another solution.
- Reference was made around Councillor Jenkins expertise within ERP systems, and this was turned down by the previous City Solicitor and Monitoring Officer. The costs to date on Oracle was raised and Members had to make a collective decision going forward.
- Members welcomed the External Auditors view on the Management responses shared with the Committee to their report.
- Concerns were raised around the wellbeing of the Interim Director of Finance, Section 151 Officer as she was managing two key areas; The Budget and Oracle for the Council. Questions were raised around additional support as Members felt this was a risk.
- Councillor Alden proposed an additional recommendation to the report i.e. for the detailed plan to the Management Response to be available by a certain timeframe to report back to the Committee. The Chair supported this and referred to the milestones in earlier discussions. Members would like to see tracking on both areas (Stabilisation Plan and Management Response to External Auditors Update).
- A further question was raised around the options work on Oracle and if this was the same as the previous version and if this was being updated or new altogether.
- The timescales for the completion of the BRS system was queried and if officers were comfortable the resource in place for manual intervention until the next financial year was sufficient to deliver the budget saving and collection fund.
- Members raised queries to the original 3 phase proposals shared with the Committee on Oracle; 1) Safe and Compliant; 2) Stabilisation and 3) Optimisation.
- It was highlighted there were two decisions to consider in relation to Oracle; 1) Reimplementation of the existing Oracle system and 2) Decision to be made if this reimplementation was the right decision and other system should be considered. These decisions need to be considered by Cabinet and a process to get to this place.
- Members recognised Oracle were now providing support to the Council to rectify the situation.
- A copy of the old options appraisal to be shared with the new options for Oracle to see the change over time.
- Reference was made to the narrative in the External Auditors report which was shared at the last meeting. It was highlighted this had not

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been captured within this response report presented at the meeting.

Key areas referred to were:

- 1) Retention of Finance Staff – High Level of turnover for senior officers
 - 2) Fatigue within the finance team
 - 3) Dissatisfaction with Senior Management culture.
 - 4) Design aspect of Oracle
- Exit interviews and reasons for leaving had been linked to reasons for staff turnover.
 - Councillor Alden was both an observer on Cabinet and now a Member of Audit Committee. He highlighted that when reports came to Cabinet on Oracle, concerns were raised by Members however, the responses from Officers were often dismissive. The Chair requested for a report looking at the concerns raised by Members and Officers looking back at Cabinet meetings to understand if these concern were answered effectively.
 - The Chair requested for options appraisal documents to be shared with the Committee. This would be circulated outside of the meeting.
 - Assurances were requested from Officers around GDPR and if the Council was confident the safe and compliant phase has been met.

In response to Members questions, Oracle Programme Director, Interim Director of Finance, Section 151 Officer, External Auditor, and the Chief Executive made the following points:

- Details around the number of consultancy days for the Oracle reimplementation could not be specified by Officers. Recruitment in capabilities had to be undertaken and assess how much of the implementation of Oracle could be used and how much needs to be rebuilt altogether. The aim was to get this work done as soon as possible. Estimates had been placed into the budget which would be looked at. Further information on this would be provided to the Committee.
- The Oracle Programme Director was not attached to the Oracle company. He was independent and supporting and fixing the problems with the Oracle Programme. Officers requested for some time to gather information before shared with the Committee as this had been recently taken over by the Section 151 Officer and the Oracle programme Director. More funds had been built into the budget around costs. The next level of detail would be shared with the Committee by the next meeting. This assurance had been given to the Commissioners and subsequently the Audit Committee.
- Options analysis work was taking place around the case for reimplementation. Officers welcomed Councillor Jenkins engagement outside of the Committee due to his expertise and knowledge in this field.
- The Section 25 statement which was going to Cabinet informed on the ERP system. Work was taking place with the Director of HR, Section 151 Officer, and Oracle Programme Director to ensure the data was correct. The decision to reimplement the Oracle system had not been made. This would need to be shared with Cabinet alongside the costs associated. This would be shared with the Audit Committee in line with governance and assurance oversight.

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- Councillor Jenkins would be invited to provide commentary and challenge to the ERP reimplementation work. The informal feedback would be shared back to the Audit Committee via Cllr Jenkins.
- The External Auditors noted the comprehensive response and a decision had to be made on reimplementation or moving away from this system. The key issue the External Auditor was around how the Council functions whilst a decision was being made. A new bank reconciliation system had to be in place. By the 1 April 2024, any workarounds must be functioning and auditable in order for the External Auditors to give an opinion.
- The Interim Director of Finance, Section 151 Officer highlighted the delivery of the budget was everyone's responsibility and the impact of this would be reported via the Interim Director. The Commissioner had regular checks with the Interim Director of Finance, Section 151 officer. There was a team supporting the Interim Director on Oracle. Details of the team around the programme was shared with the Committee. Assurance was provided to the Committee that this risk was indicated on the Finance Directorate risk register and raised by the Commissioners every week.
- Options appraisal was previously done however, this time figures and detailed work would be explored to the up-to-date version. This would be a build on previous work.
- The Director of Finance, Section 151 Officer gave an update to the manual interventions, recruit the option to get more support in the area.
- It was noted in relation to Oracle, Birmingham was still in the stage 1, Safe and Complaint phase and a new team was in place to tackle this work led by the Interim Director of Finance, Section S151 officer and the Oracle Programme Director.
- Details around the Oversight Board was provided to the Committee. Governance and process was in place to look into Oracle. The Oversight Board consisted of the Leader, Deputy Leader, Cabinet Members for Finances and Resources and Digital, Culture, Heritage, and Tourism where fortnightly meetings took place. A draft report would be shared with Cabinet in due course.
- A summary was provided on the queries raised by the Chair on level of turnover. It was noted there were several interim staff in the Oracle Programme. The wellbeing of all staff was important across the Council. An organisation had been brought in to assist with the wellbeing of staff. The workforce plan for improvement would look at areas of personal development and progression.
- Managers undertake exit interviews, and this information would need to be gathered to identify common themes – proposed this would be undertaken by HR.
- The Chief Executive referred to the Commissioners Oversight Board. The Commissioner with the Lead for Oracle had agreed to refocus the Oracle Programme and the Section 151 Officer would undertake the SRO role for Oracle if there was the right professional and managerial support. The SRO for Oracle previously was the previous S151 Officer. There was a period where an emergency arrangements the gold (Chair by the Chief Executive), silver and bronze arrangements were placed and reported to Members Oversight Board.

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- Further details around the reporting on Oracle was shared by the Chief Executive. The Programme Management for Oracle reported to Cabinet and bi-monthly to CLT.
- The Chief Executive requested for time to reflect on the timeline for reporting to Cabinet and the minutes and actions taken.
- Officers were not confident the Council was in the safe and compliant phase with GDPR and this would be reported back to the Committee.

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RESOLVED:-

That the Audit Committee;

- (i) Noted appendix 1 of the report including the management responses to each of the recommendations.
- (ii) Noted the detailed plan outlining the milestones to the management response to be reported back to the committee.
- (iii) An update report to be provided to the Committee looking at the concerns raised by members and officers in Cabinet meetings around Implementation of Oracle to understand if questions and concerns were answered effectively.
- (iv) Previous and new options appraisal documents to be circulated outside of the Committee.
- (v) Councillor Jenkins to provide feedback to the Audit Committee on commentary and challenge to the ERP reimplementation work; and
- (vi) Agreed for an update to be provided Safe and Compliance on GDPR.

SCHEDULE OF OUTSTANDING MINUTES

Minute 575 (ii) - 28/03/2023; 577 (vi) - 28/03/2023; 603 (iii) - 28/06/2023 – Milford Research & Consultancy Limited to incorporate into the bitesize training sessions for the Committee. Remain as ongoing work.

Minute 678 18/10/2023, 679 18/10/2023 – response required from officers.

Minute 679 18/10/2023- risk & hidden/missing children – officers to provide Councillor Hussain a response.

At 1641 hours, Councillor Jenkins left the meeting.

Minute 691 29/11/2023 – Corporate Governance Group Assurance Report – The first meeting of the new Corporate Governance Group took place 16/01/2024. The agenda for the next meeting has been agreed and scheduled to take place 07 February 2024. The Corporate Governance Group will be looking at the Annual Governance Statement - ***Completed & Discharged***

Minute 691 29/11/2023 - Guidance on access to information will be shared at the 20 March 2024 meeting.

Minute 692 29/11/2023 – Internal Audit Update - Updates will be provided as part of the report on 31 January 2024 agenda – Internal Audit Plan update.

Audit Committee – 21 February 2024

Updates were provided at this meeting (21 February 2024 meeting) – Audit Plan Methodology Report - **Completed & Discharged.**

Minute 693 29/11/2023 – Internal Audit Recommendation Tracking – to be shared at the next meeting.

Minute 694 29/11/2023 – Annual Counter fraud Report - Officers to respond additional outstanding actions noted by the Committee.

Minute 695 29/11/2023 – Finance Update - Officers to respond additional outstanding actions noted by the Committee.

Minute 696 29/11/2023 – External Auditors Update - Officers to respond additional outstanding actions noted by the Committee.

Minute 709 31/01/2024, 711 (Private) 31/01/2024, 714 31/01/2024, 715 31/01/2024, 716 31/01/2024, 717 31/01/2024 – outstanding actions.

Minute 717 31/01/2024 – (iii) full response to the final report on Oracle from the External Auditors will be shared at the next meeting of the Committee - **Completed & Discharged.**

It was noted the several items were removed off this meetings agenda by the Commissioners however, the Corporate Governance Group to track the actions and timeline these back into the meetings for response.

All completed and discharged actions will be removed from the schedule and outstanding actions. Outstanding actions will be followed up by officers.

736 **RESOLVED:-**

That the Audit Committee noted the schedule of outstanding minutes.

737 **DATE OF THE NEXT MEETING**

The next meeting was scheduled to take place on Wednesday, 20 March 2024 at 1400 hours in Committee Room 3 & 4, Council House.

738 **OTHER URGENT BUSINESS**

The Chair notified the Committee there were two items of urgent business which were related to the private minutes of the last meeting (31 January 2024).

Based on the discussions at the last meeting, the Chair had discussed matters with the Vice Chair and the Independent Technical Advisor of the Committee and decided to write a public letter. The letter was handed out to Committee Member at the meeting. The letter was addressed to the Leader of the Council

on the equal pay announcement and the press release of the £760 million equal pay figure. The Chair read out the letter in public and requested the contents to be included in the minutes of this meeting:

The letter read:

Thursday 1st February 2024

**Cllr John Cotton
Leader of the Council
Birmingham City Council
The Council House
Victoria Square
Birmingham B1 1BB**

Dear John

Equal Pay Announcement

I am writing with significant concern following on from a discussion that occurred in the private session of January's Audit Committee, which took place on the 31st January 2024.

In that discussion the Interim City Solicitor agreed with my statement, that putting the equal pay liability figure of £760 million in the public domain before it had been externally validated, had increased the council's equal pay risk.

I asked the Chief Finance Officer, Fiona Greenaway, how the figure came to be published in a council press release and statement, and who had authorised this happening. The Chief Finance Officer replied stating that she had not known about the press release and had not been involved in the authorisation of it, prior to its publication.

I then asked the same question to the Chief Executive, who replied in a similar manner, denying she had authorised the press release announcing the figure. When I pressed further by asking who then had authorised the Council communications team to put this information out, the Chief Executive stated that she 'had no knowledge' of the release, had not approved it and that it must have been the Leader of the Council who had done so.

I am incredibly concerned about this information, as it could be inferred from what the Chief Executive has said, that you, as Leader, acted to put the equal pay liability figure into the public domain, without the involvement or advice of the Chief Executive or Chief Finance Officer, thereby putting the council at increased risk.

Please can you explain why this decision was taken and your understanding of how this figure was put into the public domain.

I look forward to your response.

***Cllr Fred Grindrod (Bournville & Cotteridge Ward)
Chair, Audit Committee***

Cc: Cllr Paul Tilsley, Vice-Chair, Audit Committee

Permission had been granted by the Leader to read his response in public. The response email from the Leader of the Council was as follows:

Dear Fred,

Thank you for your letter and offering me the chance to furnish you with further information.

I did not authorise the release of the figure related to equal pay unilaterally, it was recommended to me. This position was endorsed by the Council's Statutory Officers.

I have copied in the Chief Executive so she can reply with relevant meeting notes, strategy documents and communications prepared for staff and partners, as appropriate.

I believe it would be helpful to engage directly with the Chief Executive on this matter.

Best wishes,

John

***Councillor John Cotton
Leader of Birmingham City Council
Labour & Co-op Councillor for Glebe Farm & Tile Cross Ward***

Cc: Cllr Paul Tilsley, Vice-Chair, Audit Committee, Deborah Cadman, Chief Executive

The reply from the Chief Executive was marked strictly private and confidential and legally privileged, therefore the Chair proposed to the Interim City Solicitor and Monitoring Officer to move into a private discussion to discuss this response. This was agreed by the Interim City Solicitor and Monitoring Officer. This was agreed by the Committee.

At 1649 hours, the Committee moved to a private session.

(Note: Minute 739 is in private)

RE-ADMITTANCE OF THE PUBLIC

740 At 1707 hours, following discussions on item 12, Other urgent business, the Committee moved back into the public meeting.

(The Committee moved back to Item 12 on the agenda)

741 **OTHER URGENT BUSINESS**

Urgent business that had be raised with the Chair had been dicussed in the private session. The Chair was grateful to the Committee for this.

AUTHORITY TO CHAIRMAN AND OFFICERS

742 **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 1708 hours.

.....

CHAIR

Birmingham City Council

Audit Committee

24 April 2024



Subject: Internal Audit Update: January – February 2024

Commissioner Review

This report sets out the progress made but gives no indication of the action that is proposed to restore the position where delay is evident. The Committee should seek answers on these points.

Birmingham City Council

Audit Committee

24th April 2024



Subject: Internal Audit Update: January – February 2024

Report of: Craig Price, Principal Group Auditor

Report author: Craig Price, Principal Group Auditor

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:

1 Executive Summary

- 1.1 The attached report provides an update to the Audit Committee on Internal Audit activity for January and February 2024. It summarises the key findings arising from the final reports issued.
- 1.2 The report also provides an update on non-assurance activity including progress in developing a central audit recommendation tracker and Internal Audit report repository.

2 Recommendation(s)

- 2.1 Members are asked to note the update.

3 Background

- 3.1 Internal Audit provide independent and objective assurance to management and those charged with governance on the systems of internal control that have been established, contributing to the overall assurance framework. This is achieved by systematically examining, evaluating, testing, and reporting on the effectiveness of the system of internal control. Where weakness or non-compliance is found, recommendations are made to management to improve the operation of internal controls.
- 3.3 During January and February 2024 30 final reports have been issued. The key findings contained with these reports are summarised in the attached report.

3.4 As at the end of March 2024 94.4% of the 2023/24 audit plan has been completed to draft report stage.

4 Options considered and Recommended Proposal

4.1 The report is for information purposes.

5 Legal Implications

5.1 Section 151 of the Local Government Act requires the Chief Finance Officer (as responsible officer) to ensure proper administration of the Council's financial affairs.

5.2 Under Part 3 of the Accounts and Audit Regulations 2015 a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

6 Financial Implications

6.1 There are no financial implications directly arising from this report or its recommendations.

7 Public Sector Equality Duty

7.1 There are no equality duty or equality analysis issues relating to the information set out in this report.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

8.1.1 Sound internal controls and financial management underpins all the Council's priorities, plans and strategies.

8.1.2 Management is responsible for the implementation of a sound and effective system of internal control to manage risk effectively.

8.1.3 Internal Audit provide independent and objective assurance to management and those charged with governance on the systems of internal control that have been established.

9 Background Papers

9.1 None.

10 Appendices

10.1 Appendix 1 Internal Audit Update – April 2024

Internal Audit Update: January – February 2024

24th April 2024

Contents

1. Background
2. Internal Audit Final Reports Issued January and February 2024
3. Other / Advisory Work
4. Internal Audit Plan
5. Emerging Issues

1. Background

- 1.1 This report provides an update to the Audit Committee on Internal Audit activity for January and February 2024. It summarises the key findings arising from the Final reports issued. Reports summarising the key findings arising from Internal Audit activity between April – December 2023 have been presented at previous Audit Committee meetings.

2 Internal Audit Final Reports Issued January and February 2024

- 2.1 Audit reports are given assurance and risk ratings to assist in the identification of the level of corporate importance.

Assurance Ratings

Level 1: Controls evaluated are adequate, appropriate and are operating effectively to ensure that risks are being managed and objectives achieved.

Level 2: Some control weaknesses noted. However, generally the controls evaluated are adequate, appropriate, and effective.

Level 3: Control weaknesses of a significant nature, or the number of minor weaknesses noted was high. Management of risks and achievement of objectives is compromised.

Level 4: Controls not adequate, appropriate, or effective. Risks not adequately managed and achievement of objectives unlikely.

Residual Risk Ratings

Low (Green) - Non-material issues

Medium (Amber) - High importance to the business area the report relates to, requiring prompt management attention. Not of corporate significance

High (Red) - Matters which in our view are of high corporate importance, high financial materiality, significant reputation risk, likelihood of generating adverse media attention or of potential of interest to Members etc.

- 2.2 During January and February 2024 30 final reports have been issued:

	Jan 2024	Feb 2024	Total
Audit Reports	5	6	11
Progress / Follow-up Reviews	5	3	8
School Audits	7	4	11
Total	17	13	30

2.3 The Internal Audit report repository has now been created and populated with the final reports issued in January and February 2024. Access to the repository has been made available to Audit Committee members.

2.4 A summary of the key findings is given below:

Audit Reviews

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
Jan 24	Enforcement - Litter and Fly Tipping	City Operations	Level 3	A lack of any monitoring process or checks within the Waste Enforcement Unit to give assurance that all cases are being consistently and robustly managed. Checks are to be reintroduced.	Medium	Follow up Review
Jan 24	Council Tax Exemptions and Discounts	Council Management	Level 3	No targeted reviews on council tax accounts. Therefore, there is a risk that exemptions, discounts, or disregards are in place that are no longer valid. New revenues recovery teams are being introduced focusing on maximising income recovery and completion of reviews.	Medium	Follow up Review
Jan 24	Management of Adult Social Care (ASC) Debts	Finance / Adult Social Care	Level 3	Robust debt management arrangements for ASC debt were still not in place and there had been no	Medium	Follow up Review

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
				<p>agreement between Accounts Receivable and ASC on the future management arrangements.</p> <p>A decision paper is to be drawn up between Accounts Receivable and ASC to approve how these debts will be managed going forward.</p>		
Jan 24	People Services - Compliance with HR policies Injury Allowance	People Services	Level 3	<p>End dates not entered resulting in minor over payments of allowance.</p> <p>Procedures updated to reduce the risk of end dates not being entered and overpayments being recovered.</p>	Medium	Follow up Review
Feb 24	Hays Pre-employment checks	People Services	Level 3	<p>Pre employment (including DBS) compliance and escalation procedures in place for processing requests and undertaking checks which are followed by Hays.</p> <p>However there remains a risk that managers are not correctly completing resource requests on the portal which</p>	Medium	Follow up Review

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
				<p>could result in checks being missed if there were not identified by Hays.</p> <p>Reminders and training are to be provided to managers using the Hays portal.</p>		
Jan 24	Contract Monitoring Birmingham Childrens Trust (BCT)	Children and Families	Level 2	The contract does not include a requirement for independent quality checks on KPI's produced by BCT. Whilst there is no suggestion that KPI produced are inaccurate, as the commissioner of the service, the Council retains overall responsibility and is therefore exposing itself to additional risks if performance issues do remain undetected.	Medium	Follow up Review
Feb 24	A457 Dudley Rd Improvement Scheme Contract Management	Place Prosperity & Sustainability	Level 3	There were significant delays in the approval of the design by the Technical Approval Authority (this responsibility is held by an officer within City Operations directorate).	Low	Follow up Review

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
				This created a financial and reputational risk for the project; improved collaboration is required going forward to mitigate against the risk on other projects.		
Feb 24	Disabled Facilities Grant Preparation for the new contract	Adult Social Care	Level 2	<p>At the time of our work, we were unable to confirm that the contract had been appropriately agreed and signed off.</p> <p>Following the issue of our report we have obtained confirmation that the contract has been agreed and signed.</p>	Low	
Feb 24	Youth Service Recruitment Processes	Children and Families	Level 2	Birmingham Youth Service has adequate processes in place for recruitment of staff. However, we did identify a risk of inconsistent work practices across youth centres. Consistent practices now being introduced.	Low	
Feb 24	Benefit Service Documented Procedures	Council Management	Level 1	There are comprehensive and up to date procedures in place enabling Benefit Service employees to	Low	

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
				clearly understand the policy and processes, to carry out the tasks required within their service area.		
Feb 24	Benefit Service Non-Dependants	Council Management	Level 1	The Benefit Service have Housing Benefit claims review and monitoring processes in place. A Housing Benefit Award Accuracy exercise has recently been carried out to review non-dependants on nil income. Weekly monitoring of non-dependants is carried out via the Note Pad monitoring report.	Low	

Progress / Follow- Reports

Month issued	Final Report	Directorate	Original Risk Rating	Revised Risk Rating	Issues Identified	Next Steps
Jan-24	Carers Support Pathway Progress Review	Adult Social Care	Medium	Medium	Progress being made with the implementation of the agreed recommendations.	Further Follow up
Jan-24	Transitions and Preparation for Adulthood Service Progress Review	Adult Social Care	Medium	Medium	Progress being made with the implementation of the agreed recommendations.	Further Follow up
Jan-24	Placements, Discharge to Assess, follow up	Adult Social Care	Medium	Medium	Progress being made with the implementation of the agreed recommendations.	Further Follow up
Feb-24	Waste Management	City Operations	Medium	Medium	Limited progress had been made with the	Further Follow up

Month issued	Final Report	Directorate	Original Risk Rating	Revised Risk Rating	Issues Identified	Next Steps
	Performance Reporting - Follow Up				<p>implementation of our original recommendations. There were still a number of issues with the reliability of reported data and whether current performance measures provide meaningful results.</p> <p>We have since received update agreed action and revised target completion dates.</p>	
Feb-24	GDPR Compliance Adults Follow Up	Adult Social Care	Medium	Low	<p>Progress has been made with recommendations being implemented. However, there remains a need to complete the review of Data Protection Impact Assessments and record the data within the Information asset register to ensure all information risks are being managed.</p>	Completed
Feb-24	GDPR Compliance Children and Families Follow Up	Children and Families	Medium	Low	<p>Whilst progress is now being made there remains a need to complete the amalgamation and update of the Information assets registers to ensure that information assets are known and protected.</p>	Completed
Jan-24	Logotech Treasury Management Follow Up	Finance	Low	Low	<p>Progress made with the implementation of agreed recommendation. However, due to the impact Oracle delays and work for S114 recommendation there has been a delay in documenting security procedures.</p>	Completed
Jan-24	IT Procurement 2nd Follow Up	Strategy Equalities & Partnerships	Medium	Low	<p>There have been significant changes to how the service operates following the 'Shaping the Future' programme addressed the identified risk. New processes are now embedding.</p>	Completed

School Audit Reports

- 2.5 Schools received confirmation of their final carry forward balances (CFB) figures in March 2024. This late confirmation of CFB has added to schools' challenges to make informed decisions on, and effectively monitor, budgets, however the audits completed in January and February 2024 indicate improved compliance in relation to budgeting.
- 2.6 The school audit reports finalised in January and February 2024 again show similar trends to those seen throughout the year, and therefore these are generally reflective of the findings for the financial year. In the main we found good systems and controls in place to ensure compliance and that Governors and Senior Leadership teams had confidence in each other. There is firm evidence that schools are taking the financial challenges seriously and there is a focus on maintaining or bringing about financial stability. This does continue to be affected by falling pupil numbers due to demographics and where schools are supporting a high proportion of pupils with SEND, and in some cases the schools are receiving intensive support through the Local Authority (LA) to bring about required change. Operationally we have continued to see a need to further strengthen compliance and controls in relation to the accuracy and consistency in delegation frameworks, and in particular purchasing, including the required monitoring of purchase cards, evidence of monitoring cumulative expenditure, and approval of spend before purchases are made although this spend is relatively low value. Our follow up work identified that progress had been slower than expected, and as a result is likely to lead to full audit reviews being undertaken within 12 months because this will be factored into the school's risk-based audit planning.
- 2.7 Our risk-based planning invariably means the audits are focused on those schools facing greater financial challenges. Where there are significant financial concerns identified during the audit this is raised with the LA, and when appropriate, multi-disciplinary project boards are established by the LA to support the schools in addressing any deficit and to bring about financial stability.

3. Other / Advisory work

- 3.1 In addition to the ongoing audit assurance reviews, work is ongoing to support management. Whilst this work does not ultimately result in the provision of assurance it is considered to be key in supporting the organisation. A brief outline of this ongoing work is provided below:
- **Oracle:** Supporting Oracle Security and Access (ORC) Workstream. A remediation plan has been designed to address the segregation of duty conflicts identified and the removal of inactive users and roles. Work is on role redesign is ongoing. On going attendance at key meetings including:
 - Oracle Weekly Workstream Delivery meeting
 - Daily Security ORC sprint meeting
 - Oracle Weekly Access Authority
 - Weekly TRP Update

- Weekly Oracle Design and Change and Release Board
- Weekly Oracle PMO Security & Access (ORC) Update
- **Pay compliance:** Continuing to attend and contribute at pay compliance meetings. Undertaking additional timesheet compliance testing to ensure appropriate working practices are consistently adopted.
- **Grant Certification:** Completion of grant certifications in line with award conditions
- **Ledger Controls:** We used KPMG's Financial Controls and Planning Framework to complete a high-level controls assessment to support the development of controls. This identified areas that needed to be addressed with journal, control accounts, and reconciliations.
- **Central Recommendation Tracker:** A central audit recommendation tracker has now been developed and is being piloted within Digital and Technical Services. A feedback session has been scheduled to capture any lessons to improve the solution.
- **Audit Committee Report Repository:** A central Internal Audit report repository has now been created and populated with the final reports issued in January and February 2024. Access to the repository has been made available to Audit Committee members.
- **Audit Management System:** The options for replacing the current audit management continue to be explored. This includes exploring the availability of integrated risk and audit systems to drive a risk based audit plan.

4. Internal Audit Plan

- 4.1 As at the end of March 2024 94.4% of the 2023/24 plan has been completed to draft report stage, excluding deferred reviews.
- 4.2 The 2024/25 Internal Audit Plan, together with the update Internal Audit Charter, has been submitted to the Audit Committee for approval. The plan has been developed in line with the agreed methodology and recognises the serious financial and governance issues faced by the Council together with the significant risk profile arising from the challenging transformation and savings programme alongside addressing Oracle and Equal Pay issues. In order for Internal Audit activity to remain fluid and dynamic to respond to emerging issues and risks an initial plan has been set covering a six-month period. The plan remains dynamic and will be updated based on emerging risks. The plan will be reported to Audit Committee on a regular basis.

5. Emerging Issues

New Global Internal Audit Standards

- 5.1 In the January 2024 update it was reported that the new Global Internal Audit Standards have been released by the International Internal Audit Standards Board and become effective from 9th January 2025. Whilst the UK Public Sector Internal Audit Standards Advisory Board (IASAB) are still reviewing the standards it is understood that an announcement on the future of the Public Sector Internal Audit Standards (PSIAS) is due imminently. We continue to maintain a close watching brief on the development and revision of the PSIAS and will report back on the implications once the guidance is published.
- 5.2 The Institute of Internal Auditors UK are due to release guidance on the implementation of the new Standards together with a self-assessment toolkit. A copy of this guidance and toolkit will be obtained and used once it becomes available.

Birmingham City Council

Audit Committee

24 April 2024



Subject: External Audit Update

Commissioner Review

The issues highlighted in this report are significant and all indications are that the weakness in the control environment will continue at least until Oracle is operating effectively.

This has major implications for the assurance that can be provided by External Audit, especially given the proposed introduction of the audit backstop which may mean the audit of some financial statements will be timed out.

Given this backdrop the external assurance of the Council's control environment is a theme that the Audit Committee will need to consider carefully over coming months.

Birmingham City Council

Audit Committee

24 April 2024



Subject: External Audit: Progress Report for Birmingham City Council

Report of: Mark Stocks, Grant Thornton

Report author: Mark Stocks, Grant Thornton

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1 Executive Summary

1.1 The attached presentation outlines the financial statement audit position for prior years, 2020/21 and 2021/22, and the additional information needed to complete these audits. An update on the financial statements audit for 2022/23 and 2023/24. An update on the overarching Value for Money reviews.

1.2 This is contained within the presentation dated 24th April 2024.

2 Recommendation(s)

2.1 Audit Committee is recommended to:

2.1.1 Note the contents of the report as set out by the External Auditors.

3 Background

3.1 This is contained within the presentation dated 24th April 2024.

4 Options considered and Recommended Proposal

4.1 This is contained within the presentation dated 24th April 2024.

5 Legal Implications

5.1 This is contained within the presentation dated 24th April 2024.

6 Financial Implications

6.1 This is contained within the presentation dated 24th April 2024.

7 Public Sector Equality Duty

7.1 This is contained within the presentation dated 24th April 2024.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

8.2 This is contained within the presentation dated 24th April 2024.

9 Background Papers

9.1 None

10 Appendices

10.1 None

External audit: progress report for Birmingham City Council

**Audit years 2020-21, 2021-22,
2022-23 and 2023-24**

24 April 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This progress report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

Name: Mark Stocks
For Grant Thornton UK LLP
Date: 11 April 2024

Financial statements audits – 2020/21 and 2021/22

As reported at previous Audit Committees, the financial statements of the Council for the years ending 31 March 2021 and 31 March 2022 both remain open. The most significant outstanding factor from both is the Council's Equal Pay liability.

We have continued to progress these audits but we have yet to receive the evidence we need to complete our work. We continue to liaise with the Council on these matters.

Financial statements audits – 2020/21 and 2021/22 (continued)

Issue	April update
Equal Pay provision	<p data-bbox="427 395 2092 464">A fresh analysis of the Council’s equal pay liability has been conducted which will give a more accurate estimate of the financial position and will require significant adjustments to be made to the financial statements.</p> <p data-bbox="427 496 674 528">Provision of models</p> <p data-bbox="427 539 2092 639">We received provisional models on 29 November 2023 for the years ending 31 March 2020, 31 March 2021, and 31 March 2022. We subsequently received updated models on 31 January 2024, following the work that we performed to confirm the completeness of the source data being used within those models.</p> <p data-bbox="427 671 685 703">Audit work proposed</p> <p data-bbox="427 715 801 746">We are working with officers to:</p> <ul data-bbox="427 758 2018 906" style="list-style-type: none"> • Obtain assurance over the completeness and accuracy of the source data being used to feed the models; • Understand and audit any judgements and assumptions that have been applied to the source data; and • Challenge the judgements and assumptions being applied, as set out in the Council’s accounting paper referred to in our November update. <p data-bbox="427 943 696 975">Audit work performed</p> <p data-bbox="427 986 2063 1050">We have observed officers running the source data reports, and performed spot checks on the data within them, in order to gain assurance that the parameters used for these reports were appropriate, and the data within them is complete;</p> <p data-bbox="427 1061 2092 1125">We have selected samples of employee records from within the models to test the accuracy of the source data, however we await evidence to allow us to complete our testing of these items;</p> <p data-bbox="427 1136 2092 1232">We have considered the key judgements and assumptions used within the modelling approach, and challenged a number of these. This challenge has been an iterative process, and we are awaiting responses to our queries in several areas. We are not able to progress the audit until these queries have been resolved.</p> <p data-bbox="427 1243 2029 1307">We will need to seek external expert opinions on a number of the judgements and assumptions used. We will shortly begin the process of seeking expert opinion on these judgements and assumptions.</p> <p data-bbox="427 1342 551 1374">Summary</p> <p data-bbox="427 1385 2092 1449">The audit is progressing slowly and we are not yet in a position to confirm the estimated liability. We continue to liaise closely with the Council but it is important that we make substantial progress on this part of the audit during April and May.</p>

Financial statements audits – 2020/21 and 2021/22 (continued)

Issue	April update
Oracle impairment assessment	<p>The Code requires that assets are carried at no more than their recoverable amount (recoverable through sale or use). The Council’s assessment and proposed treatment in relation to this issue was provided in early November.</p> <p>We have provided responses to the Council’s proposed treatment (November 2023) and received a revised paper in March 2024 along with supporting ledger downloads, though some requested information is outstanding, which officers are in the process of providing. We are in the process of reviewing what has been provided to date so that we can select transactions for testing.</p>
Actuarial valuation under IAS 19	<p>The LGPS underwent a full triennial valuation at 31 March 2022, the results of which are now available and are a more accurate estimate of the Council’s pension liability at that date than the previous roll-forward estimate.</p> <p>We have asked officers to confirm with the actuary to what extent the Equal Pay liability will need to be reflected in the IAS 19 valuation and to also consider the impact of the triennial valuation on the Children’s Trust, given that it is a significant consolidated component in the group accounts</p> <p>A partial response was forwarded to us from the actuary on 1 November. The Council has considered the response and is in the process of requesting a further report from the actuary to inform any adjustments that might be necessary in the financial statements.</p> <p>This has been the status of this matter for sometime as we understand that the Council is facing challenges in obtaining a response from its actuary.</p>
Property valuations (2021/22 only)	<p>A small number of queries remain outstanding to complete our work on the Council’s property valuations in 2021/22.</p> <p>These queries have now been resolved. The work is complete, subject to final quality reviews, and receipt of updated financial statements showing the agreed adjustments.</p>
Capitalisation	<p>We reported that we would be undertaking a more extensive review of the Council’s approach to capitalisation, focussing on the risk that revenue expenditure had been deliberately capitalised as a means of reducing the pressure on the I&E account.</p> <p>This testing is reasonably well progressed, with queries outstanding on 5 items for the 2020/21 financial year, and 3 items for the 2021/22 financial year. No issues have been identified through this work to date, although the work remains subject to final quality reviews.</p>

Financial statements audits – 2020/21 and 2021/22 (continued)

Issue	April update
<p>Housing Revenue Account</p>	<p>We will undertake a detailed review of the interface between the General Fund and the HRA to ensure that proper (and lawful) distinction had been made between those costs attributable to the Council’s landlord function and those more appropriate to be categorised within the General Fund.</p> <p>The Council has provided transaction listings of expenditure which has been applied to the Housing Revenue Account. A sample of items was selected for each of the 2020/21 and 2021/22 financial years, and our work on these samples remains ongoing. We have had productive discussions with finance staff about the evidence that we will require for these items, which the Council is working on at the time of writing this report.</p>
<p>Grants</p>	<p>We will be performing a detailed challenge of the Council’s use of grants to ensure that they have been applied according to the conditions of grant. As part of this we will consider in detail the application of any grants which are ring-fenced, such as the Public Health ring-fenced Grant.</p> <p>We have selected a number of grants from both the 2020/21 and 2021/22 financial years in order that we can review the contract agreement and the related expenditure. The Council provided initial responses for all of the items selected, but we have raised a number of follow-up queries on this information.</p>
<p>Land and property sales</p>	<p>We will consider whether proper consideration has been obtained and whether the impact of any related parties has been appropriately dealt with. We identified losses on the sale of assets for testing. Supporting evidence was received from the Council, and no issues have been identified through this work, subject to final quality reviews.</p>
<p>Highways PFI</p>	<p>Given the Council’s communication with Government regarding its Highways PFI we will need to consider whether there are any accounting implications (adjusting or disclosure) that have not been reflected in the accounts, such as impairment of valuations or contract liabilities.</p> <p>Officers have prepared a paper considering the accounting implications which we have raised queries on and are awaiting a response.</p>
<p>Regulator of Social Housing</p>	<p>The Council will need to consider whether there are any adjusting or non-adjusting Post Balance Sheet events attributable to the Regulator of Social Housings assessment of the Council’s performance against the Decent Home Standard.</p> <p>Officers have prepared a paper setting out the accounting implications, which we are in the process of reviewing.</p>

Financial statements audits – 2020/21 and 2021/22 (continued)

Issue	April update
Related Parties	<p>We will extend our consideration of related parties, particularly in relation to procurement and contracting.</p> <p>This is being considered where relevant as part of all the workstreams set out above. Additionally, the Council has reviewed the list of all related parties, and compared to the contract register to ensure disclosure is complete and accurate. Further information is outstanding from procurement and on receipt of this, we will progress our consideration of the review undertaken.</p>
Management override of control	<p>To reflect the risks set out above, we have reopened our journals work and selected further transactions to test, which officers are in the process of providing evidence for. We are seeking assurance of what the journal is for, that it is appropriately authorised and that it has relevant business rationale.</p> <p>We have identified a number of additional transactions that we deem to be of highest risk from the full population of transactions in the general ledger for both the 2020/21 and the 2021/22 financial years. Our work on these items remains ongoing. We have had productive discussions with finance staff about the evidence that we will require for these items, which the Council is working on at the time of writing this report.</p>
AGS update	<p>The Annual Governance Statement will need to be updated to the point that the accounts are signed.</p> <p>We received an updated AGS for either the 2020/21 or the 2021/22 financial year on 9 April 2024. We are currently considering the completeness and appropriateness of the proposed updates.</p>
Perry Barr	<p>The Council and its Partners have incurred significant expenditure on the Perry Barr development (former athlete's village for the Commonwealth games).</p> <p>We have made enquiries of managements as to: the capital expenditure that has been incurred to date (split between relevant financial periods), the current position on asset recognition in the accounts, and the likely recovery through the asset sale and if there is a resulting loss, how and when will it be recognised.</p> <p>We are awaiting management's response.</p>

Financial statements audit - 2022/23 and 2023/24

Background and Audit Approach

The audit of the 2022/23 financial statements is significantly delayed. This is primarily due to 2 reasons:

- Oracle – the Council has experienced significant problems from the implementation of its new Enterprise Resource Planning (ERP) IT system, Oracle Cloud, leading to anticipated additional costs of (total costs of £100m compared to an initial budget of £38.7m as approved by Cabinet in March 2021). This has significantly impacted on the Council's ability to operate business-as usual activities, due to the workarounds and manual interventions needed to operate the system.
- Equal pay – as outlined in the previous slides the Council's equal pay liability is significant and the focus of the Council has been on putting in place an appropriate Job Evaluation process.

Due to these issues the Council has been unable to produce

- An outturn position for 2022/23
- A set of financial statements for 2022/23.

We have outlined to previous committees that we would undertake our audit in two phases:

Phase 1 – this comprises of a consideration of IT controls and security, Data Migration, and core processes. These core processes are: system controls; journal controls (because they're associated with the significant risk of management override of controls and fraud); control account reconciliations (as a fundamental financial reporting control); and cash (due to the failures in the cash posting system and the significant backlog that arose). This phase is now completed.

Phase 2 – this will comprise of detailed testing on all integrated and non-integrated systems. It will require substantive testing of transactions within those systems. We estimate as a minimum that this will take a period of 12 months to complete.

The matters outlined on the following pages equally impact the 2023/24 financial statements audit.

Phase 1 - implementation of ERP system (1)

ERP implementation - Oracle Cloud – The programme has experienced significant slippage, and the Council has incurred costs in excess of those envisaged in the initial business case. The programme is currently going through a process of re-planning and there is a risk that weaknesses in the implementation as is, and the resulting manual interventions in place, are not conducive to producing financial statements which are supported by sufficient and auditable evidence.

IT controls and security

We have concluded that:

Integrations – There is significant risk over the completeness of data from feeder systems, i.e. that entries posted were not complete or accurate. We note that there is a risk that the codes being posted to by the integrations are incorrect, undermining confidence in the integrity of the data. The issue primarily impacts the balance sheet position (debtors, creditors, and cash). This is further compounded by the lack of audit logs across the board which mean that a detailed review of failed integrations cannot be retrospectively performed.

Segregation of Duties (SoD)– similar SoD issues exist in Oracle as were identified with SAP, although the extent of problems are more far reaching with Oracle Fusion. However, the audit team had the ability to drill down into the SAP transaction postings to understand the nature of the posting. Furthermore, SAP was stable in terms of the business processes being operated. This meant that the risk around excessive privileged access could be isolated to manual journals being posted to account balances and the integrity of system reports. As management descope the implementation of Oracle Risk Management Cloud as part of the original programme we do not have this ability in Oracle and it is not possible to review the actions of users (privileged or otherwise) as to whether there were any unauthorised changes to configurations, users, or data, since audit logs were not activated from the point of go live. This significantly increases the risk of error or fraud.

Financial Reporting – the Council has identified several issues with the reports generated from Oracle. This includes access to reports on personal data not being appropriately restricted, i.e. schools were able to see the salaries of other schools in the area. Other issues included that a number of reports had not been built at all which restricted the effective monitoring of Oracle post go live. There is also uncertainty over the effectiveness of budget monitoring. The lack of regular budget monitoring at a granular level means that errors have not been not detected in a timely manner. There is a risk that transactions are coded incorrectly, which carries a presentational risk to the financial statements to the face of the Comprehensive Income and Expenditure Statement, as well as the Expenditure and Funding Analysis and narrative report disclosures of the outturn reported to members.

Change in Key Personnel

Since the start of the programme, there has been significant turnover in personnel. Of the current staff, none of them were involved in original implementation. The Council's current focus is on fixing issues going forwards rather than addressing former problems (with the exception of significant transaction backlogs). BCC had a large team supporting SAP. The current Oracle team size is in flux as BCC are not sure what a stable Oracle solution looks like and therefore what sort of support they would need in place and it is clear that BCC has not made the same level of progress to identify Subject Matter Experts within finance. Given the complex nature of BCC and the level of customisation that has been made to Oracle, the issues identified give rise to significant uncertainty over the effective operation of the standard and non-standard functionality within the system. This increases the risk of undetected error.

Phase 1 - implementation of ERP system (2)

ERP system implementation - Oracle Cloud - The programme has experienced significant slippage, and the Council has incurred costs in excess of those envisaged in the initial business case. The programme is currently going through a process of re-planning and there is a risk that weaknesses in the implementation as is, and the resulting manual interventions in place, are not conducive to producing financial statements which are supported by sufficient and auditable evidence.

IT controls and security continued

Scale of Unresolved Issues

Management have confirmed that they have not got time to go through all issues identified over last 12 months. There are a number of issues for resolution - some are small, and some are more fundamental. A significant amount of the system had to be adapted rather than adopted with non-standard Oracle functionality (such as custom extensions and integrations). BCC officers confirmed that the majority of non-standard functionality sits within finance. Given the complex nature of BCC and the level of customisation that has been made to Oracle, the issues identified give rise to significant uncertainty over the effective operation of the standard and non-standard functionality within the system. If no retrospective review is performed, or the retrospective review is not performed at a sufficiently precise level of detail, it would be unlikely that substantive audit testing would be able to provide the level of assurance required.

Conclusion

Segregation of duties, Change in Key Personnel and Scale of unresolved issues – due to these issues, and in particular the non implementation of Oracle Risk Cloud and audit logs we do not consider that we can place reliance on the Council's IT control environment.

Phase 1 - implementation of ERP system (3)

ERP system implementation - Oracle Cloud – The programme has experienced significant slippage, and the Council has incurred costs in excess of those envisaged in the initial business case. The programme is currently going through a process of re-planning and there is a risk that weaknesses in the implementation as is, and the resulting manual interventions in place, are not conducive to producing financial statements which are supported by sufficient and auditable evidence.

Data migration

The IB programme moved transactional and master data relating to Finance and Procurement and HR & Payroll modules from SAP to Oracle. All transaction data that was posted into SAP up to and including 31 March 2022 was migrated by Egress, a third party migration services, using automated data tools. As the Go live date on Oracle was set as 11 April, the project created a transitional plan for transactional postings between the year end and 11 April as well as subsequent adjustments during the year and at the year end close process. These posting were manually migrated in three separate stages via a batch load.

Egress performed the reconciliations for all data loaded through automated methods. The nature of the checks included completeness and accuracy. Where Egress identified discrepancies in the automated data loads service tickets were raised and passed on to the Council's Subject Matter Experts (SMEs). SMEs had responsibility for closing off each service ticket.

Data reconciliations – we inspected the reconciliation trackers and approvals for the reconciliations. We did not identify any concerns re the completeness and accuracy of automated and manual data loads.

Resolution of data issues – through our inspection of data reconciliations and closure reports we identified that defects had been raised. However, we initially could not obtain sufficient evidence to demonstrate how each defect was addressed as there was a lack of sign-off evidence from the Council's SMEs. We have now received this information and are undertaking substantive work on particular service tickets to determine appropriateness of resolution and subsequent closure of old tickets via sample testing.

Security roles and segregation of duties – as outlined earlier, we have been unable to obtain assurance regarding the segregation of duty conflicts in Oracle. As such, we have been unable to obtain assurance that data was not altered during the migration.

Conclusion

Due to the lack of evidence support the resolution of data migration issues and the lack of segregation of duties within the ERP system we have been unable to gain assurance that the data migration is free of error or fraud. Officers are confident that this information is available and our IT team are doing additional work in this area.

Phase 1 - implementation of ERP system (4)

ERP system implementation - Oracle Cloud – The programme has experienced significant slippage, and the Council has incurred costs in excess of those envisaged in the initial business case. The programme is currently going through a process of re-planning and there is a risk that weaknesses in the implementation as is, and the resulting manual interventions in place, are not conducive to producing financial statements which are supported by sufficient and auditable evidence.

Journals

Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

In our view this risk has been escalated due to the issues arising from the implementation of ERP system, and the emergence of an Equal Pay liability. As reported earlier, there are significant weaknesses in the controls operating over the ERP system such that we cannot place reliance over IT control. These has impacted on business processes such as holding accounts, suspense accounts and control accounts. It has also impacted on transactional controls over cash and other financial systems..

We also note that the accounting estimate for Equal Pay has increased significantly. The assessment of this liability of complex and relies on financial models, data accuracy, and a number of critical judgements re potential liabilities

We have discussed our risk identification with officers and note:

Journals - Officers have confirmed that only a limited number of journals have been processed during the year (figure to be confirmed). They have indicated that they have tested a number of these journals. We note that some of the journals are cash journals and have a significant level of transactions within each journal. Officers have confirmed that appropriate documents have been maintained to support these transactions. On this basis we have determined that journals should be auditable.

Holding accounts, suspense accounts and control accounts – officers have confirmed that holding and suspense accounts have been maintained and the majority have been well managed. Similarly, officers have confirmed that ledger control accounts were introduced part way through the year but that there is a reconciliation between the ledger and each sub-system. On this basis we have determined that journals should be auditable.

Accounting policies, accounting estimates, and critical judgements –officers have confirmed that there are no significant changes to accounting policies. There are material changes to accounting estimates and critical judgements, most notably, with regard to the calculation of the Council's estimated equal pay liability.

Conclusion

We have concluded that it would be possible to undertake an audit of these areas.

Phase 2 - Core processes (1)

Consideration of Core Processes

ISA (UK) 315 (Revised July 2020) requires us to obtain an understanding of how transactions are initiated, recorded, processed, corrected and incorporated into the general ledger as well as how information about events or conditions (other than transactions) are captured and included in the financial statements.

Further, it also requires us to look at specific considerations in relation to IT and to obtain an understanding of how information flows through the information system. Ultimately auditing standards demand us to obtain an understanding of the IT environment surrounding the preparation of financial statements and supporting disclosures, as well as all significant classes of transactions and account balances and disclosures, which are those areas where we consider the risk of material misstatement to be greater than remote.

Given the complex nature of the Council and the level of customisation that has been made to the ERP system, the issues identified give rise to significant uncertainty over the effective operation of the standard and non-standard functionality within the system.

We have substantially documented our understanding of the key financial systems of cash; journals; holding accounts; fees and charges; grants; housing benefit; council tax and business rates; non pay expenditure; payroll; accounts payable; and property, plant and equipment. Our work on accounts receivable is still underway but we now consider that we have sufficient information to document our assessment of risk. This is detailed on the following pages.

Conclusion

We consider that the majority of the Council's business processes have been negatively impacted by the inadequate implementation of the ERP system and consider that weaknesses existed in the majority of financial systems for both 2022/23 and 2023/24. We have concluded that these weaknesses are of such significance that we cannot rely on system controls for the purpose of the audit.

We have concluded that we would need to undertake an enhanced substantive approach to the audit.

Phase 2 - Core processes (2)

Business Process	Deficiencies	Impact on scoping
PPE Additions and REFCUS	<ul style="list-style-type: none"> Capital spend monitoring processes and controls have not been operating in line with pre- Oracle implementation. This lack of oversight increases the risk of financial misreporting. Throughout the year there have been imbalances between the General ledger and the capital projects module (PPM). The capital projects team were unable to run a report to identify the imbalances therefore this required manual intervention to investigate and resolve the issues. The identification and correction of imbalances between PPM and the general ledger ceased at period 12, and PPM has not been used for closedown. £150m of capital accruals are within the ledger but not in PPM. 	Significant risk identified on the existence and accuracy assertions of additions to property, plant and equipment.
PPE Valuations - valuations	<ul style="list-style-type: none"> In previous years the Council identified assets with over £250k expenditure incurred on them in year, which was sent to the valuer to assess whether this necessitated a revaluation. However this was not undertaken in 22/23 due to a change in the process for recording and monitoring capital spend. This represents a risk that assets as a group with significant capital spend may have a current value that is materially different to the carrying value in the accounts. It also represents a risk that for those assets that have been valued, the valuer may be unaware that there has been additions in year. 	Significant risk identified on the valuation and allocation assertions of property, plant and equipment.
Cash	<ul style="list-style-type: none"> Approximately 20% of all automated postings are not being posted and are sat in unallocated cash. For automated postings, there were instances of income being posted to expenditure (or vice versa). We were advised that this was resolved in September 2022. There were instances of negative numbers being posted rather than a positive number because rules were set up inconsistently. We are advised that this was resolved in October 2022. When cash is allocated in the cash module and is then posted to Oracle , it is posted as a transaction on the same day. If the transaction it relates to is from the prior year this means the cash posting is sitting in the wrong year and the accounting records would be incorrect. In 23/24 £2 bn transactions posted in the wrong year which required correcting manually. Bank reconciliations were not completed regularly during the 22/23 financial year. In the year end bank reconciliation, there is a significant amount of reconciling items between the ledger and the bank statement. There is £25m of unallocated cash that we are advised won't agree to the ledger on an individual transaction basis. 	Significant risk identified on the existence, accuracy and completeness of cash.
NNDR	<ul style="list-style-type: none"> The monthly cash reconciliations were not completed on the grounds of issues with cash coding as well as the lack of bank reconciliations undertaken. This means that line by line monthly cash reconciliation could not be done on a timely basis. 	Significant risk identified on the occurrence, accuracy and completeness assertions in relation to this income stream.
Council Tax	<ul style="list-style-type: none"> The monthly cash reconciliations were not completed on the grounds of issues with cash coding as well as the lack of bank reconciliations undertaken. This means that line by line monthly cash reconciliation could not be done on a timely basis. 	Significant risk identified on the occurrence, accuracy and completeness assertions in relation to this income stream.

Phase 2 - Core processes (3)

Business Process	Deficiencies	Impact on scoping
Expenditure & Payables	<ul style="list-style-type: none"> Internal audit reported that the workflow process for One time payments was not operating correctly so the required compliance checks were not being completed. The workflow has now been rectified. Any payments with no supporting attachments will now be rejected. IA are in the process of completing a follow up and are undertaking a proactive analysis. 	Significant risk identified on the occurrence, accuracy and completeness assertions of expenditure.
Schools Cash - Bank Reconciliations	<ul style="list-style-type: none"> Bank reconciliations not undertaken until significantly after the month end to which they relate. 	Significant risk identified on the existence, accuracy and completeness of cash.
School Operating Expenditure	<ul style="list-style-type: none"> There have been miscoding of expenditure and income in year. 	Significant risk identified on the occurrence, accuracy and completeness assertions of expenditure.
Fees and charges and accounts receivable	<ul style="list-style-type: none"> Our work is ongoing of these systems and we have yet to receive documentation from management with regard to accounts receivable. These systems rely to a high degree on the BRS. For much of 2022/23 direct debits and other types of payments were not effectively collected. Issues have arisen throughout the year with regard to the interface of the BRS system and the Council Tax and Benefit systems. Similar issues have arisen with regard to other finance streams Matters we are aware of include <ul style="list-style-type: none"> the Accounts Receivable subledger has not been reconciled to the total stated in the General ledger the opening balance on the Debtor control account in Oracle does not agree to our records due to the problems encountered with the Bank Reconciliation System (BRS) and Direct debits the automatic recovery action has been suspended with debt recovery action being progressed manually Internal Audit work on Adult Social Care debts found that the management arrangement between Accounts Receivable and the directorate was in urgent need of update and agreement as debts were increasing and decisions around future structure and resources needed. 	Significant risk identified on the occurrence, accuracy and completeness assertions of expenditure.

Phase 2 – Substantive testing (1)

Financial statements audit 2022/23 and 2023/24

The matters impacting the 2022/23 financial statements are equally applicable to 2023/24. We consider that they are significant and that there is a significant likelihood that even with a substantial increase in the level of substantive testing that the audit would result in a qualified opinion.

We note the following:

- Controls have not operated throughout the period, ie the issues with the ERP, Cash, and other systems have applied throughout the two financial years
- The Council has yet to declare an Outturn for 2022/23
- The Council has yet to comment on when it will be able to produce its financial statements for 2022/23. We have assumed the earliest date for production to be 30 June 2024
- The proposed Backstop date for the audit of 2022/23 financial statements is 30 September 2024. We note that it is unlikely that we could complete the 2022/23 financial statements audit by the proposed Backstop date
- The Council has yet to report its financial position for 2023/24 and there is no clear timeline for the production of the financial statements. The proposed Backstop date for the audit of 2023/24 financial statements is 31 May 2025.

Significant weaknesses, Materiality and levels of substantive testing

Due to these factors we would need to increase the number of areas where we consider that there are significant weaknesses. We would also need to reduce our materiality levels and increase the level of testing undertaken. The increase in cost and work for both ourselves and the Council would be significant.

Next steps

We have engaged with Council officers and with Commissioners as to the benefit of undertaking the audits and the associated impact on the Council. Once we have reached a conclusion we will report to the Audit Committee how we plan to progress the audit.

Overarching VFM and additional powers

Equal Pay

Background

The Council's current Equal Pay (EP) agenda is one of the most significant challenges that any Council in England has ever faced. Previous historical EP claims at the Council have been significant (exceeding £1 billion) and, over the last year, we have become aware of factors that have arisen since 2017, that have driven further claims, with a value currently estimated by officers of up to £760 million.

Update – Job evaluation methodology

The Council has now put in place a Job Evaluation (JE) methodology. It is planning to implement a new pay and grading system by 1 April 2025. We have met with officers to discuss the processes that they are putting in place to ensure the effective implementation of a new pay and grading system. We are also meeting with the Lead Commissioner in April. Following this meeting we will agree with Officers and Commissioners whether we will undertake any further work in this area or will rely on the governance systems put in place by the Council.

We currently reviewing the chosen JE methodology and the revised 2023 Addendum to the Job Evaluation Joint Principles Document. We have received management's responses and are evaluating them.

We will report our findings as part of our wider VFM work.

Update – historical review

We have now commenced our additional work on the Council's governance arrangements in relation to the management of equal pay claims. We have reported our key lines of enquiry to previous Audit Committee's.

We continue to undertake a number of interviews as part of our work and to seek additional documentation. We have been provided with access to legally privileged information. This release is subject to strict conditions and the information cannot be released into the public domain without the permission of the Monitoring Officer. We consider that these restrictions are reasonable.

We met with DLUHC regarding the planned inquiry (announced by the Secretary of State in Autumn 2023) and how this impacts our own work. We have determined that it is appropriate to continue our review for now. To avoid a duplication of work we will work closely with any inquiry.

We note that there are a number of legal matters, including employment tribunals, that need to be determined before we can conclude our work.

Overarching VFM and additional powers

Financial Sustainability

Background

The Council has Earmarked Reserves of £383m and Unearmarked Reserves of £230m. These are available to the Council. Earmarked reserves have been set aside to meet particular liabilities, or for particular purposes. Unearmarked reserves are available for use.

Given the additional financial pressures of EP referred to in the previous slide of up to £760 million, the Council has recently put in place a series of cost control measures to help it to stay solvent in the short-term. However, a number of further financial pressures have also been identified, including the costs of putting right the Oracle financial ledger system issues referred to in the following slide. As a result, the Council's Finance Director (s151 officer) is giving active consideration to the adequacy of the Council's reserves and future sources of additional funding it is likely to be able to secure, to ensure that the Council continues as a going concern.

Should the Council exhaust its levels of usable reserves and be unable to generate sufficient funding to sustain its revenue expenditure commitments (through savings, additional Government support, permitted capitalisation direction and borrowing, or asset sales) then it would cease to be viable and would be in breach of its statutory duty to have a balanced budget, or the imminent prospect of one. This would trigger the s151 officer's statutory duty to report under s114 of the Local Government Finance Act 1988 and could also trigger a s5 report from the Monitoring Officer under the Local Government and Housing Act 1989.

Update

Our work is on-going in this area.

Overarching VFM and additional powers

Oracle

Background

The Council has experienced significant problems from the implementation of its new Enterprise Resource Planning (ERP) IT system, Oracle Cloud, leading to anticipated additional costs of (total costs of £100m compared to an initial budget of £38.7m as approved by Cabinet in March 2021). This has significantly impacted on the Council's ability to operate business-as usual activities, due to the workarounds and manual interventions needed to operate the system. Due to these issues the Council has been unable to produce

- An outturn position for 2022/23
- A set of financial statements for 2022/23.

We have been monitoring the issues associated with the Oracle Fusion implementation, and the plans and further investment required for this programme's completion. The programme is currently going through a process of re-planning and there is a risk that weaknesses in the governance and management of the programme present significant risks to the effective use of resources. Until these are resolved that the Council is at risk of not having adequate governance arrangements in place to ensure that it can effectively discharge its statutory responsibilities and maintain its financial sustainability.

We therefore determined that we need to undertake a review of the Oracle implementation.

Update

Our interim report on the current and future operations was reported as part of the agenda for the 29 November 2023 Audit Committee. Our final report on the current and future operations was issued in draft in January 2023 and is part of the January Audit Committee agenda.

Our backwards looking review re the implementation of the Oracle ERP system is ongoing.



Birmingham City Council

Audit Committee

24 April 2024



Subject: S151 Response to External Audit Progress Report
Report of: Fiona Greenway, Director of Finance and
Section 151 Officer
Report author: Fiona Greenway, Director of Finance and
Section 151 Officer

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1 Executive Summary

1.1 The attached presentation outlines the S151 response to the External Audit Progress Report. This includes responses to the financial statement audit position for prior years, 2020/21 and 2021/22, and the additional information needed to complete these audits. A response on the financial statements audit for 2022/23 and 2023/24, and on the overarching Value for Money reviews.

1.2 This is contained within the report attached to this cover paper.

2 Recommendation(s)

2.1 Audit Committee is recommended to:

2.1.1 Note the S151 response to External Audit Progress Report.

3 Background

3.1 This is contained within the report attached to this cover paper.

4 Options considered and Recommended Proposal

4.1 This is contained within the report attached to this cover paper.

5 Legal Implications

5.1 This is contained within the report attached to this cover paper.

6 Financial Implications

6.1 This is contained within the report attached to this cover paper.

7 Public Sector Equality Duty

7.1 This is contained within the report attached to this cover paper.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

8.2 This is contained within the report attached to this cover paper.

9 Background Papers

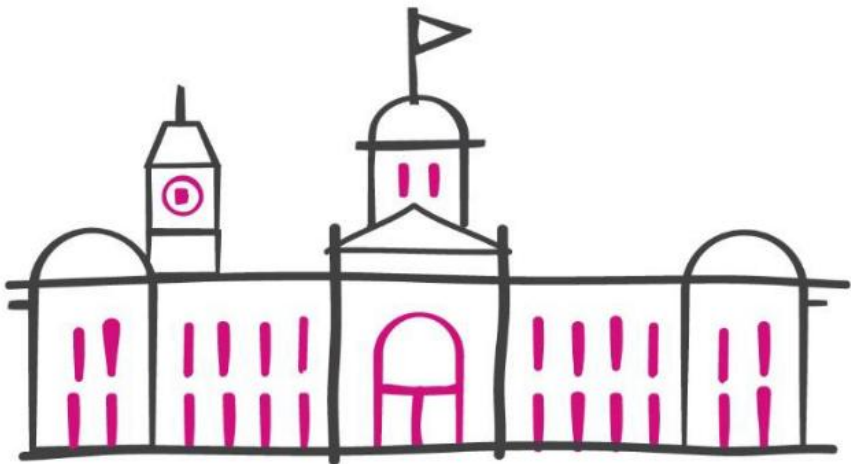
9.1 External Audit: Progress Report for Birmingham City Council

10 Appendices

10.1 S151 Response to External Audit Progress Report

Audit Committee – 24 April 2024

Response to External Auditor presentation



1. 2020/21 and 2021/22 Audits (1/2)

The financial statements for the years ending 31 March 2021 and 31 March 2022 both remain open. The Council continues to work to accelerate the resolution of outstanding items which have been raised during the 2023/24 financial year. There is a substantial volume of additional information which is thorough and being worked through by the Council, as outlined below. Substantially all the outstanding points below were raised in 2023/24 following the events that came to light in-year.

Issue	April Update
Equal Pay Provision	The Council are providing updates on the key judgements and assumptions received from external experts during the development of the model in relation to Equal Pay. This information is being shared with Grant Thornton in order to seek external expert opinions.
Oracle Impairment Assessment	The Council are gathering information on a new request for 2022/23 data following sharing a revised paper in March 2024.
Actuarial Valuation under IAS 19	The IAS19 actuarial work is based on the agreement and completion of Equal Pay figures, and is a sequential item following resolution of Equal Pay provision testing above.
Property Valuations (2021/22)	<i>Complete – No further Officer actions.</i>
Capitalisation	No issues identified to date, and a handful of follow up queries are being responded to.
Housing Revenue Account	No issues identified to date, further evidence is being provided, and queries are being responded to.
Grants	No issues identified to date, further evidence is being provided, and queries are being responded to.

1. 2020/21 and 2021/22 Audits (2/2)

Issue	April Update
Land and Property Sales	<i>Complete – No further Council actions.</i>
Highways PFI	No issues identified to date, further evidence is being provided, and queries are being responded to.
Regulator of Social Housing	Pending feedback from Grant Thornton review.
Related Parties	No issues identified to date, further evidence is being provided, and queries are being responded to.
Management override of Control	No issues identified to date, further evidence is being provided, and queries are being responded to.
AGS Update	Draft AGS reports for 2020/21 and 2021/22 were developed at a point in time. Due to the changes since the creation of these draft documents, suitable addendums and covering documents will be developed to supplement these reports to provide the full context to the Council’s position. These additional statements will address outstanding open topics above, include Audit Committee feedback, and reflect the latest position at the time of signing off the 2020/21 and 2021/22 accounts.
Perry Barr	Further information is being gathered from the relevant teams to respond to these queries.

2. 2022/23 and 2023/24 Audits

An approach to the audit of 2022/23 and 2023/24 accounts is being developed in conjunction with the External Auditor, Finance Commissioner and DLUHC.

We are looking to answer the following questions:

- What can or cannot be done from a statutory perspective?
- What assurance do we want to achieve for these two years?
- How do we go about gaining that assurance?

Following resolution of these questions, a joint approach will be presented by Director of Finance and Section 151 Officer and External Audit on the Audit for 2022/23 and 2023/24.



3. Overarching VfM and Additional Powers

The Council continues to support a number of VfM studies including Equal Pay, Financial Sustainability, and Oracle. It is suggested that once the final reports are presented by External Audit, these are considered at Audit Committee alongside Management Responses.



Birmingham City Council

Audit Committee

24th April 2024



Subject: Internal Audit Plan and Charter 2024/25
Report of: Craig Price, Principal Group Auditor
Report author: Craig Price, Principal Group Auditor

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:

1 Executive Summary

- 1.1 This report sets out the Internal Audit plan for the first six months of 2024/25 and the Internal Audit Charter for 2024/25.
- 1.2 The plan has been developed in line with the agreed methodology and considers the serious financial and governance issues faced by the Council. The plan will be dynamic responding to changing circumstances and emerging risks. The plan will be reported to Committee on a regular basis.
- 1.3 The Audit Charter is an important document that defines Internal Audit's purpose, authority, and responsibility.
- 1.4 In line with its Terms of Reference the Audit Committee is responsible for approving the Internal Audit plan and Charter.

2 Recommendation(s)

- 2.1 Members are asked to approve the Internal Audit plan (Appendix 1) and the Internal Audit Charter (Appendix 2).

3 Background

- 3.1 Audit Committee approved the approach to updating the Annual Governance Statement including the methodology to be used in setting the 2024/25 Internal Audit plan at the February 2024 meeting.

- 3.2 This methodology recognised the serious financial and governance issues faced by the Council and the significant risk profile arising from the challenging transformation and savings programme alongside addressing Oracle and Equal Pay issues.
- 3.3 It was agreed that an initial plan would be set out for a six-month period (to help with staff management) and that Internal Audit activity will remain fluid and dynamic responding to changing circumstances and emerging issues and risks. With the plan and ongoing updates being reported to Audit Committee on a regular basis. Initial assurance activities focusing on, but not limited to:
- evaluating the effectiveness of actions and controls from the stabilisation plan.
 - delivery of Improvement and Recovery Programme activities and their effectiveness, including savings delivery, Oracle, and Job Evaluation.
- 3.4 In developing and maintaining the Internal Audit plan it is recognised that the programme of work to rebuild risk management will be key and will lead to a greater visibility and a more in-depth understanding of risks.
- 3.5 The plan includes time for other key activities including counter fraud, a school's visiting programme, and grant certification. Allocations have also been included to cover any important advisory work and to provide contingency time.
- 3.6 The estimated number of productive days available for 2024/25 is 3760 (excluding vacancies), this compares to 3990 in 2023/24. This variation has arisen due a position recently becoming vacant.
- 3.7 Internal capacity and capability to deliver assurance over the areas identified will be reviewed to identify any resource or skill gaps together with requirements for reliance on other assurance sources. In line with the Improvement and Recovery Plan an Internal Audit service review and restructure are to be completed.
- 3.8 The Public Sector Internal Audit Standards sets out the requirement for the Internal Audit Charter.
- 3.9 The Internal Audit Charter is an important document that defines Internal Audit's purpose, authority and responsibility. The Charter establishes Internal Audit's position within the organisation, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of activities. Formal approval of the Internal Audit Charter resides with the Audit Committee.

4 Options considered and Recommended Proposal

- 4.1 In formulating the Internal Audit plan discussions have taken place with Strategic Directors, Directors, and Heads of Service to identify key issues.
- 4.2 The plan has been shared and discussed with the Corporate Governance Group and is recommended for approval as set out in Appendix 1.

4.3 The Internal Audit Charter has been reviewed and updated in line with the Public Sector Internal Audit Standards and the new Audit Committee Term of Reference and is recommended for approval as set out in Appendix 2.

5 Legal Implications

5.1 Section 151 of the Local Government Act requires the Chief Finance Officer (as responsible officer) to ensure proper administration of the Council's financial affairs.

5.2 Under Part 3 of the Accounts and Audit Regulations 2015 a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards or guidance.

6 Financial Implications

6.1 There are no financial implications directly arising from this report or its recommendations.

7 Public Sector Equality Duty

7.1 There are no equality duty or equality analysis issues relating to the information set out in this report.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

8.1.1 Sound internal controls and financial management underpins all the Council's priorities, plans and strategies.

8.1.2 Management is responsible for the implementation of a sound and effective system of internal control to manage risk effectively.

8.1.3 Internal Audit provide independent and objective assurance to management and those charged with governance on the systems of internal control that have been established.

9 Background Papers

9.1 Public Sector Internal Audit Standards.

9.2 Audit Committee Terms of Reference.

9.3 Audit Committee Report - Annual Governance and Internal Audit Processes 21st February 2024.

10 Appendices

10.1 Appendix 1 Internal Audit plan 1st April – 30th September 2024

10.2 Appendix 2 Internal Audit Charter 2024/25

Appendix 1

Internal Audit Plan – 1st April to 30th September 2024

<u>Theme</u>	<u>Risk</u>	<u>Assurance Area / Job</u>	<u>Initial 6 Months</u>
Financial sustainability	Failure to deliver agreed savings	Savings delivery - Central coordination	20
	Failure to deliver agreed saving	Savings delivery - Projects (agile testing of saving project delivery across programme)	50
	Failure to pay suppliers / Payments are being made in a timely and correct manner. Fraud due to poor controls	Accounts Payable/Payment Activities - Oracle Process	25
	Failure to collect income / Income is being correctly recorded and accounted for. Financial to correct BRS and record income Fraud due to poor controls	Accounts Receivable - Oracle Process	15
	Employees paid incorrectly Salary overpayments Incorrect salary deductions Fraud due to poor controls	Corporate Payroll - Oracle Process	30
	Appropriate arrangements and processes have been established to provide effective budgetary control. Failure to manage budgets / Arrangements have been established for monitoring the agreed budget. Financial Controls (including Journals and virements) Fraud due to poor controls	Financial Management - Oracle Process	30
	Failure to address external audit recommendations	Annual Audit Letter / External Audit Recommendations	10
	Assets disposal programme - required capital receipts not achieved Assets not correct controlled and accounted for Fraud due to poor controls	Asset Management	40

<u>Theme</u>	<u>Risk</u>	<u>Assurance Area / Job</u>	<u>Initial 6 Months</u>
	Inconsistent work practices Corporate Disobedience Capacity / Reliance on Interims / Key staff changes Safeguarding (Pre employment / right to work / DBS) Recruitment and retention Health and Safety IR35 Compliance	Compliance with HR Policies (including supporting Oracle processes)	25
	Benefits claims paid in error causing overpayments and reduction in subsidy Fraud due to poor controls	Benefits Service	30
	Procurement rules not followed Poor use of resources Contracts not Managed Public Contract Regulations 2023 Fraud due to poor controls	Procurement and Contracts	70
	Failure to deliver job evaluation scheme within the required timescales and cap equal pay liability	Job evaluation	40
A well-run council	Failure to implement agreed short term recovery actions	Implementation of stabilisation plans	30
	Failure to implement the Improvement Recovery Plan	Implementation and delivery of recovery and improvement Plan	20
	Failure to implement the Improvement Recovery Plan	Project delivery (agile testing of project delivery across programme)	40
	Failure to have robust governance arrangements	Governance / Local Code of Corporate Governance / Annual Governance Statement Areas	40
	Failure to stabilise and reimplement Oracle	Oracle including stabilisation / reimplementation / Bank Reconciliation System (BRS) replacement	50
	Failure to monitor and response to organisational performance.	Performance Management	15
Delivering good services	Non-compliance with information governance legislation putting sensitive information at risk and the possibility of financial penalties from the ICO	Information Governance (including Accountability framework AI and compliance)	30
	Failure to deliver key IT projects to support the transformation and savings agenda	IT Programme and projects assurance	20

<u>Theme</u>	<u>Risk</u>	<u>Assurance Area / Job</u>	<u>Initial 6 Months</u>
	Failure to use IT support the transformation of the council and in improving customer experience	Digital Strategy	20
	Failure to delivery required service improvements	Children and Families improvement	20
	Failure to delivery required service improvements	Street Scene transformation – including waste	20
	Failure to delivery required service improvements	Housing improvement	20
	Failure to delivery required service improvements	Improve key citizen services and customer standards	10
Other Assurance	Poor financial controls and governance across schools Non-compliance Unable to provide assurance to Department for Education on financial management Failure to provide assurance to	School Visits (Allocation)	210
	Failure to response in fraud	Corporate Fraud - Reactive	150
	Failure to prevent fraud	Corporate Fraud - Proactive	100
	Failure to prevent fraud	Corporate Fraud - Awareness	70
	Loss of income	Work for Acivico as Client	20
	Unable to fulfil grant terms and conditions resulting in loss of funding	Grant Certification / other	40
		Business Control Contingency	100
		Data Analysis / Data driven assurance	100
		Planning / Reporting / Assurance Mapping	100
		WIP / Jobs deferred from 23/24	170
		Group Auditor Planning Meetings	10
		Follow up / Account Tracking	40
		Ad-hoc Work Request / Advice to Client	60
		City Initiatives (DPIA / EIA etc)	5
		Midland Contract Audit Group	3
		Core Cities Audit group	5
		Midland Audit Group	2
		Strategy Group Meetings	7
		DP-FOI Responses	7
			1919

Appendix 2

Internal Audit Charter 2024/25

1 Introduction

- 1.1 This Charter sets out the purpose, authority, and responsibilities of internal audit activity at Birmingham City Council. The Charter also:
- establishes Internal Audit's position within the organisation, including reporting relationships with the 'Board';
 - covers the arrangements for appropriate resourcing;
 - defines the scope and role of Internal Audit in any fraud-related work; and
 - includes arrangements for avoiding conflicts of interest if Internal Audit undertakes non-audit activities.
- 1.2 The Internal Audit Charter will be reviewed and reported to the Audit Committee for approval annually.

2 Definitions and Responsibilities

- 2.1 This section details how the responsibilities defined in the PSIAS apply at Birmingham City Council.
- 2.2 The Chief Audit Executive (CAE) is the senior officer managing internal audit activity in accordance with the PSIAS. Within Birmingham City Council the Principal Group Auditor is the designated CAE.
- 2.3 The PSIAS lay out the role of the Board in relation to specific standards:
- approve the Internal Audit charter (Standard 1000);
 - approve the risk based Internal Audit plan including the approval of the Internal Audit budget and resource plan (Standard 1110);
 - receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity (Standard 1110);
 - make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations (Standard 1110);
 - receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive (Standard 1320); and
 - receive communications from the Chief Audit Executive on Internal Audit's performance relative to its plan and other matters (Standard 2020)

Audit Committee fulfils the role of the Board. The Audit Committees Terms of Reference as contained within the Council's Constitution include these specified responsibilities.

- 2.4 Senior management is the Section 151 Officer (Interim Finance Director). The role of senior management in relation to specific PSIAS standards is:
- input to the risk based Internal Audit plan (Standard 2010);
 - receive periodic reports from the Chief Audit Executive on internal audit activity (Standard 2060); that includes follow up reports (Standard 2500); and
 - receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive (Standard 1320).
- 2.5 Consulting services under the PSIAS are: “Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.” In accordance with the PSIAS approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement (Standard 1130.) Within Birmingham City Council significant is defined as any single assignment equivalent to 5% of annual planned days.

3 Purpose and Authority

- 3.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 3.2 Internal audit is a statutory requirement in local government. The Accounts and Audit (England) Regulations 2015 state that:
- “5. (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*
- (2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—*
- (a) make available such documents and records; and*
- (b) supply such information and explanations;*
- as are considered necessary by those conducting the internal audit.*
- (3) In this regulation “documents and records” includes information recorded in an electronic form”*

- 3.3 In accordance with Birmingham City Council's Constitution, Part D – D1 Financial Regulations, section FC4 Financial Governance, directors have a duty in:

“(v) Providing open and unfettered access to internal and external auditors.

“(vi) Implementing agreed internal audit recommendations within agreed timescales.”

4 Independence and Objectivity

- 4.1 Internal Audit will remain independent of the areas audited to ensure that auditors perform their duties impartially, providing effective professional judgements and recommendations. Where appropriate audit staff will be rotated to avoid and conflict of interests. Internal Audit will not have any operational responsibilities. Where Internal Audit is part of a programme or project, this will be in the capacity of a 'critical friend' with no responsibility for operational decisions or ownership of actions.
- 4.2 Individual auditors are bound by the Council's Employment Code of Conduct and relevant professional standards. All Internal Audit employees must also conform to the Code of Ethics (Appendix 1).
- 4.3 Subject to any statutory responsibilities and overriding instructions of the Council, accountability for the response to advice, guidance and recommendations made by Internal Audit lies with management. Management can either accept the advice and implement recommendations or reject them. Any advice, guidance or recommendations made by Internal Audit will not prejudice the right to review the relevant policies, procedures, controls, and operations at a later date.
- 4.4 If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed in the first instance to the CAE and reported to the Section 151 officer and/or Audit Committee as appropriate.
- 4.5 The CAE reports to the Interim Finance Director. In addition, the CAE is able to report without fear or favor in their own name to the Chief Executive, Cabinet, Corporate Leadership Team, Audit Committee and to Scrutiny and other Committees.
- 4.6 The CAE will confirm to the Audit Committee on an annual basis, within the Annual Report, the organisational independence of the Internal Audit Service.

5 Resourcing

- 5.1 The risk based audit plan lays out the planned internal audit resources for the year with the objective of giving an evidence-based opinion.

- 5.2 Internal Audit will be delivered to professional standards by appropriately qualified and skilled staff. Internal Audit has achieved the ISO27001:2013 Information Security Standard, which is subject to regular external review.
- 5.3 Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate on-going development programme.
- 5.4 If the CAE considers the level of audit resources in any way limits the scope of internal audit or the ability of Internal Audit to deliver a service consistent with its statutory and related requirements, the CAE will advise the section 151 officer and Audit Committee.
- 5.5 The risk based audit plan will include a contingency allocation to enable Internal Audit to plan and complete work over the course of the year in direct correlation with the changing risks and priorities of the organisation thereby maintaining an agility and flexibility within the plan.
- 5.6 Internal Audit will continue to seek more efficient and effective ways to deliver the audit service, provide assurance to Members, and help identify new ways of working that will bring about service improvements and deliver efficiencies. The Audit Data Warehouse and data analysis will be used to support audit assurance work, provide intelligence in respect of allegations of non-benefit related fraud referrals or data anomalies identified, carry out exception reporting and to identify samples and review data quality.
- 5.7 Internal Audit will work with private sector partners as necessary to ensure it has the right skills and resources to deliver a quality driven professional service to the Council.
- 5.8 Internal Audit will work in partnership with other inspection bodies to ensure that the Council obtains the maximum audit coverage from the resources invested; taking assurance from each other's work where appropriate.

6 Scope

- 6.1 The scope of the Internal Audit function will embrace the entire internal control system of the Council. It covers all financial and non-financial related activities of the Council at all levels of its structure. A risk based approach will be used to target Internal Audit activity.
- 6.2 The internal control system is defined as including the whole network of systems and controls established by management to ensure that the organisation's objectives are met. It includes both financial and other controls for ensuring that corporate governance arrangements are satisfactory and best value is achieved. In determining where effort should be concentrated, the CAE will take account of the Council's assurance and monitoring mechanisms, including risk management, for achieving its objectives.

- 6.3 The scope of audit work extends to services provided through partnership arrangements. The CAE will decide, in consultation with all parties, whether Internal Audit conducts the work to derive the required assurance or rely on the assurances provided by other auditors. Where necessary, the CAE will agree appropriate access rights to obtain the necessary assurances.
- 6.4 Internal Audit will not undertake tasks which are likely to compromise its independence, internal control functions, or certification processes.
- 6.5 Internal Audit will participate and contribute to Council and Directorate policy development as required through attendance at relevant events and working groups.

7 Internal Audit Plan and Reporting

- 7.1 The CAE will submit the risk based internal audit plan to Audit Committee for review and approval.
- 7.2 The risk based plan will include core elements of audit work. This includes audits of the Council's key financial systems, grant certification, reactive fraud work and participation in the National Fraud Initiative (NFI).
- 7.3 Once these core elements of the plan and follow up reviews are accounted for, the remaining audit resource is directed at undertaking audit work in the most high risk areas, informed by a documented ongoing risk assessment, and the Council's risk management processes. These areas of work are determined and continually reassessed throughout the year based on the changing risk profile of the Council. Any significant deviation from the approved internal audit plan will be communicated through regular update reports.
- 7.4 For each audit assignment, internal auditors will develop and document a plan including the objectives of the review, the scope, timing and resource allocation. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes.
- 7.5 An audit output will be prepared and issued by Internal Audit following the conclusion of each internal audit engagement and will be distributed as appropriate. The audit output may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit output or provided thereafter by management of the audited area will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. All audit reports will be available to the Members of the Audit Committee.

- 7.6 Where the audit output includes a high-risk rating for the Council indicating concerns relating to the control environment and /or compliance with the control environment either overall or for a particular objective, the report will be shared with the relevant Cabinet and / or Committee Members. In addition, the work will be subject to a follow up review to ensure recommendations have been adopted and suggested controls are working well in practice.
- 7.7 The regular Internal Audit update reports to Audit Committee will:
- report on the activity of Internal Audit for the period:
 - provide a summary of significant audit findings, including reports where limited or no assurance has been provided for the control environment and/or compliance with the control environment and follow up reviews; and
 - report on the implementation of previously agreed recommendations.
- 7.8 The annual report will incorporate the annual opinion, a summary of the audit work that supports the opinion and a statement on conformance with the PSIAS and the results of the Quality Assessment and Improvement Programme (QAIP).

8 Quality Assessment

- 8.1 The CAE operates a quality assurance and improvement programme (QAIP) that covers all aspects of internal audit activity and periodically assesses conformance with PSIAS. This includes both internal and external assessments. The external assessment will be conducted at least once every five years.
- 8.2 The outcomes of all internal and external assessments, including any areas of non-conformance with PSIAS, will be included in the QAIP and reported annually to senior management and the Audit Committee.
- 8.3 Audit Committee will be invited to participate in an annual review of quality assurance processes.

9. Non audit work – counter-fraud services

- 9.1 PSIAS recognise that Internal Audit may go beyond the work needed to meet its assurance responsibilities and provide services to support management, including consultancy services or assistance with the investigation of suspected fraud or corruption. Such services apply the professional skills of Internal Audit and contribute to the overall assurance opinion.

- 9.2 Internal Audit has oversight of the council's counter fraud and corruption framework and Anti-money Laundering Policy, including receiving and risk assessing concerns (phone, email, online referral form) and where appropriate investigating instances of suspected or actual fraud, corruption or impropriety. It also facilitates participation in the National Fraud Initiative (NFI), which matches data from Council information systems with information held by other participating bodies to identify potentially fraudulent activity.
- 9.3 Managing the risk of fraud and corruption is the responsibility of management; Internal Audit will assist management in the effective discharge of this responsibility by having up to date counter fraud and corruption policies, Fraud Awareness training and awareness raising and liaison. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal auditors will be alert in all their work to risks and exposures that could allow fraud or corruption.
- 9.4 In accordance with the Birmingham City Council Constitution, Part D – D1 Financial Regulations, FC6 Delivery and Adherence to Core Strategies, Directors must:

“(i) Directors will maintain appropriate systems to enable the Chief Finance Officer to collect information on the adherence to core strategies.

The Council core strategies that support Sound Financial Management include:

- (i) Anti-Fraud & Corruption Strategy*
- (ii) Anti - Money Laundering Policy*
- (iii) Whistle-blowing Strategy*
- (iv) Risk Management Strategy*
- (v) Insurance Strategy*
- (vi) Contracts and Procurement Regulations”*

APPENDIX 1 – CODE OF ETHICS

A Code of Ethics is necessary for the profession of internal auditing as trust is placed on its objective assurance about governance, risk management and control.

The PSIAS sets out a Code of Ethics around 4 principles which Internal Audit will adhere to. The 4 principles are: **Integrity, Objectivity, Confidentiality** and **Competency**.

1. Integrity

The principle – The integrity of internal auditors establishes trust and this provides the basis for reliance on their judgement.

Rules of Conduct – Internal auditors:

- Shall perform their work with honesty, diligence and responsibility;
- Shall observe the law and make disclosures expected by the law and the profession;
- Shall not knowingly be a party to an illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

The principle – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct – Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Shall not accept anything that may impair or be presumed to impair their professional judgement;
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

The principle – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct – Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties;
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

The principle – Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct – Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience;
- Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing;
- Shall continually improve their proficiency and effectiveness and quality of their services.

Birmingham City Council

Audit Committee

24 April 2024



Subject: Annual Governance Statements 2020 – 21 & 2021 - 22

Commissioner Review

Commissioners note that this an unacceptably delayed statement. The necessary addendums and clarifications demonstrate that the governance of the authority for the years in question were inadmissible. Significant work is required to provide an accurate and legitimate Annual Governance Statement for the 2022 – 23 period.

Birmingham City Council

Audit Committee

24th April 2024



Subject: Updated Draft Annual Governance Statements for 2020/21 and 2021/22

Report of: Marie Rosenthal, City Solicitor

Report author: Debbie Carter-Hughes, Assistant Director Law and Governance (Commercial)

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1 Executive Summary

- 1.1 To date the Council has not signed off its 2020/21 and 2021/22 Annual Statement of Accounts. The draft Annual Governance Statements (AGS) for these years were brought to the Audit Committee on the 29th June and 19th October 2021 (in relation to the 2020/21 AGS) and the 28th September 2022 (in relation to the 2021/22 AGS). A further update, including a short addendum, was presented to Audit Committee on the 28th March 2023.
- 1.2 This report presents the draft AGS for 2020/21 and the draft AGS 2021/22 including as previously presented but with a significantly enhanced addendum to reflect the significant governance issues that impact on the final accounts for consideration by Audit Committee. The Addendum reflects the most significant governance matters identified since the 31st March 2024 for each financial year AGS.
- 1.3 The final version of the Annual Statement of Accounts for these two financial years are due to be signed off shortly and therefore, the two AGS's as amended by this addendum will subsequently be signed off by the Chief Executive and the

Leader of the Council and incorporated into these Council's accounts.

2 Recommendation(s)

- 2.1 Audit Committee is requested to consider if the updated draft AGS's at Appendix A (2020/21) and Appendix B (2021/22) as amended by the addendum Appendix C are consistent with its own perspective on internal control within the Council during that time and the definition of significant governance and control issues given in paragraph 3.12. Any suggested amendments can then be actioned in advance of the AGS's inclusion in the Council's Annual Statement of Account for these two financial years.

3 Background

- 3.1 The Council is required to include an Annual Governance Statement (AGS) as part of the Annual Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Leader of the Council.
- 3.2 Unfortunately, the Council's Statement of Account for 2020/21 and 2021/22 have not yet been signed off by the Council.
- 3.3 Draft AGS's for each financial year were considered by the Audit Committee on the 29th June and 19th October 2021 (for the 2020/21 AGS) and the 28th September 2022 (for the 2021/22 AGS) and again on the 28th March 2023.
- 3.4 Given the time that has now passed it has been necessary for the two AGS's to be updated via addendum to reflect the current governance position. It is hoped that the relevant Statements of Accounts will be signed off shortly and the updated AGS's will then be signed.
- 3.5 The two draft AGS's appended to this report include the original AGS documents approved by Audit Committee and an additional addendum to bring the documents up to date.
- 3.6 Further draft AGS's for 2022/23 and 2023/24 are being prepared and will be brought to Audit Committee in the near future. Information from the addendum presented with this paper should be noted due to the significant governance impact and the action plan arising.

- 3.7 The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.
- 3.7 The draft AGS's are presented to the Audit Committee in order to ensure that they reasonably reflect the Committee's knowledge and experience of the Council's governance and control during the relevant periods covered.

The Annual Governance Statement

3.9 The draft AGS has been compiled by officers upon the following:

- A review of the extent to which the Council has complied with each element of its governance requirements;
- A review of the Council's governance arrangements, based on the CIPFA/Solace Delivering Good Governance in Local Government Framework.
- Self-assurance statements prepared by directors and input from the Corporate Leadership Team;
- Internal Audit's and External Audit's opinion on the Council's compliance with its own governance arrangements.

3.10 The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (Solace). The key elements identified in the Statement are:

- The Council's responsibilities for ensuring a sound system of governance;
- An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
- An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
- The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
- Reference to how issues raised in the previous year's Statement have been resolved;
- A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

3.11 'Significant Governance Issues' are those that:

- Seriously prejudice or prevent achievement of a principal objective of the authority;
- Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;

- Have led to a material impact on the accounts;
- The Audit Committee advises should be considered significant for this purpose;
- Internal Audit reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- Have resulted in formal action being undertaken by the Section 151 Officer and/or the Monitoring Officer.

4 Options considered and Recommended Proposal

4.1 The Council has a statutory requirement to provide an Annual Governance Statement with its Annual Statement of Accounts. Therefore, there are no alternative options to be considered in relation to the preparation of an AGS.

4.2 However, the use of an addendum rather than a complete re-write of the historic 2020/21 and 2021/22 AGS was considered a resource efficient approach and also in line with CIPFA guidance as set out in “CIPFA Bulletin 16 February 2024 – Local audit delays and the publication of the annual governance statement” and it is recommended that the Audit Committee consider the draft AGS’s in Appendix A and Appendix B and the Addendum Appendix C together to ensure they reflect the Audit Committee’s understanding of the governance framework and its effectiveness for those accounting periods and the impact of governance issues up to 31st March 2024.

5 Legal Implications

5.1 The deliver of an Annual Governance Statement is a statutory requirement which enhances reporting on governance issues.

6 Financial Implications

6.1 There are no financial implications.

7 Public Sector Equality Duty

7.1 There are no impact on the Council’s equality duty.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council’s priorities, plans and strategies?

It is a statutory responsibility to publish an Annual Governance Statement.

9 Background Papers

9.1 None

10 Appendices

10.1 Appendix A – Annual Governance Statement 2020/21

10.2 Appendix B – Annual Governance Statement 2021/22

10.3 Appendix C – Addendum for Annual Governance Statements for Accounting Periods 2020/21 and 2021/22

Addendum: Annual Governance Statement 2020/21 - Update

1 Background

- 1.1. The Annual Governance Statement (AGS) reports the governance framework in place at the Council for the year ended 31 March 2021.
- 1.2. There is a requirement to update the AGS up to the date of approval of the Statement of Accounts. The information in this addendum reflects the changes in the Council's governance arrangements.

2 Changes in the Governance Framework

Covid 10 Governance Arrangements

- 2.1. The Covid 19 pandemic meant that the Council made significant changes to governance arrangements upon activating its Emergency Plan. As a result, emergency Covid 19 decisions were made in accordance with the Emergency Plan and therefore, in line with the Council's Constitution, normal reporting and decision-making rules changed and did not apply.
- 2.2. The Council adopted its Emergency Plan on 18 March 2020 and the plan was deactivated on 2 August 2021, after which, the Council reverted to its usual governance arrangements.

The Executive Structure

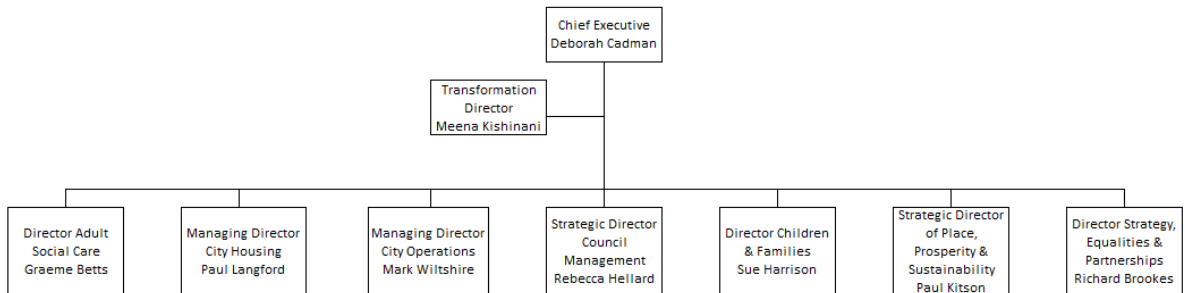
- 2.3. Following the local elections in May 2022, the Council's Executive Structure changed. There continue to be ten members of Cabinet including the Leader and Deputy Leader.

Eight other Cabinet Members have the following portfolios:

- Cabinet Member – Children, Young People and Families
- Cabinet Member – Digital, Culture, Heritage and Tourism
- Cabinet Member – Environment
- Cabinet Member – Finance and Resources
- Cabinet Member – Health and Social Care
- Cabinet Member – Housing and Homelessness
- Cabinet Member – Social Justice, Community Safety and Equalities
- Cabinet Member – Transportation

Management Structure

- 2.4. The Council now operates through seven Directorates, Adult Social Care, Children and Families, City Housing, City Operations, Council Management, Place, Prosperity and Sustainability and Strategy, Equalities and Partnerships. The current management structure is as per the diagram below:





Annual Governance Statement 2020/21

Annual Governance Statement 2020/21

1 Scope of responsibility

- 1.1. Birmingham City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.
- 1.3. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace 2016). This statement explains how the Council has complied with the framework and also meets the requirements of *The Accounts and Audit Regulations 2015*, Regulation 6(1)(a), which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts and, Regulation 6(1)(b), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).
- 1.4. This governance statement provides assurance over the governance arrangements that have been in place for 2020/21 and it also identifies significant changes that have arisen as a result of the Covid 19 pandemic.
- 1.5. The Covid 19 pandemic has meant that the Council has made significant changes to governance arrangements since activating its emergency plan on 18 March 2020. As a result of this, emergency Covid 19 decisions have been made in accordance with the Emergency Plan and in line with the Council's Constitution, therefore, normal reporting and decision-making rules have changed and do not apply. The Council's Emergency Plan and the Constitution adopts the Strategic / Tactical / Operational Command and Control structure, which is a nationally adopted framework by all emergency response organisations. The command and control structure ensures a joined-up approach to emergencies at various scales and provides Officers with wide delegations to make decisions at pace as the Council responds to the developing situation. The Council has been dealing with the need to continually respond to the crisis as it develops, and although there was an intention to publish key decisions taken during the emergency response, it was not reasonably practicable to publish all decisions taken at the time. The Council has now published a log of the decisions taken during the emergency response and a Covid 19 decision log will be published as required, to reflect new decisions and information throughout the pandemic and beyond.
- 1.6. The Strategic / Tactical/ Operational Command and Control structure used as part of the emergency response to Covid, was deactivated on 2 August 2021.

2 **The purpose of the governance framework**

- 2.1. The Council is committed to good governance and to improving governance on a continuous basis through a process of evaluation and review.
- 2.2. Good governance for the Council is ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner and the Council seeks to achieve its objectives while acting in the public interest, at all times.
- 2.3. The governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of high quality services and value for money.
- 2.4. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.5. The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts, subject to changes highlighted relating to the Covid 19 pandemic.

3 **The governance framework**

- 3.1. The key elements of the systems and processes that comprise the Council's governance arrangements include the following:

The Council's vision and priorities for Birmingham

- 3.2. The Council has a clear vision for Birmingham, to create 'a city of growth where every child, citizen and place matters' and a set of outcomes and priorities to underpin this vision. The Council's aim is to transform and modernise services in response to changing demand from a growing population and to support this, the Council will focus resources on six clear priorities:

- **An entrepreneurial city to learn, work and invest in.**
- **An aspirational city to grow up in**
- **A fulfilling city to age well in**
- **A great city to live in.**
- **A city whose residents gain the maximum benefit from hosting the 2022 Commonwealth Games.**

- **A city that takes a leading role in tackling climate change.**
- 3.3. The Council's vision and priorities in terms of the contribution to strategic outcomes are set out in the Council Delivery Plan 2020-2022 (the Plan). The Plan is available on the Council's website.
- 3.4. The Plan sets out the work programme for full delivery by May 2022 with a continued focus on the six priority outcomes identified above. The Council will focus on understanding where the city should be over the next 10-20 years. Working in partnership with others, the Council will develop comprehensive proposals for change to maximise the opportunities to tackle inequality and address both longstanding and new challenges facing the city.
- 3.5. The Plan will also focus on specific deliverables and commitments the Council needs to achieve over the next 18 months by Portfolio Holder such as ensuring the city is ready for and benefits from the Birmingham 2022 Commonwealth Games and supporting the city to respond and then recover from the Covid 19 pandemic.
- 3.6. Longer term, three priority areas have been identified in the Plan which the Council believes are fundamental to tackling the critical challenges of creating a more equal and inclusive city whilst managing demand on Council services to a more affordable level. The three areas are:
- **Shifting focus from crisis to prevention**
 - **Increasing the pace and scale of growth, for those that need it most, while delivering the Council's climate change objectives and**
 - **Delivering new ways of working**
- 3.7. Regular monitoring and reporting through a robust governance structure against these measures ensure that weaknesses in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 3.8. Alongside the Delivery Plan, the corporate priorities are supported by more detailed Directorate and Service Plans which are also regularly monitored and reviewed with a golden thread through to appraisals.
- 3.9. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities. Based within the framework of the Council's vision and priorities the 12 points are:
- To preserve life and protect vulnerable groups and maintain the viability of the city is our fundamental purpose during the coming days, weeks and months.
 - Ensure the response is scalable, proportionate and flexible, working closely with our NHS, education, business and community providers.
 - Contribute to effective containment measures as appropriate to limit the spread of infection, and work with citizens and communities to help them to take the appropriate actions.
 - Ensure continued delivery of the council's critical services, focusing most on those services which support and protect the most vulnerable in society.

- Maintain council services to an appropriate level and prioritise services to maintain those which are critical to life and the protection of vulnerable groups.
 - Engage with and support NHS and Public Health response systems/campaigns including media and communications, working across all the networks of the city to ensure information reaches all our communities.
 - Provision and sharing of advice; warning and information internally and to public and local businesses to support the immediate and long-term resilience of the city.
 - Maintain good working relationships with partners to ensure supply chain continuity, especially for those resources that underpin the safety and security of Birmingham and its citizens.
 - Ensure that all roles and areas of responsibility are predetermined and formally agreed so there is clarity internally and with partners during these uncertain times.
 - Monitor the impact of the outbreak on the community and our services to respond in a timely manner and plan recovery to ensure that Birmingham remains looking forward.
 - Work with partners across our voluntary, community and faith communities to mobilise the spirit of Birmingham to respond to the challenges facing us.
 - Work across political parties to collaborate in the best interests of the city; we recognise that the challenges ahead require us all to work together to support citizens and the city to weather the coming challenges and emerge as a city moving forward.
- 3.10. The Council ensures the economical, effective and efficient use of resources and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. Achievement of value for money is a key part of the Council's long term financial strategy.
- 3.11. The Council set a Financial Plan for 2020-2024 that was driven by the Delivery Plan and invested in services and set out savings plans that would deliver a balanced budget over this period. By March 2020 the impact of the Covid 19 pandemic was felt in the UK and across the world. As a result, Government and public sector financial plans have been significantly changed and the outlook remains uncertain.
- 3.12. In responding to the Covid 19 pandemic in 2020, the Council promptly put in place weekly monitoring and reporting of financial impacts and quantified financial risks, a process that the Local Government Association held up as an example to others. The Council lobbied and engaged with Government directly over the need for sufficient funding for the impact of Covid 19. Through rigorous and diligent financial management coupled with additional funding provided by the Government, the Council has achieved spend within its budget for 2020/21.
- 3.13. The Council undertook a mid-year update to its Medium Term Financial Plan at the end of September and reported findings in November to both Cabinet and Overview & Scrutiny Resources, alongside its Delivery Plan proposals. An updated Medium Term Financial Plan was incorporate into the Financial Plan 2021 – 2025 approved

by Council in February 2021 alongside the presentation of the balanced budget proposals for 2021/22. To improve financial resilience the Financial Plan 2021 -2025 increased the Financial Resilience Reserve and increased General Balances to represent 4.5% of the net budget requirement.

- 3.14. Given the significant impact the Covid 19 pandemic has had on the Council, a fundamental review of the savings programme took place during the year, supported by the monthly Star Chamber process and Directorate Management Team budget challenge sessions. The review identified that some savings had to be rephased due to changing circumstances, some had to be replaced with an alternative saving and others had to be removed from the programme since they were no longer considered to be deliverable. Through this rigorous challenge the Council has ensured deliverability of a savings programme for the future.
- 3.15. The Council's planning framework is set in the context of the wider city leadership and governance, such as the West Midlands Combined Authority's (WMCA) Strategic Economic Plan (developed by the local enterprise partnerships in conjunction with the WMCA) and the Birmingham and Solihull Sustainability and Transformation Plan (to deliver better health and care for local people).
- 3.16. The Mayor heads the WMCA. The WMCA uses devolved powers from central government to allow the Council, along with its regional counterparts, to drive economic growth, investment and the reform of public services. There will be continued innovative ways of delivering local services and for people to engage in their local community, such as through the local council for Sutton Coldfield.
- 3.17. The Council has a strong public, third sector, and business engagement role. Through City Board, the Council has embarked on a city vision plan for Birmingham (2020-2035) which will bring about a change in partnership activity and the relationship with citizens, provide sector leaders with shared objectives based on the UN Sustainable Development Goals and represent a strong statement of collective leadership. The Council has a Community Cohesion Strategy and there is an established partnership toolkit setting out the governance and internal control arrangements which must be in place when the Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets.
- 3.18. From 1 September 2019 the Local Enterprise Partnership (LEP) transferred its revenue operations and full executive team to GBSLEP Limited. The Council remains the accountable body for capital funds and some revenue funding awards and retains its place on the LEP Board in respect to its s151 role over public funds. Working with partners, the Council plays a strategic role for the Greater Birmingham area, working with the Greater Birmingham and Solihull Local Enterprise Partnership (LEP) and where applicable, jointly and in consultation with the West Midlands Combined Authority (WMCA). As Accountable Body and partner to the LEP, the Council develops collaborative solutions to common problems, and facilitates coherent programmes with regional and national partners to deliver an economic strategy for the city and region. LEP projects are delivered within the LEP Assurance Framework, approved by the Council's governance processes as Accountable Body, managed and monitored through Programme Delivery Board and thematic "Pillar Boards", with regular reporting to the LEP Board.
- 3.19. The Cabinet Committee - Group Company Governance's role is to ensure that the Council's strategic objectives are met across the group of companies which either the Council owns or has an interest in, and to support the development of the group in

line with the Council's regulations and ambitions. The Committee works to improve the level of Council oversight of the activities of those companies that it either wholly owns, or in which it has an interest or a relationship through nominees through for example, holding entity boards to account for their performance and reviewing business plans and strategies of the entities where applicable.

3.20. The Council's Constitution which is reviewed annually by the Monitoring Officer with amendments agreed at the Annual General Meeting, is available on the Council's website. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee (CBMC).

3.21. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2020/21 financial year:

- The Leader with responsibilities for Strategic Policies, Structure and Governance of the Council, Financial Strategy, Communications, Policy and Partnerships, Major Projects, Commonwealth Games, Sports and Events Development, Economic Growth and Jobs and Commissioning
- Deputy Leader with responsibilities for Business Change, Efficiency and Improvement, Revenues and Benefits, Customer Services, Emergency Planning, ICT and Legal.

Eight other Cabinet Members have the following portfolios:

- Cabinet Member – Children's Wellbeing (changed to Cabinet Member – Vulnerable Children and Families, August 2021);
- Cabinet Member – Street Scene and Parks
- Cabinet Member – Health and Social Care;
- Cabinet Member – Homes and Neighbourhoods;
- Cabinet Member – Finance and Resources;
- Cabinet Member – Social Inclusion, Community Safety and Equalities;
- Cabinet Member – Transportation and Environment;
- Cabinet Member – Education, Skills and Culture.

3.22. The Constitution sets out the terms of reference or function for each of the Committees and signposts to a schedule of matters reserved for decision by Full Council.

3.23. CBMC has responsibility for the planning and preparation of the agenda, papers and other arrangements for Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters.

3.24. CBMC oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBMC submits recommendations to the Council on the operation and membership of the Panel and amendments to the Councillors' Allowances Scheme.

3.25. CBMC also discharges the Council's functions in relation to parishes and parish councils, considers terms and conditions of employment and any recommendations

from Audit Committee relating to the discharge of the Council's duty under the Accounts and Audit Regulations 2015.

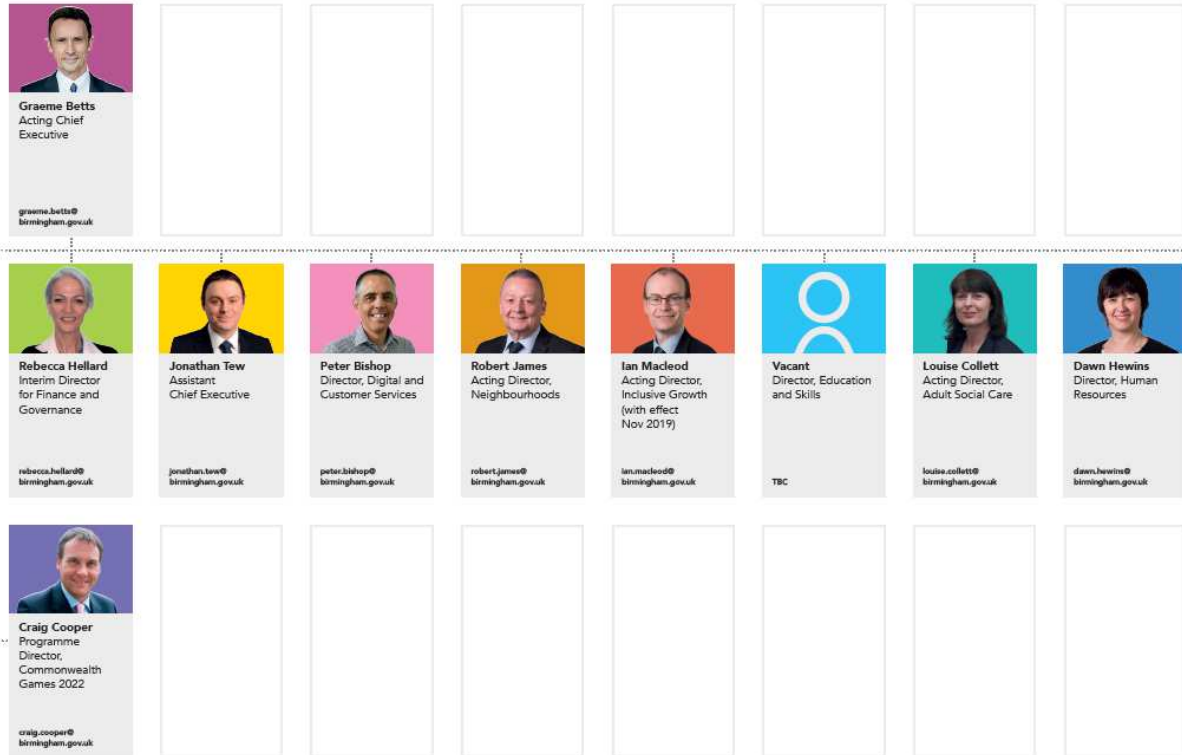
- 3.26. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, risk management and governance. The role of the Audit Committee includes active involvement in the review of financial systems and procedures, close liaison with external audit and responsibility for the approval of the Annual Accounts and to review and make recommendations to the executive regarding the effectiveness of internal audit on the Council's arrangements for deterring, preventing, detecting and investigating fraud .

Roles, Values and Standards of Conduct and Behaviour of Members and Officers

- 3.27. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.
- 3.28. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Corporate Directors.
- 3.29. The Council has Codes of Conduct for both Members and Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular, the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received.

Management Structure

- 3.30. During 2020/21, the Council operated through eight Directorates, Adult Social Care and Health, Education and Skills, Inclusive Growth, Finance and Governance, Neighbourhoods, Digital and Customer Services, Partnerships, Insight and Prevention, and Human Resources.
- 3.31. The Council's management structure as at 31 March 2021 was as per the diagram below:



3.32. In addition, the following key changes occurred:

- Chris Naylor became Interim Chief Executive 18 May 2020 to 6 March 2021.
- Graeme Betts took up the role of Acting Chief Executive prior to and after, Chris Naylor’s secondment from London Borough Council of Barking & Dagenham.
- Louise Collett became Acting Director of Adult Social Care during the period Graeme Betts took up the role of Acting Chief Executive
- Jacqui Kennedy, Director of Neighbourhoods, announced her early retirement on 3 June 2020
- Craig Cooper was appointed Programme Director Commonwealth Games on 11 May 2020.
- Tim O’Neill, Director Education and Skills left the Council on 31 January 2021.
- Deborah Cadman was appointed as Interim Chief Executive from 14 June 2021.
- Jonathan Tew, Assistant Chief Executive left the Council on 31 August 2021.
- In line with the structure outlined in the ‘Investing in our Future’ Report, Rob James was appointed Managing Director City Operations and Julie Griffin appointed Managing Director of City Housing in April 2021.
- Rebecca Hellard was appointed Director of Council Management on a permanent basis from 1st November 2021.
- Darren Hockaday was appointed as Interim HR Director from 4 October 2021.

Financial Management Arrangements

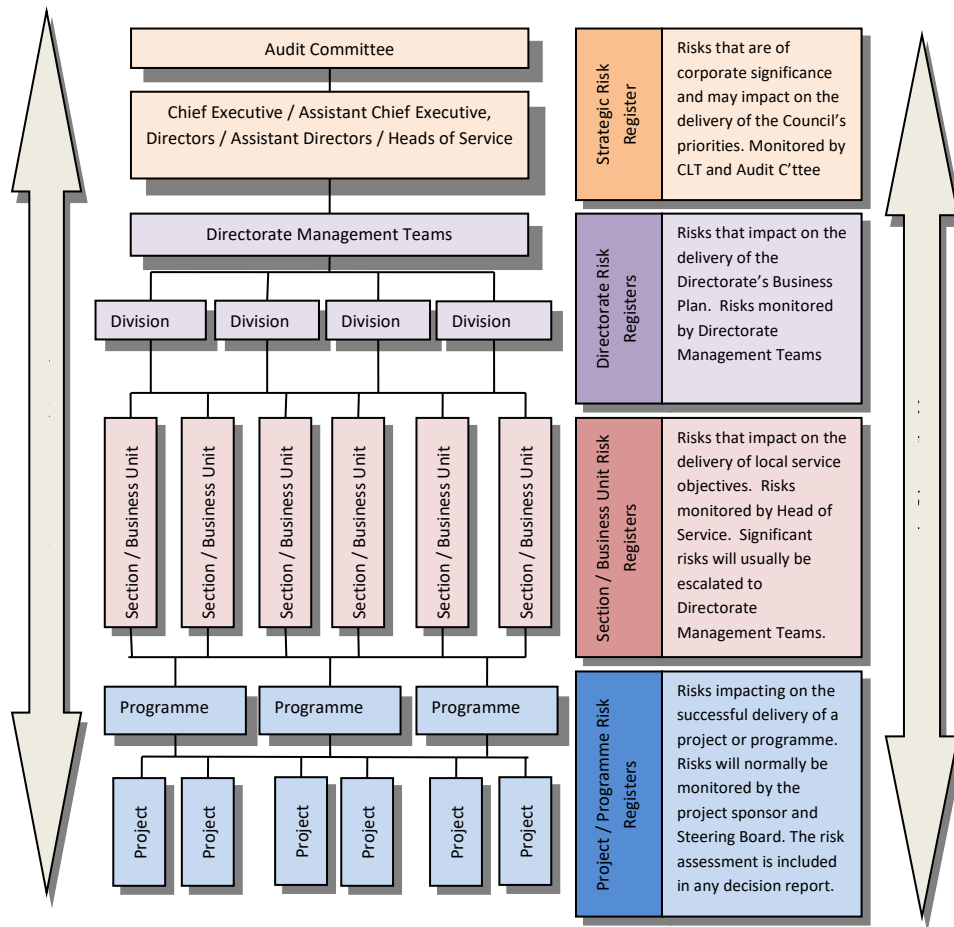
3.33. The Council’s financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The role of the Chief Finance Officer (CFO)/Section 151 Officer includes being:

- A key member of Council Management Team (CMT), helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
 - Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy;
 - Leading the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
 - To deliver these responsibilities, the CFO leads and directs a finance function that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.
- 3.34. In October 2019 the CIPFA Financial Management Code 2019 (FM Code) was introduced. The FM Code provides guidance for good and sustainable financial management and compliance will provide assurance that resources are being managed effectively. Compliance with the FM Code helps to strengthen the framework that surrounds financial decision making. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and member of the Council Management Team.
- 3.35. 2021/22 is the first year of compliance with the FM Code. As recommended by CIPFA, the Council has undertaken a self-assessment against the FM Code standards. The Council assessment is that its financial management, procedures and practices are generally in a good place. A position further endorsed by CIPFA's recent Financial Management Capability Review with CIPFA commenting that "Birmingham can now demonstrate strong compliance with the Code".

Scrutiny, Accountability and Risk Management

- 3.36. The Overview & Scrutiny Committees cover all Cabinet Member portfolios and the Districts collectively. All Executive decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.
- 3.37. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Such enquiries are actively tracked through the process and independently reviewed and where appropriate, actions taken to improve service delivery.
- 3.38. The Council ensures compliance with established policies, procedures, laws, and regulations - including risk management. For transparency, all reports to Cabinet and Cabinet Members are required to include governance information relating to: Council policy, internal and external consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.
- 3.39. A Revised Risk Management Framework was reported to Audit Committee on 28 January 2020. The framework set out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all levels, formalising processes already in place.

3.40. The schematic diagram below illustrates how risk was managed during 2020/21:



3.41. The Council's Strategic Risk Register continues to be reviewed and updated on a regular basis. The Strategic Risk Register is reported to CLT on a monthly basis so that they can monitor and challenge progress against actions and identify any new risks to the Council. Additionally, the Strategic Risk Register is reported to the Audit Committee three times per year so that it can satisfy itself and gain assurance that the Risk Management Framework has been consistently applied and risks appropriately managed. Key operational risks are captured within business plans at directorate and divisional level and monitored by Directorate Management Teams.

3.42. Independent assessments of the effectiveness of Audit Committee and of the Total Impact of Internal Audit were undertaken independently by PWC LLP in 2020. Audit Committee Members have expressed a wish to enhance their effectiveness by drawing upon wider sources of assurance; specifically, that of management and where appropriate, cabinet members and producing an annual report on the work it has undertaken. Internal Audit's Total Impact review will be supplemented by a Peer Review in 2021 to enhance its overall contribution to the Council. The Council has well-established protocols for working with external audit. The Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

Progressive Assurance Model

- 3.43. In March 2019 Cabinet considered the stock-take report of the Council's improvement journey and endorsed an outline plan of improvement areas for 2019-20 whilst also agreeing to report, voluntarily, to the Secretary of State in autumn 2019 and spring 2020.
- 3.44. Cabinet endorsed the adoption of an innovative new model of "progressive assurance." This model entailed the formation of a quarterly Strategic Programme Board (SPB) and the engagement of specialist Non-Executive Advisors (NEAs) (aligned to specific risk and professional areas of focus) to support the Council Management Team for twelve months from July 2019 to July 2020. It built on analysis of assurance and improvement models across a range of different sectors and sought to embed an innovative and novel model with wider applicability and learning for Local Government.
- 3.45. Two reports to Cabinet during the 2019-20 financial year were a testament to the excellent and constructive analysis of the NEAs and the model was regarded by MHCLG and peers as a very significant step forward for the Council's improvement agenda. A final NEA report to Cabinet was considered in July 2020.
- 3.46. The 'Investing in the Future' Cabinet Report and delivery plan is guiding the overall direction of the Council's improvement journey. The Council is adopting a refreshed approach to improvement, accountability and performance with effectiveness monitored through regular reporting to Cabinet, Scrutiny and CLT Performance Group on the overall position of delivery plan indicators. Through the Corporate Delivery Oversight Group and the Corporate Delivery Board, there is specific oversight of major improvement and service transformation programmes.

External Audit

- 3.47. At Audit Committee on 25 November 2020, the external auditor issued the Audit Findings Report (AFR) on the audit of the 2019/20 financial statements based on work completed at that date. Upon completion of the audit, a final AFR was reported to Audit Committee on 26 January 2021. The AFR included no Statutory 24 recommendations but qualified two value for money conclusions in respect of two separate singular incidents:
- the financial Implications of the Commonwealth Games and
 - the contractual arrangements relating to Highways PFI scheme.

Member Development

- 3.48. The Members' Development Strategy 2018-2022 aims to provide a member development programme that ensures all councillors have the opportunity to gain the knowledge and skills to fulfil their role as 21st Century Councillors; make a positive difference every day to the people of Birmingham; provide strategic leadership and work together with officers in the transformation and delivery of Council services.
- 3.49. Councillors are at the heart of the Council and the organisation supports the member development strategy. It is overseen by CLT and the Member Development Steering

Group; coordinated through the Members' Development Team, consisting of officers from Legal and Governance. This collaborative approach ensures ownership of the strategy by the Council as a whole.

- 3.50. In addition to the Members' Development Programme, all Councillors have access to e-learning through the City Council iLearn portal and are regularly kept up to date on training and development via the City Councillor bulletin circulated by email. This gives details of legislation, training opportunities and other issues of importance to Members.
- 3.51. During the Covid 19 pandemic and the increased requirement for more agile and online working, the main focus of the Members' Development Programme for 2020/21 has been to provide briefing/training sessions through Microsoft Teams to facilitate this. There has been encouragement of online learning opportunities and assisting in learning the skills required in participating and managing meetings remotely. Provision of information for both internal and Local Government Association training opportunities for:
- Role Specific Training, ensuring members have the knowledge and understanding of legal and governance requirements to carry out role on regulatory and scrutiny committees
 - On-going Member Development, to provide on-going development opportunities for members related to current and potential future roles and responsibilities.

Workforce

- 3.52. The Council's workforce has experienced many changes and challenges as the workforce is modernised. The Council's workforce strategy 2018-2022 was agreed by Cabinet in 2018 and refreshed in February 2020. The Council's workforce vision is to have a workforce that reflects the lived experience of people and is representative of the communities it serves, to be an employer of choice, with a high performing, agile and diverse workforce, capable of delivering innovative services.
- 3.53. Having a flexible, skilled and mobile workforce is critical to the Council responding effectively to increasing demands placed on front line services and support functions and to the delivery of a long-term sustainable organisation. The workforce adapted to working from home for all but essential front line services and the Council is now looking at new ways of working for the future.
- 3.54. During 2020/21, the 'My Appraisal' review process continued, enabling a consistent means of assessing and rewarding performance. 'My Appraisal' is specifically designed to ensure that employees are supported to implement the Council's core values:
- We put citizens first
 - We are true to our word
 - We act courageously
 - We achieve excellence

Engagement with the community and other stakeholders

- 3.55. The Council has seen, during the pandemic, how effective a coordinated voluntary, community, faith and social enterprise response can be in supporting individuals and neighbourhoods cope with the challenges presented. The Council has worked

closely with the sector, strengthening relationships and developing an understanding of how the Council can effectively serve communities and create greater trust.

- 3.56. The Council has started work with the sector and other partners on initiatives including the Birmingham Recovery Framework which focuses on six key recovery themes. It emphasises the need for an inclusive economic recovery built on collaborative public services, stronger community capacity and citizen resilience with a more significant focus on localised working in neighbourhoods.
- 3.57. In response to the Covid 19 pandemic, the Council adopted an on-line approach to consultation during the year. The Council Financial Plan 2021 to 2025 consultation process included an on-line meeting led by the Council's Leader with the business community.
- 3.58. The Council's Scrutiny function regularly engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council.
- 3.59. Clear channels of communication are in place with service users, citizens and stakeholders although due to the Covid 19 pandemic this has been online throughout the 2020/21 financial year. The Council holds meetings in public wherever possible and safe to do so, although all meetings have been held virtually this year, with many formal meetings webcast. Directorates have extensive programmes of consultation and engagement activity for specific services.

4 **Review of effectiveness**

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the CLT which has responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular, the Council has adopted the *'Delivering Good Governance in Local Government: Framework'* (2016 CIPFA/Solace) and continues to learn from experiences and makes necessary changes to improve its local code of governance.
- 4.3. The Council has a well-developed methodology for annual governance review which is reviewed and updated each year. The process requires each Directorate and significant areas of service delivery / business units within a Directorate to produce an Assurance Statement highlighting significant governance issues, and details of what action(s) are being taken to mitigate any risks.
- 4.4. The Council's review of the effectiveness of the system of internal control is informed by:
 - Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports;

- The work undertaken by Birmingham Audit during the year;
 - The work undertaken by the external auditor reported in their annual audit letter and statutory recommendations; and
 - Other work undertaken by independent inspection bodies.
- 4.5. The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the Public Sector Internal Audit Standards.
- 4.6. The Birmingham Audit plan was compiled based on professional judgement and a risk model to 'score' all potential 'auditable' areas. To meet the standards required there was a need to ensure sufficient coverage of the adequacy and effectiveness of systems of internal control in relation to financial control, risk management, corporate governance and an element for proactive and reactive fraud work, although due to the Covid 19 pandemic there was a reprioritisation of the original plan to ensure our assurance resources were targeted at significant systems and risks.
- 4.7. The resulting work-plan, (reprioritised on a Must/Should/Could basis) was discussed and agreed with the Directors and Audit Committee and shared with the Council's external auditor. Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses and include a risk rating for the Council and the Service Area. These are submitted to Members, Corporate Directors and service managers as appropriate.
- 4.8. From the work undertaken by Birmingham Audit during 2020/21 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: *"Based on the audit work undertaken I am able to provide a reasonable assurance for the core systems of internal controls evaluated. As in any large organisation, our work did identify some significant issues that required action.* All significant issues identified were reported to the appropriate Director during the year.
- 4.9. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities 2020/21 as identified in paragraph 3.9 above. New areas of activity as part of the national response to the Covid 19 pandemic included food deliveries to shielded residents, distribution of small business grants and the Retail, Hospitality and Leisure Fund, vouchers for families in receipt of free school meals, provision of accommodation to the homeless and distribution of personal protective equipment to care settings.
- 4.10. The funding and logistical consequences of delivering the Council's response has been and will continue to be, closely monitored.
- 4.11. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to CLT. The more significant of these are set out in the section entitled '**Significant governance issues 2020/21**' below.
- 4.12. The internal audit function is monitored and reviewed regularly by Audit Committee. The Committee reviews management progress in implementing recommendations

made in significant, high risk audit reports and against issues raised in the AGS through the Corporate Risk Register.

- 4.13. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2020/21 including the impact of Covid 19, the impact of Brexit on the City, the Commonwealth Games and Action Plans on Air Quality and Climate Emergency.
- 4.14. The Vision and Priorities Council Plan and organisational health targets were monitored through the Council Plan Measures by CLT, the Deputy Leader and Cabinet. Directorate and Business Unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.
- 4.15. The Monitoring Officer advises that there were 45 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2020/21 financial year, a reduction of 28 in comparison to 2019/20.

5 Review of 2019/20 governance issues

- 5.1. The significant 2019/20 governance issues were considered by Audit Committee in June 2020, agreed as part of the Statement of Accounts in November 2020 and reviewed as part of the Corporate Risk Register updates in the 2020/21 financial year. In addition, this Committee received reports relating to Final Accounts, Fraud, Treasury Risk Management Arrangements, Retrospective Purchase Orders and Audit Findings Report Updates.
- 5.2. The review of the impact of the Covid 19 pandemic across services featured heavily in Overview and Scrutiny schedules. Areas reviewed included the Covid 19 Governance Arrangements by Co-Ordinating Overview and Scrutiny Committee, the Covid 19 impact on Public Health by the Health and Social Care Overview and Scrutiny Committee and the impact of Covid 19 on the City's Economy and Supporting the Economic Recovery of the City by the Economy and Skills Overview and Scrutiny Committee.
- 5.3. Education and Children's Social Care Overview and Scrutiny Committee received reports on the Annual review of the Children's Trust, Birmingham Safeguarding Children's Partnership and Special Educational Needs and Disability (SEND) Written Statement of Action. This O&S Committee also considered Covid 19 pandemic issues such as SEND's response to Covid 19 and the Covid 19 Impact on Schools and Preparations to Return to Schools.
- 5.4. Housing and Neighbourhoods Overview and Scrutiny Committee reviewed progress of Fire Safety in High Rise Buildings and received the annual report on Birmingham's Community Safety Partnership. The impact of the Covid 19 pandemic was reported on areas such as Homelessness, Parks, Bereavement Services and the Commonwealth Games Village.
- 5.5. The impact of the Covid 19 pandemic on the City was regularly considered by Cabinet. Cabinet also received and reviewed Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports throughout the year.

6 Significant governance issues 2020/21

- 6.1. The matters shown in this section have either been identified as having a significant or high likelihood in the Strategic Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	<p>Covid 19 Pandemic impact on services</p> <p>The Covid 19 pandemic had a massive impact on Council services, both in terms of day to day running and long-term planning.</p> <p>The impact and response were also complex - some services operated remotely, others were closed and new responsibilities such as testing and food parcels were introduced as a response to community needs.</p>	<p>Strategic Cell (Gold Command) is supported by Tactical Cell and a number of thematic cells to manage the Council's emergency response.</p> <p>New legislation enabled democratic decision-making to resume remotely, with meetings web cast on a priority basis.</p> <p>City Council received reports in June and September 2020 and February 2021, detailing the Council's response to the pandemic</p>
2	<p>Covid 19 Pandemic impact on Financial Resilience</p> <p>The pandemic created financial uncertainty throughout 2020/21 and many income streams were impacted.</p> <p>Uncertainty will extend into 2021/22.</p>	<p>Government has provided some direct funding and other supportive financial measures to lessen the impact on local government. This includes providing Birmingham with £128.5m unringfenced grant funding in 2020/21 to offset costs incurred in that year and a further £43.8m for 2021/22 which has been fully applied in setting the 2021/22 budget, approved by Council in February 2021. The government's income compensation scheme, which compensates councils for lost fees, charges and sales, introduced in 2020/21 continues to June 2021, using the 2020/21 income budgets as the baseline for the compensation.</p> <p>Any balance of un-ringfenced funding from 2020/21 will be transferred to reserves to manage 2021/22 Covid spend and risks.</p> <p>Weekly monitoring of the financial impact of Covid has continued in the new financial year.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
3	<p>Major Projects and Delivery Plan</p> <p>The Council is involved in an ambitious programme of delivery including a range of major projects which include partnership working arrangements and sometimes complex legal agreements.</p> <p>Several services have highlighted issues of attracting and retaining high quality staff.</p>	<p>Cabinet gave approval to the creation of a fit for purpose Corporate Programme Management Office (CPMO) so that the Council can be assured and have confidence that major change projects deliver as intended, to budget and on time. The purpose of the CPMO is to support the establishment, resourcing, delivery, assurance, monitoring and reporting of programmes that will deliver the Council's Corporate Delivery Plan and wider priority programmes.</p>
4	<p>Homelessness</p> <p>The implementation of the Homelessness Reduction Act from 1 April 2018 has seen an increase in households approaching the homelessness service.</p> <p>The Council has refurbished and opened two buildings for the use of temporary accommodation. Reduced B&B from a peak of 690 in May 2018 to 573 in B&B on 28th January 2021.</p>	<p>Temporary accommodation and dispersed (TADs). To alleviate the pressures in B&B expansion of TADs has led to delivery of 1817 units as at January 2021.</p> <p>A procurement exercise will commence throughout the summer of 2021, to ensure we have an adequate supply of temporary accommodation over the coming years, this will also give us flexibility to hand back/lease more properties as demand dictates.</p>
5	<p>Asset Condition and Sufficiency</p> <p>Many operational assets are in very poor condition following years of budget restrictions and lack of investment.</p> <p>There is an aging schools' estate with some assets that are beyond repair.</p> <p>The demand for secondary school places is beginning a period of sustained growth, requiring a large number of additional places to meet our statutory duty for sufficiency.</p>	<p>The Council approved a Property Strategy 2018/19 – 2023/24 to better join up decision making, realignment of assets and enable strategic development.</p> <p>Condition surveys of the maintained estate have been commissioned. The outcome will be to produce a priority list of schools where buildings and blocks need to be replaced completely.</p> <p>Officer and stakeholder boards for major scheme management and reporting to Capital Board or Cabinet as appropriate are in place to provide assurance on individual programmes.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
6	<p>Commonwealth Games</p> <p>Hosting the Commonwealth Games in 2022 brings with it significant delivery expectations (in terms of capital project management and delivery of legacy benefits) for the Council as well as significant financial commitments.</p>	<p>The Council is alive to the delivery, financial and reputational risks associated with the Games and has active risk management and programme management arrangements in place to ensure prompt and timely resolution of issues. The Council is working closely with strategic and regional partners.</p>
7	<p>Commissioning and Contract Management</p> <p>Intelligent Client Functions are not robust enough, leading to a number of contracts underperforming or developing risks to service provision.</p> <p>The pandemic has impacted on the Council's suppliers' capacity and the market's appetite for bidding in uncertain outlook.</p>	<p>Early identification of issues or problems, ensuring the contracts and output specifications are delivered to required standards and deliver continuous improvement – tailored to each contract as necessary.</p> <p>On-going identification of mitigating actions to reduce the level of risk.</p>
8	<p>Birmingham SEND Inspection – Inadequate provision and Written Statement of Action required</p> <p>Joint CQC and Ofsted inspection of Birmingham SEND provision raised significant concerns requiring the CCG and Council to provide a joint response in the form of a Written Statement of Action.</p> <p>This, in conjunction with the implementation of the SEND two-year improvement programme is making the necessary and important improvements for the current local offer for children and young people addressing the issues raised in the OFSTED and CQC inspection.</p> <p>The results of the May review identified that of the 13 significant weaknesses identified at the initial inspection, insufficient progress had been made on 12.</p>	<p>Monthly board meetings for inclusion take place with the CCG, Trust and the education and skills directorate, alongside quarterly review meetings with the DfE is closely monitoring progress and ensuring the authority is on track to make the expected progress and deliver the important improvement agenda.</p> <p>A revisit was announced by Ofsted in May 2021.</p> <p>The Council will work closely with its Parent Carer Forum as the next steps are planned and intends to address the fundamental weaknesses in the system that have been identified whilst building</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
		upon those showing promise, including joint commissioning, the better quality of more recent Education Health and Care Plans and the work the Council is doing with mainstream and special schools.

- 6.2. These matters are monitored through the Strategic Risk Register, CLT and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement.
- 6.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed
 Councillor Ian Ward
 Leader of the Council

Signed
 Deborah Cadman
 Interim Chief Executive



Annual Governance Statement 2021/22

Annual Governance Statement 2021/22

1 Introduction

1.1. Birmingham City Council (the Council) is a unitary Council with 101 councillors elected on a four year term (2022-2026) to represent 69 Wards. The cabinet comprises of 10 members from the labour Group. The current make-up of the Council is as follows:

65 Labour
22 Conservative
12 Liberal Democrat
2 Green

1.2. There is one Parish and one Town Council established within the boundary of the Birmingham City Council.

1.3. During 2021-2022, the Council has continued to recover from the impacts of the Covid 19 Pandemic.

2 Scope of Responsibility what is Governance in Birmingham City Council

2.1. The Council is responsible for ensuring that its business is conducted in accordance with

- the law and proper standards, and
- that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively on behalf of Birmingham taxpayers.

2.2. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

2.3. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

2.4. In order to discharge this responsibility, the council must put in place proper arrangements for the governance of its affairs.

2.5. Good governance is about how we ensure we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- Leadership and management
- Performance and risk management
- Stewardship of public money for Birmingham council taxpayers, and
- Public engagement and outcomes for residents and service users

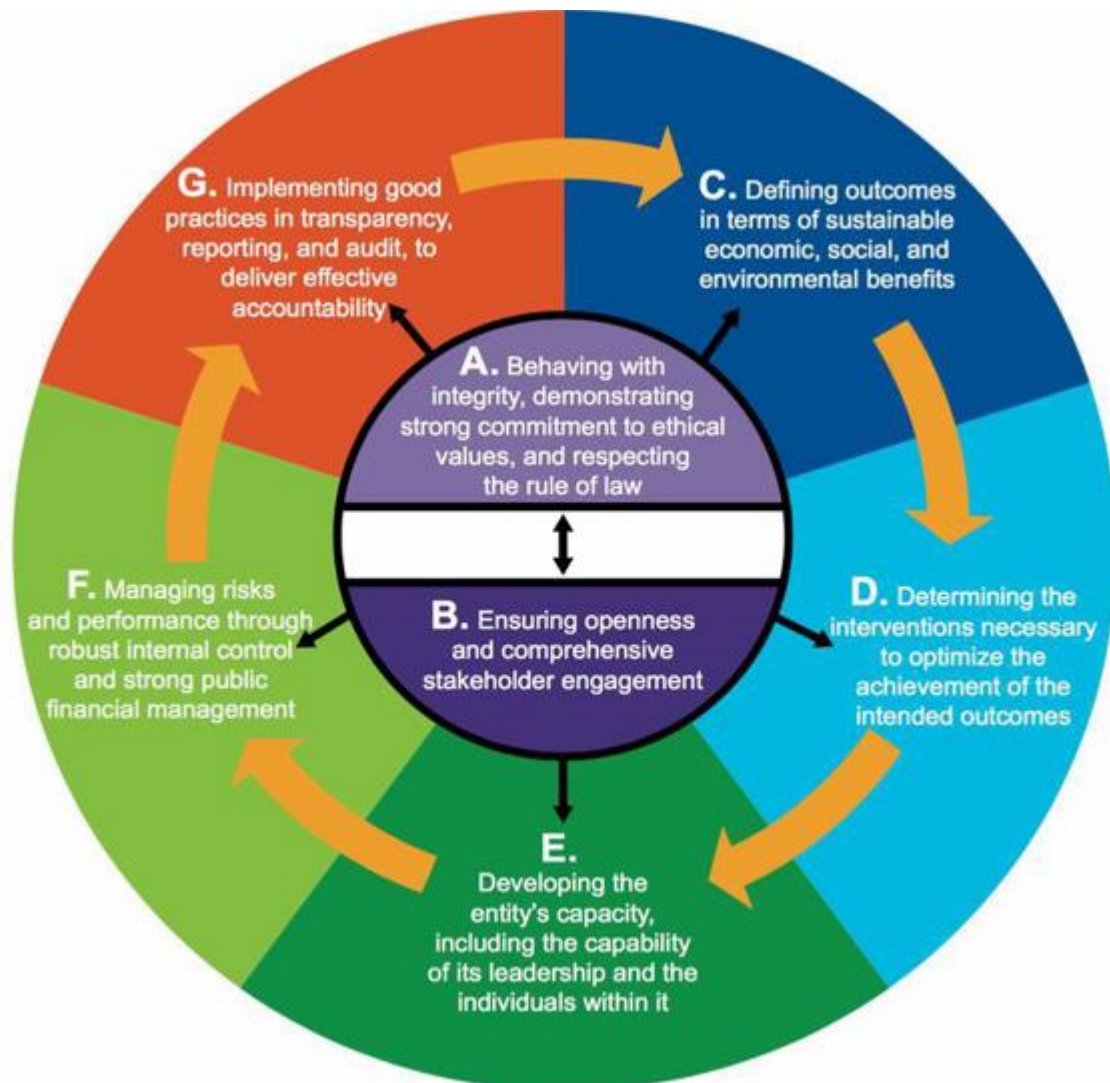
2.6. The Council has approved and adopted a code of corporate governance which is consistent with the seven principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace 2016). The overall aim of the Code of Corporate Governance is to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities:
 - There is sound and inclusive decision making:
 - There is a clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.7. This Annual Governance Statement (AGS) explains how the Council has complied with the framework and also meets the requirements of *The Accounts and Audit Regulations 2015*, Regulation 6(1)(a), which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts and, Regulation 6(1)(b), which requires all relevant bodies to prepare an Annual Governance Statement.
- 2.8. This Annual Governance Statement provides assurance over the governance arrangements that have been in place for 2021/22 and also identifies significant changes to those governance arrangements that were put in place as a result of the Covid 19 pandemic.

3 **The Purpose of our Governance Framework**

- 3.1. Our governance framework aims to ensure that in conducting our business, we:
- Operate in a lawful, open, inclusive and honest manner:
 - Make sure public money is safeguarded, properly accounted for and spent wisely:
 - Have effective arrangements in place to manage and control risk:
 - Secure continuous improvements in the way we operate.
- 3.2. The governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of high quality services and value for money.
- 3.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 3.4. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts, subject to changes highlighted relating to the Covid 19 pandemic.
- 3.5. The "Delivering Good Governance" framework below envisages it will be a continuous process of seven principles, with a core of A and B being about the behaviours of integrity demonstrating a strong commitment to ethics and respecting

the rule of law with practices being carried out in the spirit of openness and comprehensive stakeholder engagement.



4 The Governance Framework

4.1. The governance framework comprises of the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. The Council has adopted a Corporate Assurance Framework and this Annual Governance Statement provides supplementary information by identifying the Council's vision, strategies and plans, both internally and working with partners: the culture and framework within which councillors and officers operate; financial management and compliance with the CIPFA Financial Management Code 2019 and outlines the challenge process by Scrutiny and Audit Committee.

The Council's vision and priorities for Birmingham

4.2. During the 2021/22 financial year, the Council's vision for Birmingham was to create 'a city of growth where every child, citizen and place matters', with a set of outcomes and priorities to underpin this vision. The Council's aim was to transform and modernise services in response to changing demand from a growing population and to support this, the Council focused resources on six priorities:

- **An entrepreneurial city to learn, work and invest in.**
- **An aspirational city to grow up in**
- **A fulfilling city to age well in**
- **A great city to live in.**
- **A city whose residents gain the maximum benefit from hosting the 2022 Commonwealth Games.**
- **A city that takes a leading role in tackling climate change.**

4.3. The Council's vision and priorities in terms of the contribution to strategic outcomes are set out in the Council Delivery Plan 2020-2022 (the Plan). The Plan is available on the Council's website.

4.4. The Plan identifies three longer term goals which are fundamental to tackling the critical challenges facing the city whilst managing demand on Council services to a more affordable level. These continue to guide the transformation of the Council and will develop beyond 2022. The three areas are:

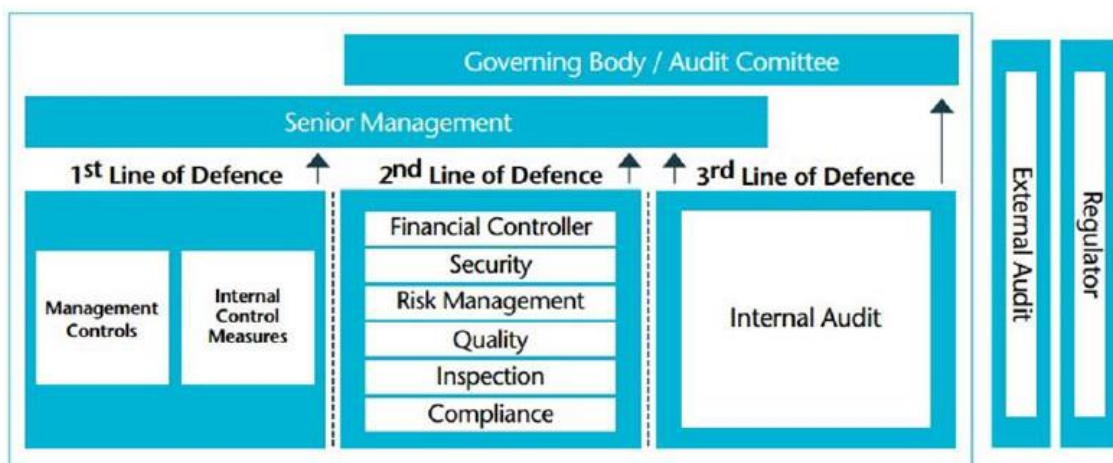
- **Shifting focus from crisis to prevention**
- **Increasing the pace and scale of growth, for those that need it most, while delivering the Council's climate change objectives and**
- **Delivering new ways of working**

4.5. Following the Council's all out elections in May 2022, the Council developed a new Corporate Plan 2022 – 2026. This Plan updates the Council's priorities in the light of the Covid 19 recovery, tackling inequalities and the 'levelling up' of the city. It will guide the Council's work for the next four years, providing the context for more detailed delivery strategies and plans which address the most important challenges facing the city.

4.6. Many of the Council's existing priorities were introduced as long term goals and remain relevant as the Council develops new proposals to build a city which is:

- **A Bold Prosperous Birmingham:** through continued economic growth, tackling unemployment, attracting inward investment and infrastructure and maximising the benefits of the commonwealth games.
- **A Bold Inclusive Birmingham:** through empowered citizens, looking after vulnerable children, supporting young people to fulfil potential and promoting diversity, civic pride and culture.

- **A Bold Safe Birmingham:** through tackling antisocial behaviour and hate crime, housing provision and addressing homelessness and improving living environments.
 - **A Bold Healthy Birmingham:** through tackling health inequalities, encouraging and enabling physical activity and healthy living, quality of care and helping to support mental health
 - **A Bold Green Birmingham:** by improving the cleanliness of our city and streets, improving the environment and air quality, carbon reduction and being a city of nature.
- 4.7. A new Council Delivery Plan will set out key delivery activity, milestones and key performance indicators that help monitor and demonstrate delivery against the new Corporate Plan priorities. Corporate priorities are supported by more detailed Directorate Business Plans which are also regularly monitored and reviewed with a golden thread through to appraisals.
- 4.8. Regular monitoring and reporting through a robust governance structure against these measures ensure that weaknesses in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 4.9. A Corporate Assurance Framework was reported to Audit Committee on 29 November 2021. The framework has been developed to improve oversight and prepare an evidence base for the key sources of assurance that are relied upon to manage risks and as a result support in the achievement of organisational strategic objectives
- 4.10. The Assurance Framework adopts the Three Lines of Defence Model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. The Three Lines of Defence model is illustrated below:



The Impact of the Covid 19 Pandemic on Governance

- 4.11. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities. Based within the framework of the Council's vision and priorities the 12 points were:
- To preserve life and protect vulnerable groups and maintain the viability of the city is our fundamental purpose during the coming days, weeks and months.
 - Ensure the response is scalable, proportionate and flexible, working closely with our NHS, education, business and community providers.
 - Contribute to effective containment measures as appropriate to limit the spread of infection, and work with citizens and communities to help them to take the appropriate actions.
 - Ensure continued delivery of the council's critical services, focusing most on those services which support and protect the most vulnerable in society.
 - Maintain council services to an appropriate level and prioritise services to maintain those which are critical to life and the protection of vulnerable groups.
 - Engage with and support NHS and Public Health response systems/campaigns including media and communications, working across all the networks of the city to ensure information reaches all our communities.
 - Provision and sharing of advice; warning and information internally and to public and local businesses to support the immediate and long-term resilience of the city.
 - Maintain good working relationships with partners to ensure supply chain continuity, especially for those resources that underpin the safety and security of Birmingham and its citizens.
 - Ensure that all roles and areas of responsibility are predetermined and formally agreed so there is clarity internally and with partners during these uncertain times.
 - Monitor the impact of the outbreak on the community and our services to respond in a timely manner and plan recovery to ensure that Birmingham remains looking forward.
 - Work with partners across our voluntary, community and faith communities to mobilise the spirit of Birmingham to respond to the challenges facing us.
 - Work across political parties to collaborate in the best interests of the city; we recognise that the challenges ahead require us all to work together to support citizens and the city to weather the coming challenges and emerge as a city moving forward.
- 4.12. The 12 point plan was followed until the Council deactivated its Covid 19 governance arrangements.
- 4.13. The Covid 19 pandemic meant that the Council made significant changes to governance arrangements upon activating its Emergency Plan from 18 March 2020

to 2 August 2021. As a result, emergency Covid 19 decisions were made in accordance with the Emergency Plan and therefore, in line with the Council's Constitution, normal reporting and decision-making rules changed and did not apply.

- 4.14. The Council's Emergency Plan and the Constitution adopted the Strategic / Tactical / Operational Command and Control structure, which is a nationally adopted framework by all emergency response organisations. The command and control structure ensured a joined-up approach to emergencies at various scales and provided officers with wide delegations to make decisions at pace, as the Council responded to the developing situation. The Council was dealing with the need to continually respond to the crisis as it developed, and although there was an intention to publish key decisions taken during the emergency response, it was not reasonably practicable to publish all decisions taken at the time. Subsequently, the Council published a log of the decisions taken during the emergency response.

Governance Arrangements in the Wider Context

- 4.15. The Council's planning framework is set in the context of the wider city leadership and governance, such as the West Midlands Combined Authority's (WMCA) Strategic Economic Plan (developed by the local authorities, local enterprise partnerships and universities in conjunction with the WMCA) and the Birmingham and Solihull Inception Framework (to deliver a simplified way of working between health and care organisations for better health and care for local people).
- 4.16. The Mayor heads the WMCA. The WMCA uses devolved powers from central government to allow the Council, along with its regional counterparts, to drive economic growth, investment and the reform of public services. There will be continued innovative ways of delivering local services and for people to engage in their local community, such as through the local council for Sutton Coldfield.
- 4.17. The Council is a key member of statutory and non-statutory partnerships. The overarching non-statutory City Partnership consists of key stakeholders and partners across the public, business, educational, voluntary and community sectors. It has established a collective purpose, mission and vision for itself with a set of six goals that align with the Council's Levelling Up Strategy and is now developing a work programme to engage partners in shaping and enacting insight-led collective approaches to the opportunities and challenges facing Birmingham. The Council utilises existing and established routes to community engagement that look to promote involvement of communities of interest, stakeholders and the wider public across the city.
- 4.18. The Council has an established partnership toolkit setting out the governance and internal control arrangements which must be in place when the Council enters partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets.
- 4.19. The Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) operates a full executive team within a separate company, GBSLEP Limited. The Council remains the accountable body for capital funds and some revenue funding awards and retains its place on the LEP Board in respect to its s151 role over public funds. Working with partners, the Council plays a strategic role for the Greater Birmingham area, working with the GBSLEP and where applicable, jointly and in consultation with the WMCA. As Accountable Body and partner to the GBSLEP, the Council develops collaborative solutions to common problems, and facilitates coherent programmes with regional and national partners to deliver an economic

strategy for the city and region. GBSLEP projects are delivered within the GBSLEP Assurance Framework, approved by the Council's governance processes as Accountable Body, managed and monitored through Programme Delivery Board and thematic "Pillar Boards", with regular reporting to the LEP Board.

- 4.20. In February 2022, the Government published its Levelling Up White Paper which has far-reaching implications for the future structure of LEPs across the country. Within the paper the direction for the GBSLEP is set out as integration with the WMCA. The Council is working with GBSLEP and WMCA to shape and support these changes
- 4.21. The Cabinet Committee - Group Company Governance's role is to ensure that the Council's strategic objectives are met across the group of companies which either the Council owns or has an interest in, and to support the development of the group in line with the Council's regulations and ambitions. The Committee works to improve the level of Council oversight of the activities of those companies and to ensure that sound governance arrangements are in place to support council interests, appointments and nominees. The Committee will meet with companies, review performance, business plans and strategies and ensure that the relationship continues to contribute to council priorities.

Financial Management Arrangements

- 4.22. The Council continues to face financial challenges. The ongoing financial impact of Covid 19 after a decade of austerity, inflationary pressures and increased demand for the Council's services pose a threat to the financial sustainability of both Birmingham as a city and the Council.
- 4.23. The Council ensures the economical, effective and efficient use of resources and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. Achievement of value for money is a key part of the Council's long term financial strategy.
- 4.24. The Council set a Financial Plan for 2021-2025 that was driven by the 2020-2022 Delivery Plan, supporting effective allocation and prioritisation of resources to critical work and projects over a longer period. The introduction of the rolling budget process, a key part of the Council's financial management improvements, saw the planning assumptions in the 2021 Medium Term Financial Plan, refreshed twice in the year, reported to Cabinet and Overview and Scrutiny Committee in July and October.
- 4.25. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The role of the Chief Finance Officer (CFO)/Section 151 Officer includes being:
- A key member of Corporate Leadership Team (CLT), helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest.
 - Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy.
 - Leading the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

- To deliver these responsibilities, the CFO leads and directs a finance function that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.
- 4.26. 2021/22 represents the first year of formal adoption by the Council of the CIPFA Financial Management Code 2019 (FM Code). The FM Code provides guidance for good practice in financial management and helps local authorities demonstrate financial sustainability. Compliance with the FM Code helps to strengthen the framework that surrounds financial decision making. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and members of CLT.

The Executive Structure

- 4.27. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2021/22 financial year:
- The Leader with responsibilities for strategic policies; structure and governance of the Council; Lord Mayor's Office; communications; financial strategy; Council wide efficiency and improvement; policy and partnerships; WMCA; major projects; promotion of the City and inward investment; Commonwealth Games, sports and events development; Council land use and property assets including appropriation; economic growth and jobs; business improvement districts; land use planning; housing development; enforcement
 - Deputy Leader with responsibilities for business change; efficiency and improvement for the Council; oversight of good governance in relation to Council representation on outside bodies; risk management; revenues and benefits service; customer services; external scrutiny and local government ombudsman; open data and information systems; whistleblowing and corporate complaints procedure; emergency planning; impact and Implications of Brexit; to lead on information law and data protection matters; to challenge any lack of transparency in all work carried out by the Council; ICT and legal.

Eight other Cabinet Members have the following portfolios:

- Cabinet Member – Vulnerable Children and Families
 - Cabinet Member – Street Scene and Parks
 - Cabinet Member – Health and Social Care
 - Cabinet Member – Homes and Neighbourhoods
 - Cabinet Member – Finance and Resources
 - Cabinet Member – Social Inclusion, Community Safety and Equalities
 - Cabinet Member – Transportation and Environment
 - Cabinet Member – Education, Skills and Culture.
- 4.28. The Council's Constitution, which is reviewed annually by the Monitoring Officer with amendments agreed at the Annual General Meeting, is available on the Council's

website. The Council has authorised Council Business Management Committee (CBMC) to take all necessary steps, through the year, to amend, add, substitute or delete any of the Council's non-Executive Constitutional amendments and refer all changes to Full Council for approval.

- 4.29. The Constitution sets out the terms of reference or function for each of the Committees and signposts to a schedule of matters reserved for decision by Full Council.
- 4.30. CBMC has responsibility for the planning and preparation of the agenda, papers and other arrangements for Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters.
- 4.31. CBMC oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBMC submits recommendations to the Council on the operation and membership of the Panel and amendments to the Councillors' Allowances Scheme.
- 4.32. CBMC also discharges the Council's functions in relation to parishes and parish councils, considers terms and conditions of employment and any recommendations from Audit Committee relating to the discharge of the Council's duty under the Accounts and Audit Regulations 2015.

Roles, Values and Standards of Conduct and Behaviour of Members and Officers

- 4.33. Identifying the culture within which the Executive (Cabinet), councillors and officers operate is one of the principles of good governance.
- 4.34. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.
- 4.35. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Chief Officers/Directors.
- 4.36. The Council has Codes of Conduct for both Members and Officers and a Member/Officer Relations Protocol which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular, the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received.

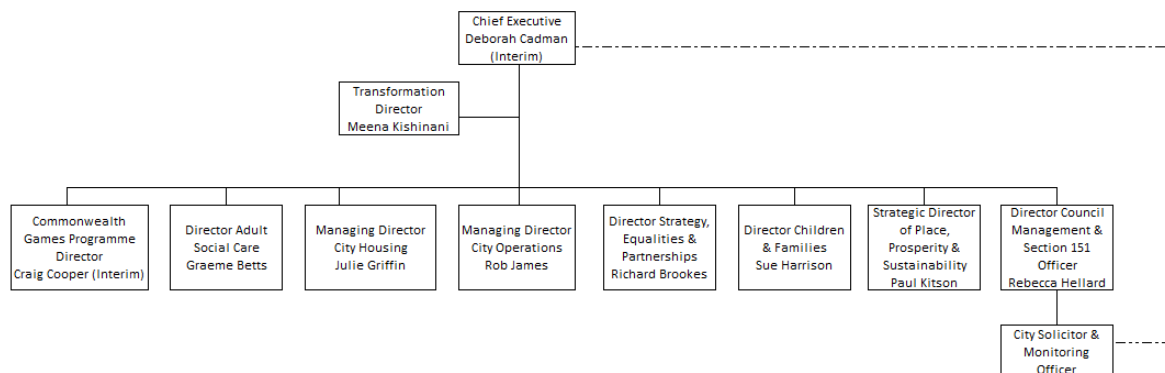
Member Development

- 4.37. The Members' Development Strategy 2018-2022 aims to provide a member development programme that ensures all councillors have the opportunity to gain the knowledge and skills to fulfil their role as 21st Century Councillors; make a positive difference every day to the people of Birmingham; provide strategic leadership and work together with officers in the transformation and delivery of Council services.
- 4.38. Councillors are at the heart of the Council and the organisation supports the member development strategy. It is overseen by CLT and the Member Development Steering Group; coordinated through the Members' Development Team, consisting of officers from Legal and Governance. This collaborative approach ensures ownership of the strategy by the Council as a whole.

- 4.39. In addition to the Members' Development Programme, all Councillors have access to e-learning through the City Council iLearn portal and are regularly kept up to date on training and development via the City Councillor bulletin circulated by email. This gives details of legislation, training opportunities and other issues of importance to Members.
- 4.40. During the Covid 19 pandemic and the increased requirement for more agile and online working, the main focus of the Members' Development Programme for 2021/22 has been to continue to provide briefing/training sessions through Microsoft Teams. There has been encouragement of online learning opportunities and assisting in learning the skills required in participating and managing meetings remotely. Information has been provided for both internal and Local Government Association training opportunities for:
- Role Specific Training, ensuring members have the knowledge and understanding of legal and governance requirements to carry out their role on regulatory and scrutiny committees
 - On-going Member Development, to provide on-going development opportunities for members related to current and potential future roles and responsibilities.

Management Structure

- 4.41. During 2021/22, the Council operated through seven Directorates, Adult Social Care, Children & Families, Council Management, City Housing, City Operations, Place, Prosperity and Sustainability, and Strategy, Equalities and Partnerships.
- 4.42. The Council's management structure on 31 March 2022 was as per the diagram below:



- 4.43. The following key changes occurred:
- Deborah Cadman was appointed as Interim Chief Executive from 14 June 2021 and on 6 July 2022 her permanent appointment was announced which was subsequently approved by Full Council in July 2022.
 - Graeme Betts took up the role of Acting Chief Executive prior to Deborah Cadman's appointment with Louise Collett taking up the role of Acting Director of Adult Social Care during this time.
 - Sue Harrison, Director Children and Families joined the Council in October 2021. Prior to this, the post was filled on an interim basis.
 - Jonathan Tew, Assistant Chief Executive left the Council on 31 August 2021.

- Rebecca Hellard was appointed Director of Council Management and Section 151 Officer on a permanent basis from 1st November 2021.
- Paul Kitson was appointed Strategic Director of Place, Prosperity and Sustainability in January 2022.
- Satinder Sahota was appointed as interim City Solicitor and Monitoring Officer in January 2022 and Janie Berry was appointed as permanent City Solicitor and monitoring Officer in September 2022.
- Richard Brookes was appointed Director Strategy, Equalities and Partnerships in November 2021

Workforce

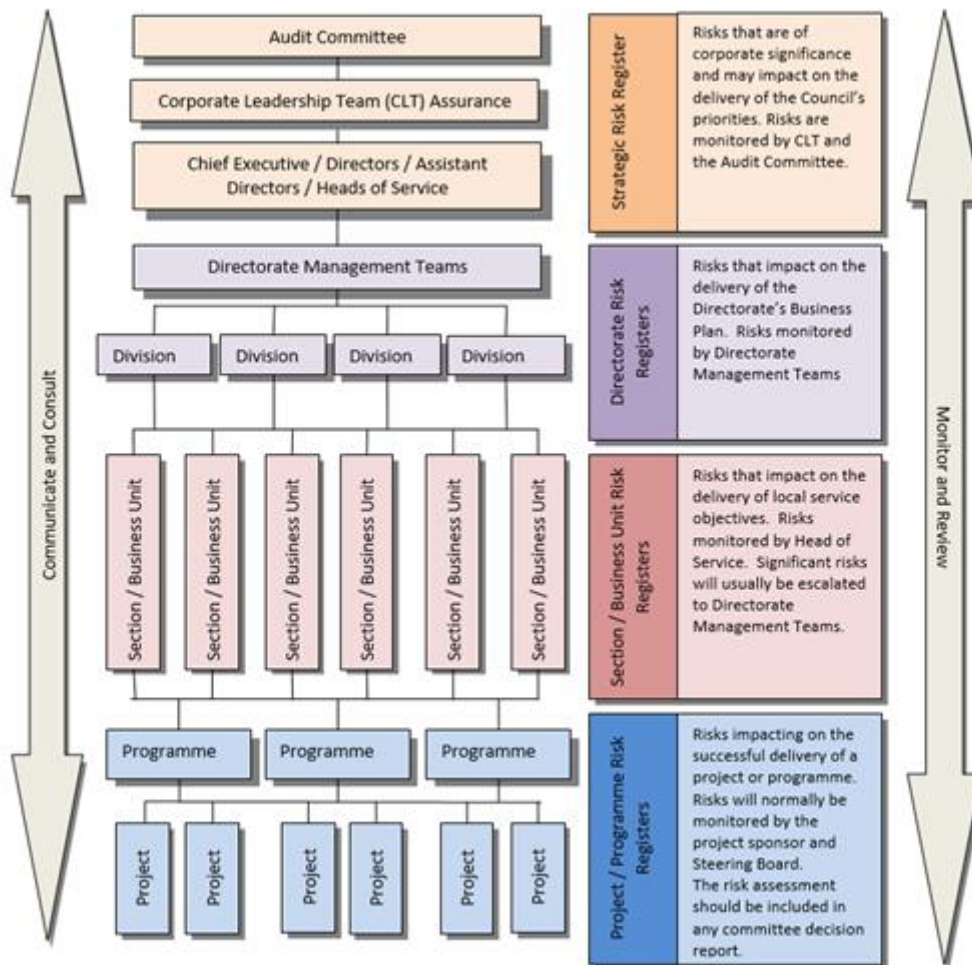
- 4.44. The Council's workforce strategy 2018-2022 was agreed by Cabinet in 2018 and refreshed in February 2020. The Council's workforce vision is to have a workforce that reflects the lived experience of people and is representative of the communities it serves, to be an employer of choice, with a high performing, agile and diverse workforce, capable of delivering innovative services.
- 4.45. Having a flexible, skilled and mobile workforce is critical to the Council responding effectively to increasing demands placed on front line services and support functions and to the delivery of a long-term sustainable organisation. During the Covid 19 pandemic, the workforce adapted to working from home for all but essential front line services, and now the Council is reviewing new ways of working for the future.
- 4.46. During 2021/22, the 'My Appraisal' review process continued, enabling a consistent means of assessing and rewarding performance. 'My Appraisal' is specifically designed to ensure that employees are supported to implement the Council's core values:
- We put citizens first
 - We are true to our word
 - We act courageously
 - We achieve excellence

Scrutiny, Accountability and Risk Management

- 4.47. For good governance to function well, the Council must encourage and facilitate a high level of robust internal challenge, which both contributes to the financial stability of the Council and provides the right cultural approach.
- 4.48. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities, to provide independent assurance to the Council in relation to internal control, risk management and governance and help ensure robust arrangements are maintained. The role of the Audit Committee includes active involvement in the review of financial systems and procedures, close liaison with external audit, responsibility for the approval of the Annual Accounts and to review and make recommendations to the Executive regarding the effectiveness of internal audit and the Council's arrangements for deterring, preventing, detecting and investigating fraud.
- 4.49. Following an independent assessment of the effectiveness of Audit Committee in 2019/20, committee members expressed a wish to enhance their effectiveness by drawing upon wider sources of assurance; specifically, that of management and where

appropriate, cabinet members. During the year, Audit Committee's ability to challenge was strengthened by the appointment of an independent advisor. Audit Committee has also received assurance reports from the Leader, Deputy Leader and Cabinet Members. An annual report is also presented to Full Council.

- 4.50. The Overview & Scrutiny Committees cover all Cabinet Member portfolios. Executive (Cabinet) decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.
- 4.51. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Such enquiries are actively tracked through the process and independently reviewed and where appropriate, actions taken to improve service delivery.
- 4.52. The Council ensures compliance with established policies, procedures, laws, and regulations - including risk management. For transparency, all reports to Cabinet and Cabinet Members are required to include governance information relating to: Council priorities, plans and strategies, risk management consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.
- 4.53. The Council has a Risk Management Framework which sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all levels, formalising processes already in place.
- 4.54. The schematic diagram below illustrates how risk was managed during 2021/22:



- 4.55. The Council's Strategic Risk Register is reviewed and updated on a regular basis. The Strategic Risk Register is reported to CLT Assurance monthly, so that they can monitor and challenge progress against actions and identify any new risks to the Council. Additionally, the Strategic Risk Register is reported to the Audit Committee three times per year so that it can satisfy itself and gain assurance that the Risk Management Framework has been consistently applied and risks appropriately managed. Key operational risks are captured within business plans at directorate and divisional level and monitored by Directorate Management Teams.
- 4.56. CLT Assurance meet monthly to review assurance and governance issues. Directorate Management Teams also have in place forums to review assurance and issues are reported to CLT Assurance as required.
- 4.57. An independent assessment of the Total Impact of Internal Audit was undertaken independently by PWC LLP in 2020. Internal Audit's Total Impact review will be supplemented by a Peer Review in 2022 to enhance its overall contribution to the Council. The Council has well-established protocols for working with external audit. The Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

Progressive Assurance Model

- 4.58. The Council has been on an improvement journey adopting a model of “progressive assurance” during 2019/20. The model was regarded by, at the time, MHCLG and peers as a very significant step forward for the Council’s improvement agenda.
- 4.59. The ‘Investing in the Future’ Cabinet Report and Delivery Plan continues to guide the overall direction of the Council’s improvement journey. The Council is adopting a refreshed approach to improvement, accountability and performance with effectiveness monitored through regular reporting to Cabinet, Scrutiny and CLT Performance Group on the overall position of delivery plan indicators.

External Audit

- 4.60. The external auditor has issued two Audit Findings Reports (AFR) on the audit of the 2020/21 financial statements based on work completed. The Interim AFRs were reported to Audit Committee on 19 October 2021 and 25 January 2022 with further external audit progress reports reported to Audit Committee on 29 November 2021 and 15 February 2022. The Draft Auditor’s Annual Report (AAR) relating to the 2020/21 accounts included no Statutory 24 recommendations, made four key recommendations in respect of governance, improving economy, efficiency and effectiveness, in three separate areas:

- Two recommendations relating to issues with the Homes to School Transport Service
- The arrangements in relation to required improvements in Special Educational Needs and Disability (SEND) services
- IT Audit findings and planned changes to the Council’s general ledger

and eight improvement recommendations.

Engagement with the community and other stakeholders

- 4.61. During the pandemic, the Council saw how effective a coordinated voluntary, community, faith and social enterprise response could be in supporting individuals and neighbourhoods cope with the challenges presented. The Council worked closely with the sector, strengthening relationships and developing an understanding of how the Council can effectively serve communities and create greater trust.
- 4.62. Resulting from the Covid 19 pandemic restrictions, the Council has adopted an on-line approach to consultation. The Council Financial Plan 2022 to 2026 was informed by the Brum Budget Challenge during December 2021, requesting citizens of Birmingham prioritise services within a limited budget via a digital tool, an on-line meeting led by the Council’s Leader with the business community and an on-line event hosted by Birmingham Updates attended by the Leader, Deputy Leader, Cabinet Member for Finance and Resources and the Director of Council Management.
- 4.63. The Council’s Scrutiny function engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council’s activity. The Scrutiny Committees make an annual report to Full Council.
- 4.64. Clear channels of communication are in place with service users, citizens and stakeholders although during the Covid 19 pandemic this was online. Now pandemic

restrictions have eased, the Council holds meetings in public, with many formal meetings webcast. Directorates have extensive programmes of consultation and engagement activity for specific services.

5 Review of Effectiveness

- 5.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the CLT which has responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.
- 5.2. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular, the Council has adopted the 'Delivering Good Governance in Local Government: Framework' (2016 CIPFA/Solace) and continues to learn from experiences and makes necessary changes to improve its local code of governance. This includes developing a Corporate Assurance Framework to improve oversight and prepare an evidence base for the key sources of assurance that are relied upon to manage risks and as a result support in the achievement of organisational strategic objectives.
- 5.3. The Council has a well-developed methodology for annual governance review which is reviewed and updated each year. The process requires each Directorate and significant areas of service delivery / business units within a Directorate to produce an Assurance Statement highlighting significant governance issues, and details of what action(s) are being taken to mitigate any risks.
- 5.4. The Council's review of the effectiveness of the system of internal control is informed by:
 - Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports.
 - The work undertaken by Birmingham Audit during the year.
 - The work undertaken by the external auditor reported in their annual audit letter and statutory recommendations; and
 - Other work undertaken by independent inspection bodies.
- 5.5. The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the Public Sector Internal Audit Standards.
- 5.6. The Birmingham Audit plan was compiled based on professional judgement and a risk model to 'score' all potential 'auditable' areas. To meet the standards required there was a need to ensure sufficient coverage of the adequacy and effectiveness of systems of internal control in relation to financial control, risk management, corporate governance and an element for proactive and reactive fraud work.
- 5.7. The resulting work-plan was discussed and agreed with the Directors and Audit Committee and shared with the Council's external auditor. Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to

address any identified weaknesses and include a risk rating for the Council and the Service Area. These are submitted to Members, Corporate Directors and service managers as appropriate.

- 5.8. From the work undertaken by Birmingham Audit during 2021/22 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: *“Based on the audit work undertaken and the wider assurance framework I am able to provide a reasonable assurance for the core systems of internal controls evaluated. As in any large organisation, our work did identify some significant issues that required action. All significant issues identified were reported to the appropriate Director during the year.”*
- 5.9. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities. Part of the national response to the Covid 19 pandemic included local authorities in the West Midlands area working collaboratively and the Council took the lead in the procurement of personal protective equipment for the region. Locally, the Council provided food deliveries to shielded residents, distribution of small business grants and the Retail, Hospitality and Leisure Fund, vouchers for families in receipt of free school meals, provision of accommodation to the homeless and distribution of personal protective equipment to care settings.
- 5.10. The funding and logistical consequences of delivering the Council’s response during the pandemic was closely monitored as it created a severe challenge for the Council’s own finances, with increased spending requirements alongside a loss of income. The crisis highlighted the chronic and structural inequalities in the city and the continued level of poverty and vulnerability in some groups and communities.
- 5.11. On 16 March 2021, the Council published its Covid 19 Economic Recovery Strategy with emphasis on the need for a more resilient economy and stronger communities, acknowledging a thriving economy depends on spreading opportunity and making families and communities more resilient. The strategy focused on four overall priorities for the city’s recovery from Covid 19:
- Creating a more inclusive economy and tackling the inequalities and injustices highlighted by the crisis
 - Taking more radical action to achieve zero carbon emissions and a green and sustainable city
 - Strengthening our public services and creating new services to address needs
 - Building the strength and resilience of our communities based on the positive response to the crisis.
- 5.12. In response to central government’s levelling up strategy, in November 2021 the Council launched its own levelling up strategy ‘Prosperity and Opportunity for All’, a framework of five levelling up accelerators, for which the Council is seeking central government support. The strategy links to the Council’s existing plans including the Economic Recovery Strategy, City Plan, Delivery Plan 2020-22 and Community Cohesion Strategy.
- 5.13. The Council has undertaken a self-assessment against the FM Code standards with a view to a CIPFA peer review for additional assurance. It is the opinion of the Chief Finance Officer that the Council is financially resilient and delivers value for money. However, in striving for financial management excellence, the Council has developed a set of actions for improvement which include further budget holder training and support on the new Human Resources and Finance system, continuing the implementation of the Finance Target Operating Model and strengthening corporate processes and

documentation for project and investment appraisals. The planned improvements will contribute to the Council's longer term vision and financial improvement journey.

- 5.14. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to CLT. The more significant of these are set out in the section entitled '**Significant governance issues 2021/22**' below.
- 5.15. The internal audit function is monitored and reviewed regularly by Audit Committee. The Committee reviews management progress in implementing recommendations made in significant, high risk audit reports, progress made against issues raised by the external auditor in the Audit Findings Report and against issues raised in the AGS through the Strategic Risk Register.
- 5.16. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2021/22 including the recovery from Covid 19, the impact of Brexit on the City, the Commonwealth Games, Safeguarding Adults and Children, the Clean Air Zone and Clean Air Strategy.
- 5.17. Directorate and Business Unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.
- 5.18. The Monitoring Officer advises that there were 46 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2021/22 financial year, an increase of 1 in comparison to 2020/21.

6 **Review of 2020/21 Governance Issues**

- 6.1. The significant 2020/21 governance issues were considered by Audit Committee in June 2020, agreed as part of the Draft Statement of Accounts in October 2021 and reviewed as part of the Corporate Risk Register updates in the 2021/22 financial year. In addition, Audit Committee received reports relating to Fraud, Treasury Risk Management Arrangements, Procurement Governance Arrangements, Audit Findings Report Updates, External Audit of the Accounts Updates and Cabinet Member Assurance Updates.
- 6.2. The recovery from the impact of the Covid 19 pandemic across services featured in Overview and Scrutiny schedules. Areas reviewed included Supporting the Economic Recovery from Covid 19 – Jobs and Skills supporting SMEs and Support to Businesses affected by Covid by the Economy and Skills Overview and Scrutiny Committee, Public Health updates, the Winter Vaccine Programme and an update on Re-opening Day Care Centres by the Health and Social Care Overview and Scrutiny Committee.
- 6.3. Education and Children's Social Care Overview and Scrutiny Committee received reports on the annual review of the Children's Trust, Birmingham Safeguarding Children's Partnership, Home to School Transport and particularly focused on Special Educational Needs and Disability (SEND).
- 6.4. Resources Overview and Scrutiny Committee received reports on the Commercial (Procurement) Governance Arrangements of the Task and Finish Group, a Commonwealth Games Funding Update, an Update to the Medium Term Financial Plan, updates on the implementation of the Council's new Finance and Human Resources System and New Ways of Working.
- 6.5. Housing and Neighbourhoods Overview and Scrutiny Committee received the annual report on Birmingham's Community Safety Partnership.

- 6.6. Cabinet received and considered interim refresh reports on the Medium Term Financial Strategy and reviewed quarterly reports on Performance and Progress against the Delivery Plan, Revenue Budget Monitoring and Capital Budget Monitoring. Cabinet also considered reports on the recovery from the Impact of the Covid 19 Pandemic, Fire Safety in High Rise Buildings, New Ways of Working and Homelessness.

7 Significant Governance Issues 2021/22

- 7.1. The matters shown in this section have either been identified as having a significant or high likelihood in the Strategic Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	<p>Commissioning and Contract Management</p> <p>Ongoing assurance including audit reviews, general compliance checks and Member scrutiny, highlighted the need to ensure Procurement Governance Arrangements were fit for purpose, complied with, decisions were appropriately timed and there was adherence to regulations and internal governance controls.</p> <p>Combined with this, current Public Sector Procurement Regulations are under review prompting a call from Overview and Scrutiny Committee to examine and review the commercial governance processes to ensure that they are robust, fit for purpose, complied with and deliver value for money for both taxpayers and the Council's communities.</p>	<p>In response to the Overview and Scrutiny recommendation, in September 2021, a Councillor led Task and Finish Group was set up to review the Council's commercial governance arrangements, namely the Procurement Governance Arrangements. The Task Group also considered information in relation to the Government's Green Paper.</p> <p>From the work, recommendations were made by Overview and Scrutiny Committee which is now seeing the current Council's Procurement Governance Arrangements being overhauled and updated. The updated Procurement Governance Arrangements will be presented to Full Council in July 2022 for consideration. Once adopted they will form part of the Council's Constitution around Contract Standing Orders and there will then be the necessary training, engagement and awareness of the new arrangements with an emphasis on ensuring compliance.</p>
2	<p>Companies</p> <p>The Council has a complex group company structure and is seeking to improve the level of Council oversight of the activities of those companies that it either wholly owns or in which it has an interest.</p>	<p>A series of actions to improve and strengthen the Council's governance arrangements were agreed and reported at the Cabinet Committee - Group Company Governance (GCGC) informal meeting on 16 September 2021.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<p>Group company governance is a vital tenet of sound group financial management.</p> <p>Improvements to the process and operation as a “best in class” authority in this regard will contribute to the overall reduction of financial risk for the Council</p>	<p>The improvement plan remains active. Actions delivered include a full register of director training for officers and members where new appointments are contacted to attend and monitored for completion; a nominated officer to support member appointments and a review of company/group guidance for officers ensuring company business plan reporting to GCGC includes financial performance.</p> <p>At each meeting there is a company risk and performance update from every significant company and annually, a group outturn report.</p> <p>Further work includes co-ordination of the nominated support officers into a formal group for reporting and updating of group company issues, the implementation of a company database IT solution and supporting the relationship with Audit Committee following Committee Chairs liaison during the year.</p>
3	<p>Major Projects and Transformation</p> <p>The Council is involved in an ambitious programme of delivery including a range of major projects which include partnership working arrangements and sometimes complex legal agreements.</p>	<p>Cabinet gave approval to the creation of a fit for purpose Corporate Programme Management Office (CPMO) so that the Council can be assured and have confidence that major change projects deliver as intended, to budget and on time.</p> <p>During Summer 2021, the CPMO designed and implemented a robust corporate monitoring mechanism for reporting major programmes and transformation initiatives that are underway across the Council.</p> <p>The stated design aim of the reporting was to “Provide CLT (Corporate Delivery Board) with a digestible and actionable, exception focussed, overview of programme status (delivery & money) that is produced collaboratively and independently assured by the CPMO and Finance.”</p> <p>This is a monthly mechanism designed to provide CLT and Members with assurance and visibility across a range of</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
		<p>significant programmes, increasing accountability through collaborative reporting that brings together key programme stakeholders, Finance Business Partners and the CPMO.</p> <p>The monthly process is underpinned by a programme dashboard that tracks the delivery of programmes, benefits and associated costs. This monitoring also incorporates the savings tracker, designed by the CPMO and updated monthly by Finance Business Partners.</p> <p>The programme dashboards are summarised into a monthly report, with recommendations and mitigating actions, that is presented to CLT before being presented by the CPMO at CDOG to the Deputy Leader and Cabinet Member for Finance & Resources with the Director Council Management, Chief Executive and Interim Director of Transformation. The report is then presented to the Leader before being presented to EMT / Informal Cabinet.</p> <p>This monitoring mechanism is continuing to improve and evolve to reflect emerging programmes and is now well embedded in programmes across the Council to support delivery of the Corporate Plan.</p>
4	<p>Housing</p> <p>The implementation of the Homelessness Reduction Act from 1 April 2018 has seen an increase in households approaching the homelessness service.</p> <p>The service was unable to assess applications to the housing register at the rate they were being received through the first part of 2021-22.</p> <p>An increase of 10% from 2020 to 2021 in approaches as homeless placed further pressure upon temporary accommodation provision.</p>	<p>Additional resources were identified, trained and mobilised to concentrate on the backlog of applications with a target to be inside the performance measure by March 2022.</p> <p>The backlog did reduce significantly but the target was not fully met due to the sustained increase in applications to the housing register. Work continues to reduce backlogs and meet the performance measure.</p> <p>Significant investment is underway in order to prevent homelessness and reduce pressure upon temporary</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
		accommodation and eliminate the use of Bed & Breakfast accommodation.
5	<p>Asset Condition and Sufficiency</p> <p>Many operational assets are in very poor condition following years of budget restrictions, lack of investment and dispersed management arrangements.</p> <p>There is an aging schools' estate with some assets that are beyond repair.</p> <p>The demand for secondary school places is beginning a period of sustained growth, requiring a large number of additional places to meet our statutory duty for sufficiency.</p>	<p>The Council approved a Property Strategy 2018/19 – 2023/24 to better join up decision making, realignment of assets and enable strategic development.</p> <p>There have been a considerable number of assessments and surveys associated to relevant pieces of legislation undertaken by specialist providers across the estates to ensure that the council discharges its Duty Holder responsibilities. Planned Preventative Maintenance cycles are in place to ensure that necessary works are undertaken and Service Contracts are in place for a number of statutory controls.</p> <p>Officer and stakeholder boards for major scheme management and reporting to Capital Board or Cabinet as appropriate are in place to provide assurance on individual programmes.</p>
6	<p>Recruitment and Retention</p> <p>A number of services across all directorates are reporting difficulties in attracting applicants for roles.</p> <p>Current market forces are impacting negatively on the ability to attract and retain the right calibre people to achieve the Council's ambitions.</p>	<p>The end to end recruitment process is currently being revised to align with the new Oracle Recruitment Cloud system implemented in May 2022, with a focus on a candidate-centred approach. High profile marketing campaigns for key services were launched in June to attract to key roles in services including finance and social care.</p> <p>A Council-wide vacancy marketing campaign and an associated vacancy marketing budget is also in development. The Council has also secured membership of Vercida jobs platform – which is a way of attracting new and diverse candidates.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
7	<p>Birmingham SEND Inspection – Inadequate provision and Written Statement of Action required</p> <p>Joint CQC and Ofsted inspections of Birmingham SEND provision raised significant concerns requiring the Clinical Commissioning Group and Council to provide a joint response in the form of a Written Statement of Action.</p> <p>This, in conjunction with the implementation of the SEND two-year improvement programme is making the necessary and important improvements for the current local offer for children and young people addressing the issues raised in the Ofsted and CQC inspection.</p> <p>The Department for Education has appointed a Commissioner to hold the Local Area to account to deliver the required improvements. The Council will work closely with the Commissioner on the improvements that are required.</p>	<p>The Council will work closely with its Parent Carer Forum as the next steps are planned and intends to address the fundamental weaknesses in the system that have been identified whilst building upon those showing promise, including joint commissioning, the better quality of more recent Education Health and Care Plans and the work the Council is doing with mainstream and special schools.</p>

7.2. These matters are monitored through the Strategic Risk Register, CLT and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement.

7.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Addendum: Annual Governance Statement 2021/22 - Update

8 Background

- 8.1. The Annual Governance Statement (AGS) reports the governance framework in place at the Council for the year ended 31 March 2022.
- 8.2. There is a requirement to update the AGS up to the date of approval of the Statement of Accounts. The information in this addendum reflects the changes in the Council's governance arrangements.

9 Changes in the Governance Framework

The Executive Structure

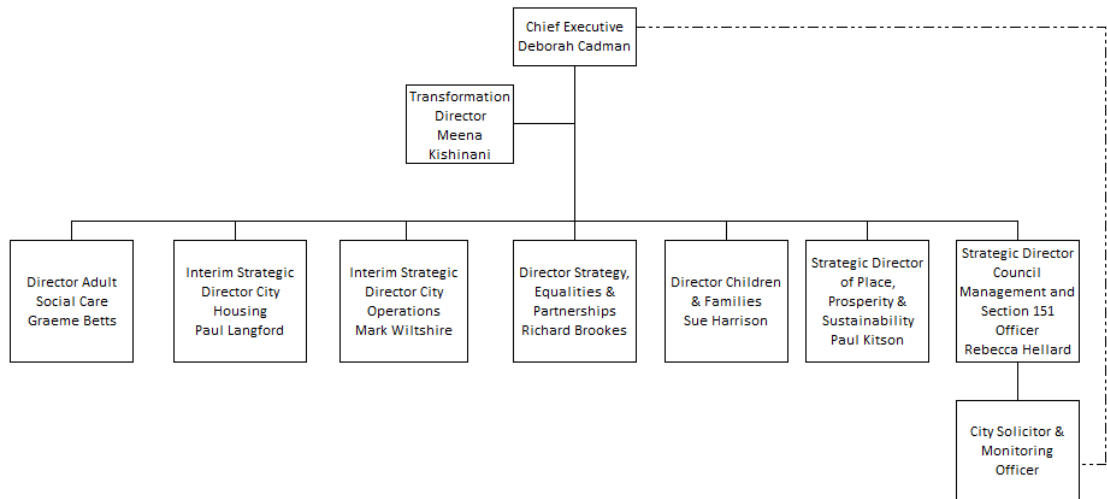
- 9.1. The Council's Executive Structure has changed. There are eleven members of Cabinet including the Leader and Deputy Leader.

Nine other Cabinet Members have the following portfolios:

- Cabinet Member – Children, Young People and Families
- Cabinet Member – Digital, Culture, Heritage and Tourism
- Cabinet Member – Environment
- Cabinet Member – Finance and Resources
- Cabinet Member – Housing and Homelessness
- Cabinet Member – Street Scene and Parks
- Cabinet Member – Transport
- Cabinet Member – Health and Social Care
- Cabinet Member – Social Justice, Community Safety and Equalities

Management Structure

- 9.2. The Council continues to operate through seven Directorates, Adult Social Care, Children and Families, City Housing, City Operations, Council Management, Place, Prosperity and Sustainability and Strategy, Equalities and Partnerships. The current management structure is as per the diagram below:



Significant Issues

- 9.3. The implementation and roll out of the Oracle system caused significant upheaval within the Council’s financial systems during the 2022/23 financial year. New processes are taking time to embed and work is ongoing to support continued data cleansing with ledger integrity paramount prior to the financial year end 2022/23.

Signed
Councillor Ian Ward
Leader of the Council

Signed
Deborah Cadman
Chief Executive



ADDENDUM FOR ANNUAL GOVERNANCE STATEMENTS FOR ACCOUNTING
PERIODS 2020/21 and 2021/22

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1. Introduction

- 1.1 This addendum has been prepared following the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance as set out in CIPFA Bulletin 16 February 2024 – Local audit delays and the publication of the annual governance statement:

CIPFA's recommended approach.

- 1.2 To fulfil the AGS's primary function as an accountability statement for the year it relates to, the AGS should remain focused on the effectiveness of governance arrangements during that period. It should contain the opinion and the significant governance issues identified by the review of effectiveness for that year.
- 1.3 The draft AGS should have been reviewed and agreed in accordance with the applicable timetable set out in the Accounts and Audit Regulations. If the financial statements are unaudited at the required publication date, the statements and the AGS must be published on the authority's website.
- 1.4 The authority should consider whether changes to the draft AGS are required during the period leading up to the finalisation of the audit. This will enable the authority to approve a final AGS for the period. Taking the AGS, whether amended or not, for formal approval prior to publication will ensure clarity that the AGS is appropriate and fulfils the CIPFA requirement that it is up to date.

What matters would prompt an update to the AGS for a prior year?

- 1.5 If a significant governance issue emerges after the year-end, the authority should consider whether it was pertinent to the prior year. For example, the discovery of significant control weaknesses that allowed a fraud to occur, including during the prior year, should be considered as a matter for inclusion. At 31 March of the prior year, the authority might have considered their control arrangements to be robust but new information has shown that not to be the case, so it would be appropriate for the AGS to be updated.
- 1.6 Significant governance matters that would not lead to the adjustment of the prior year AGS:

- 1.7 Where emerging governance issues are clearly linked to events after 31 March of the prior year, then it would not be necessary to include them in a prior year AGS. They should be considered for the AGS of the year they were related to, and in subsequent AGS until they are resolved. Such examples could be:
- control failures related to an IT system that was implemented after 31 March of the prior year
 - more recent developments in governance, for example the establishment of a new trading company or shared service arrangement, that takes place after the year-end
 - significant problems in capacity and capability in critical areas that have developed after 31 March of the prior year.
- 1.8 The more recent AGS should address significant governance issues such as these and track their resolution through the action plan.

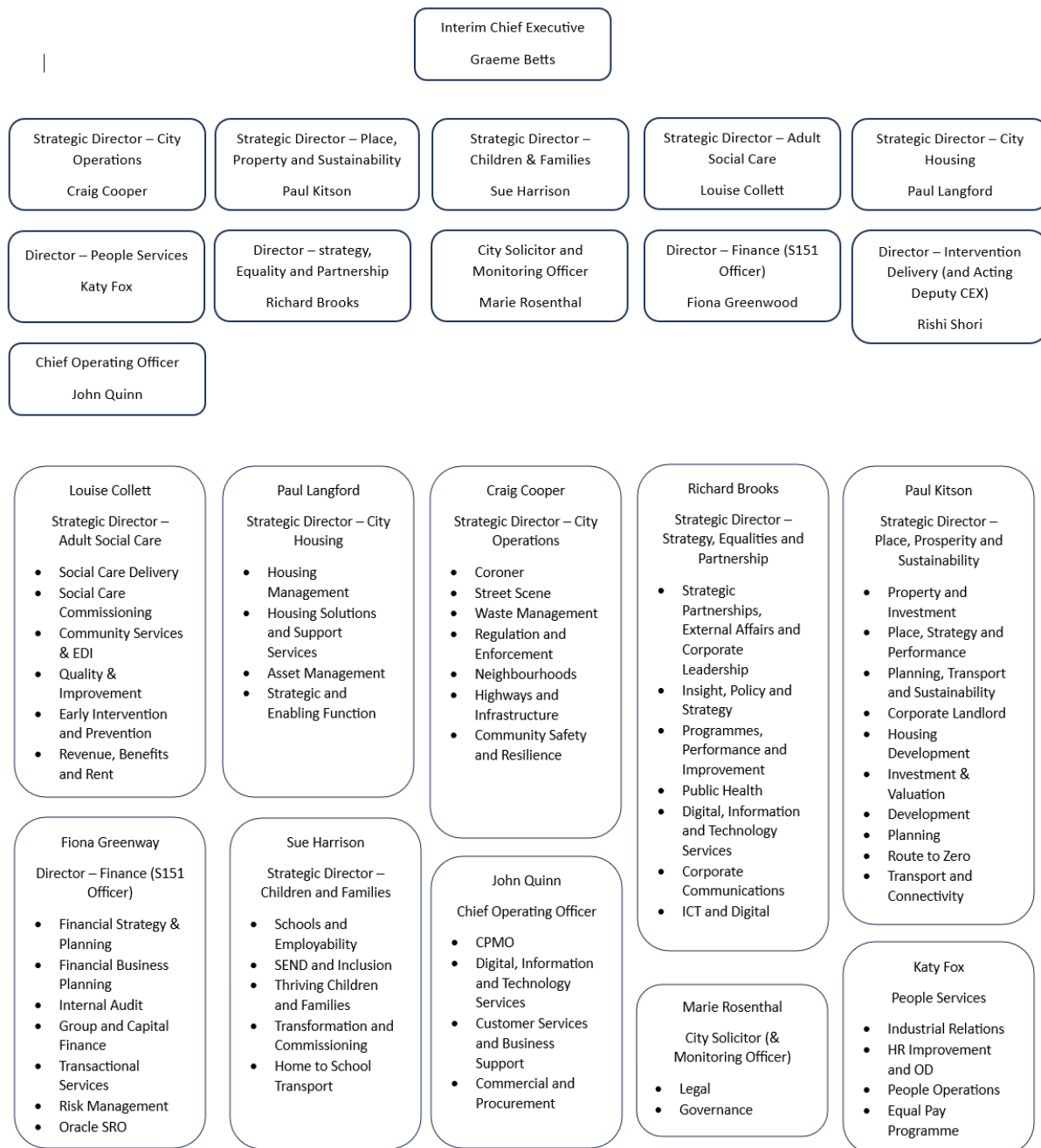
2. Background

- 2.1 The Annual Governance Statement (AGS) reports the governance framework in place at the Council for the year ended 31st March 2021 and 31st March 2022.
- 2.2 There is a requirement to update the AGS up to the date of approval of the Statement of Accounts. This addendum was finalized for the 31st March 2024 with the expectation that the accounts for 2020/21 and 2021/22 will be finalized at the same point. These will then be reported to Audit Committee in April 2024.
- 2.3 The information in this addendum reflects the changes in the Council's governance arrangements and the significant reviews that challenge the effectiveness of the BCC governance within the AGS.
- 2.4 Given the significant years of accounts to which the impact of the addendum covers the first 2 periods (2020/21 and 2021/22) are set out as per the last time they were reported to the Audit Committee March 2023. However, this addendum highlights the significant governance changes and effectiveness reviews that have occurred since then that have an impact of the final position of the statement of accounts for those periods. This is in alignment with the guidance as set out by CIPFA above.

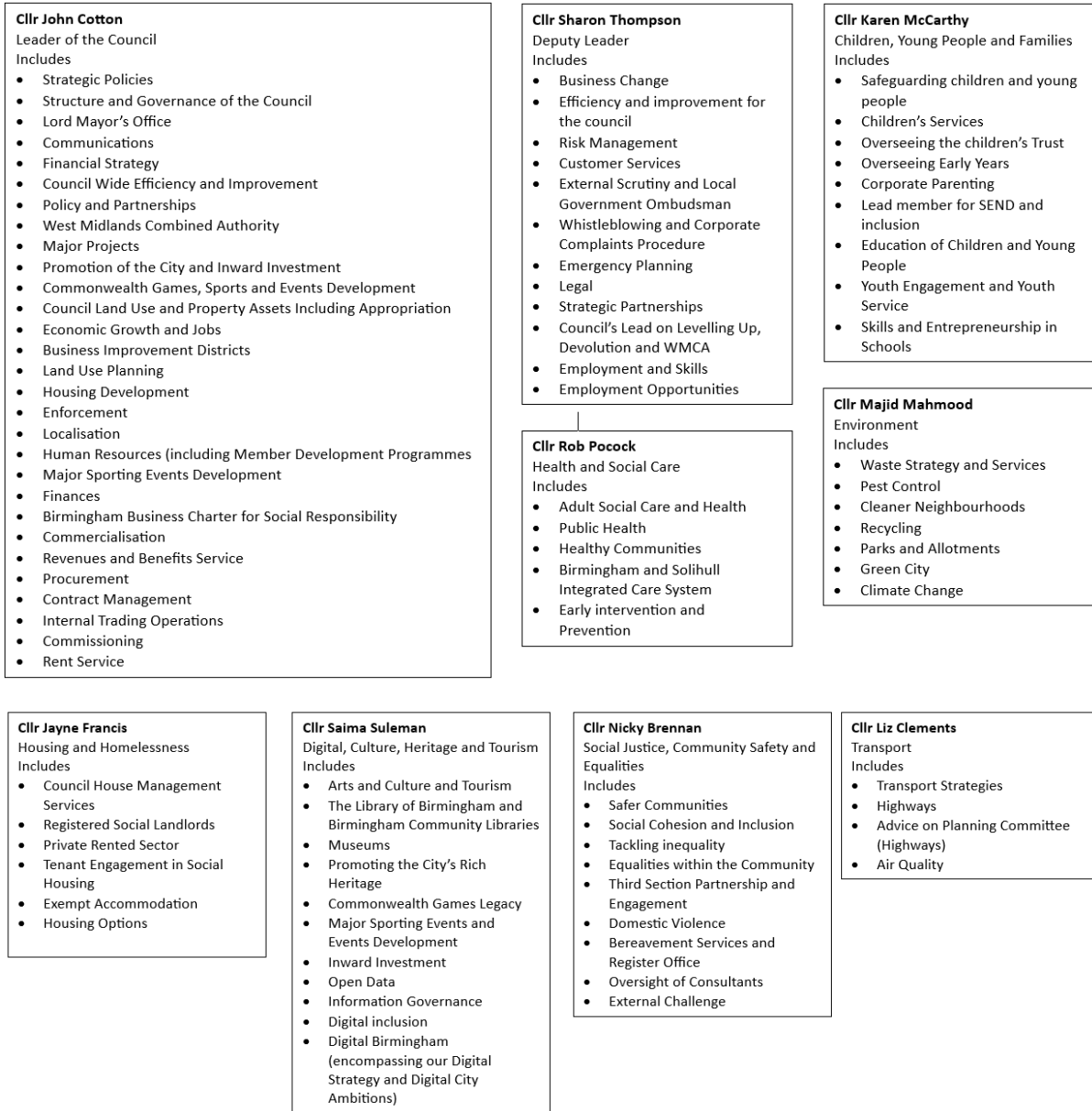
3. Changes in Governance Framework

3.1 Changes in Governance Framework:

3.2 Since the Last AGS and Addendum were reported to Audit Committee on the 28th March 2023 there have been changes in the management structure. Management Structure and Areas of Responsibility as at 31st March 2024



3.3 The Council's Executive Structure has changed. There are nine members of Cabinet including the Leader and Deputy as at 31st March 2024



4. Significant Governance Issues Identified:

- 4.1 External/internal reports and appointments commenting on the effectiveness of the governance framework:

External Auditors Grant Thornton – Statutory Recommendations issued 29th September 2023

- 4.2 Report to Full Council on the 12th October 2023 from Grant Thornton the External Auditors identifies the range of **12 Statutory Recommendations** issued by Grant Thornton. Also in this meeting the Full Council agrees their response.
- 4.3 Statutory Recommendations under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 refer to formal advice issued by the External Auditor. These recommendations require the Council to discuss and respond publicly to the report. The recommendations are aimed at improving financial management, governance, or operational practices within a Council. Statutory Recommendations carry significant weight, promote transparency and accountability for the Council, and advocate for best practice in local government.
- 4.4 In the Grant Thornton report – “Birmingham City Council External Audit 2020-21 to 2023-24 Statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014”, Grant Thornton make specific reference to periods of 2020/21 and 2021/22 to which this Addendum refers. Grant Thornton state:

“Statutory accounts 2020/21, 2021/22, and 2022/23

The Council’s accounts for 2020/21 and 2021/22 are still unsigned – primarily due to the need to ensure that the provisions for EP liabilities are not materially misstated. Officers have been working on a new accounting model to estimate these liabilities at the various year-ends subject to audit. Officers have recently informed us that whilst the model is nearing completion, various parameters would still need to be updated following the decision of the CBMC.

Whilst we still await finalisation of this position, based on statements already made by the Council that the liability is likely to go up to £760 million by 2025 and the various assessments incorporated into the CBMC report and s114 report, we can now be confident that the provisions set out in the 2020/21 and 2021/22 draft accounts of £150m and £121m respectively are materially understated.”

- 4.5 In **July 2023** the Council commissioned the Centre for Governance and Scrutiny (CfGS) to carry out an independent review of governance. The review was commissioned following a request from the Department of Levelling Up, Housing and Communities (DLUHC) Minister Lee Rowley MP. The Council was asked to consider an independent review to provide assurance that action was being taken to remedy the governance issues identified in reports from the DfE SEND Commissioner, Housing Ombudsman, and various Local Government & Social Care Ombudsman Public Interest Reports
- 4.6 The purpose of the review was to assess key governance issues identified in those various external reviews and judgements, the Council’s response to them, and to recommend actions to further improve governance at the Council. The scope of the review was agreed with DLUHC Local Stewardship Team officials, and was based on the themes of

Theme	Areas of focus
Leading effective governance	Clarity of Vision and priorities Understanding of roles and responsibilities Culture and understanding
Enabling and supporting good governance	Robustness of processes and practice Support services and functions Levels of assurance and compliance
Financial Governance	Capacity and skills Financial management and budget oversight Financial risk management
Improving governance and decision making	Customer focus Stakeholder engagement Learning from external review and challenge

- 4.7 It was agreed with the Department of Levelling Up, Housing and Communities (DLUHC) that the Council should also ask the Review to provide observations on any governance issues that contributed to specific challenges the Council was facing at the time, including the implementation of the Oracle ERP system, responding to potential equal pay liabilities, and the non-compliance against Regulator for Social Housing (RSH) consumer standards which led to the current period of ‘intensive engagement’ with the Regulator.
- 4.8 The **13 recommendations** for immediate action made by CfGS are listed below in their report to Cabinet on the 12th December 2023:
1. Refocus corporate attention and priorities on ensuring safe, legally compliant, and fairly delivered services to local people
 2. Begin work to reframe values and expected behaviours

3. Develop and publicise a set of baseline behavioural standards for members and officers
4. Review the Constitution
5. Reframe the scrutiny work programme to focus on the Council's improvement and recovery priorities
6. Strengthen working relationships between the Chairs of Scrutiny Committees and the Chair of the Audit Committee to lead and direct the function.
7. Put in place new arrangements for the support of the internal audit function, the audit committee, and the links between audit and scrutiny
8. Design, and begin to put in place, new risk & information management arrangements – with an initial focus on member accountability
9. Put in place robust arrangements for members' oversight of the development of the 2024/25 budget and MTFS
10. Integrate action on external auditors' recommendations into wider practice
11. Continue to rebuild relationships with external partners
12. Put in place proportionate arrangements to manage governance and decision making in the context of the role of Commissioners
13. Modernise systems and practices in Scrutiny and Committee Services.

Commissioner Appointment

4.9 On 19 September 2023, the Secretary of State for the Department of Levelling Up, Housing and Communities (DLUHC) announced the government's proposals to handle BCC financial and governance problems.

The proposals included:

- the appointment of commissioners who are responsible for governance, scrutiny of strategic decision making, finance, and senior appointments
- a local inquiry to investigate the cause of the issues faced by BCC

Commissioners in place and their areas of responsibility as at 31st March 2024

Max Caller CBE Lead Commissioner Nominated to lead on <ul style="list-style-type: none">• Bring together the team• Set the direction• Coordinate work to make sure the direction is followed	John Coughlan CBE Commissioner Nominated to lead on <ul style="list-style-type: none">• Supporting Cultural Change and Transformation• Driving Forward work on the Long-Term Sustainability of the Council• Special Education Needs and Disability (SEND) Services	Chris Tambini Commissioner Nominated to lead on <ul style="list-style-type: none">• Supporting work to develop and implement a plan for managing the significant equal pay liabilities that led to the Section 114 Notices• Overseeing the steps needed to manage other budget pressures for the current financial year (2023/24) and beyond• Returning the council to a position of long-term financial sustainability• considering what action may be necessary to make sure we have appropriate and effective processes, governance and capacity in relation to our overall financial management.	Pam Parkes FCIPD Commissioner Nominated to lead on <ul style="list-style-type: none">• Human resource and organisational design capacity• Finding solutions to the equal pay issue• Address and manage our equal pay liabilities in a way that is sustainable and represents value for money
	Myron Hrycyk Commissioner Nominated to lead on <ul style="list-style-type: none">• Supporting on the fix of Oracle Issues• Improve IT• Provide commercial insight.		Jackie Belton Commissioner Nominated to lead on <ul style="list-style-type: none">• Housing Services
			Lord John Hutton Political Advisor to the Commissioners
			John Biggs Political Advisor to the Commissioners

4.10 First S114 report issued:

4.11 On the 5th September 2023 Full Council considered this report by the Section 151 Officer (the Chief Finance Officer). The report is made under section 114 (3) of the Local Government Act 1988 because the Section 151 Officer is of the opinion that:

a. The Council is currently in a negative General Fund position. That is because of the cost of providing for Equal Pay claims, that the Council is now legally obligated to recognise, will result in exceeding the financial resources available to the Council. This means that spend due within that period exceeded the financial resources available to the Council in that same period.

b. The Council has insufficient resources to meet that expenditure and the Council is not currently able to agree a solution that will allow suitable funding or financing to be obtained for this liability.

4.12 Section 5 and Second S114 Report issued:

4.13 On 21st September 2023, the Monitoring Officer issued a Report under Section 5 Local Government and Housing Act 1989, as a result of the Council failing as at that date to secure a decision relating to the implementation of a job evaluation programme.

4.14 The key issues and context which triggered the issuing the of the Section 5 Report are detailed in the report which went to Full Council on the 12th October 2023.

4.15 Alongside the issuing of the Section 5 Report by the Monitoring Officer, the Section 151 Officer issued a report under Section 114 (2) Local Government Finance Act 1988 to provide her opinion that “omission of a decision by the Council Business Management Committee has resulted in (a) a decision which involves the authority incurring additional expenditure which is unlawful, and (b) the course of action (i.e. inaction) if pursued to conclusion would be unlawful and cause a loss or deficiency on the authority.

Two key impactful governance matters – ERP system Implementation and Equal Pay

- 4.16 The above external and internal significant governance reports issued throughout 2023/24 that impact on the AGS effectiveness commentary for the years 2020/21 and 2021/22 identify two key areas
1. ERP system Implementation (also referred to as Oracle implementation);
 2. Equal Pay Liability.
- 4.17 As part of the governance framework at BCC there is an Audit Committee with the remit for oversight of governance matters. Therefore, this addendum refers to the Audit Committee Annual Report on two significant governance issues identified above. These matters are summarised in the 2023/24 Annual report of the Audit Committee as follows:

Enterprise Resource Planning System Implementation (Oracle)

- 4.18 In October 2022 the Council's Audit Committee were advised that the new Oracle Cloud ERP system had gone live following implementation in April 2022. It was acknowledged that there were still some areas being worked on, but it was considered that the Council was in the post-implementation period. The Committee was assured that the SAP system would still be supported until the final accounts [2021/22] were audited.
- 4.19 In May 2023 the position had substantially changed; the City Solicitor and Interim Director of Finance presented a report to the Committee to acknowledge a major failing with the implementation of the Oracle Cloud ERP system.

Equal Pay Liability

- 4.20 In March 2023 Grant Thornton reported in regard to 2020/21 that the estimate for the liability had been "*determined and recognised in accordance with accounting standards*". Grant Thornton also requested that management document its consideration if there was any new information regarding the estimation of the liability and if any adjustment was required to the accounts. Grant Thornton stated that they would review the position. The position for 2021/22 was also reported as requiring review.
- 4.21 By July 2023 The Committee was advised that it was estimated that as of 31 March 2023, the Council's current potential equal pay liability could be in the region of £650m and £760m. The Committee held a lengthy debate in private session. The Committee were advised that Grant Thornton were undertaking a special review on Equal Pay. The External Auditor was concerned that the Council had not chosen a job evaluation option and was not making progress to closing this liability which was a significant concern for financial future. In September the council was issued with the S114 notice.

5. Significant Governance Issues Action Plan

5.1 A new significant governance issues action plan is set out below and addresses the above matters along with an update of the historic 2020/21 and 2021/22 significant governance action plan.

Ref No.	Governance Issue Identified	Action To Be Taken	Responsible Officer	Target Date
1	The Council must now implement the Stabilisation Plan which was jointly produced with the Centre for Governance and Scrutiny. The Stabilisation Plan is designed to stabilise and strengthen governance within the Council. (See para 4.8 above for reference)	The Plan covers 13 work streams including:- <ol style="list-style-type: none"> 1. Refocus corporate attention and priorities on ensuring safe, legally compliant, and fairly delivered services to local people; 2. Begin work to reframe values and expected behaviour; 3. Develop and publicise a set of baseline behavioural standards for members and officers; 4. Review the Constitution; 5. Reframe the scrutiny work programme to focus on the Council's improvement and recovery priorities; 6. Strengthen working relationships between the Chairs of Scrutiny Committees and the Chair of the Audit Committee to lead and direct the function; 	City Solicitor	June 2024





		<p>7. Put in place new arrangements for the support of the internal audit function, the Audit Committee and the links between audit and scrutiny;</p> <p>8. Design, and being to put in place, new risk & information management arrangements – with an initial focus on member accountability;</p> <p>9. Put in place robust arrangements for the members' oversight of the development of the 20224/25 budget and MTFS;</p> <p>10. Integrate action on external auditor's recommendations in to wider practice;</p> <p>11. Continue to rebuild relationships with external partners;</p> <p>12. Put in place proportionate arrangements to manage governance and decision-making in the context of the role of Commissioners;</p> <p>13. Modernise systems and practices in Scrutiny and Committee Services.</p>		
2	Since April 2022 the Council has not been able to produce Spend Compliance Reports.	The reintroduction of Spend Compliance Reports to directorates on a monthly basis is to take place with effect from April 2024.	Director of Finance	April 2024

	(See para 4.19 above for reference)			
3	<p>Since the implementation of Oracle in April 2022 it has not been possible to provide Quarterly Budget Monitoring Reports to Cabinet. This impacts on the ability for members to monitor performance against budget and consider amendments of budgets in line with operational issues. (See para 4.19 above for reference)</p>	<p>Quarterly Budget Monitoring Reports to be reinstated asap.</p> <p>In addition, all Capital Project Budgets to receive a two-year longstop date for spend. Any contracts not entered into within this will require additional approval for an extension of time.</p>	Director of Finance	April 2024
4	<p>General issues with the implementation and set up of Oracle (and particularly the Band Reconciliation System) continue to cause issues for the Council. (see para 4.19 above for reference)</p>	<p>All outstanding issues with Oracle to be resolved and rectified in line with the Oracle Programme deadlines set within the project plan.</p>	Director of Finance	March 2025
5	<p>Capital investment and repairs/asset management continue to cause issues with damp and mould related complaints increasing. (See para 4.5 above for reference)</p>	<p>The service has created a plan to tackle damp and mould issues and manage repairs effectively. Continued monitoring will be undertaken and an extensive acceleration programmes have been identified.</p> <p>Regular reporting and monitoring of contract performance, monitoring the success of new programmes and actual reductions in Ombudsman</p>	Strategic Director – Housing	March 2025

		<p>complaints is required to show success.</p> <p>This includes the close monitoring of HRA finance which must continue on a monthly basis.</p>		
6	<p>The Council must comply with the timescales set out in the Equal Pay Programme which has set out clear governance arrangements.</p> <p>There is concern that the key outcomes of the programme will not be delivered by April 2025. (see para 4.13 above for reference)</p>	<p>The first major milestone is the delivery of the benchmarking phase of the programme by end of May 2024. This should be closely monitored and reports back to the Governance Board and Improvement Board to assess likely adherence with the Programme.</p>	Director of People Services	March 2025
7	<p>Following the issuing of the two Section 114 Notices by the Council, Intervention Directions were issued by the Government which requires the Council to prepare and agree an Improvement and Recovery Plan. (See para 4.11 above for reference)</p>	<p>An IRP has been created and this will be going to Full Council for approval in April. The Council should ensure compliance with the IRP with regular monitoring and reporting.</p>	Chief Executive	October 2024

BIRMINGHAM CITY COUNCIL**AUDIT COMMITTEE****24 APRIL 2024****SCHEDULE OF OUTSTANDING ACTIONS**

Note: As of 30 September 2021 – Responses to outstanding actions to be made within a 2 month period unless there is an exceptional reason.

-  Completed & discharged
 Approaching 2 months
 2 months +
 Ongoing work or training

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
575 28/03/2023	<p><u>GROUP COMPANY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT</u></p> <p><u>Additional Action:</u></p> <p>(ii) An offline briefing session to be arranged for Committee Members to understand the work undertaken by Cabinet Committee Group Company Governance.</p>	<p>Fiona Greenway/ Mohammed Sajid/ Marie Rosenthal</p> <p>Update provided at the Corporate Governance Group Meeting 11/04/2024: Following advice of the Interim City Solicitor & Monitoring Officer, this action will be marked as Completed/ discharged and a new training schedule for the new municipal year 2024-25 will be shared with the Committee.</p> <p>Committee to confirm this can be Completed/ Discharged</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
577 28/03/2023	<p><u>APPROVAL OF THE STATEMENT OF ACCOUNTS 2020/21 AND 2021/22</u></p> <p><u>Additional Action:</u></p> <p>(vi) Officers to arrange an offline briefing via the Treasury Advisor for committee members to gain a better understanding on affordable borrowing.</p>	<p>Mohammed Sajid/ Committee Services</p> <p>Report was provided at 31/01/2024 meeting & bitesize training to Committee Members prior to the meeting</p> <p>Completed/ Discharged</p>
603 28/06/2023	<p><u>UPDATE FROM THE EXTERNAL AUDITORS</u></p> <p><u>Additional Action:</u></p> <p>(iii) Noted a briefing session to be delivered by the External Auditors on Equal Pay and Oracle.</p> <p>(Note: Oracle – A final report was provided by the External Auditors at the 31 January 2024 meeting therefore, completed/ Discharged) however, Equal Pay briefing to be provided by Statutory Officers.</p>	<p>Fiona Greenway/ Mohammed Sajid/ Marie Rosenthal</p> <p>Update provided at the Corporate Governance Group Meeting 11/04/2024: Statutory Officers to provide a briefing session to the Committee.</p> <p>To be programmed into the training schedule for Committee as part of the induction for the new Committee.</p> <p>Committee to confirm Oracle update can be Completed/ Discharged</p>
678 18/10/2023	<p><u>UPDATE FROM EXTERNAL AUDIT</u></p> <p><u>Additional Action:</u></p> <p>(ii) agreed for the section 151 officer to provide a high-level briefing or report on the Equal Pay Model.</p>	<p>Fiona Greenway/ Mohammed Sajid/ Marie Rosenthal</p> <p>Update provided at the Corporate Governance Group Meeting 11/04/2024: Statutory Officers to provide a briefing session to the Committee.</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
		<p>To be programmed into the training schedule for Committee.</p> <p>Committee to confirm this can be Completed/ Discharged</p>
<p>679 18/10/2023</p>	<p><u>ASSURANCE SESSION – CABINET MEMBER CHILDREN, YOUNG PEOPLE & FAMILIES PORTFOLIO</u></p> <p><u>Additional Action:</u></p> <p>(iv)Information on the actual costs for spend for Contracts to be provided;</p>	<p>Response from Head of Category – (People), Corporate Procurement Services circulated to Committee members via email on 23/02/2024</p> <p>Completed & Discharged</p>
<p>679 18/10/2023</p>	<p><u>ASSURANCE SESSION – CABINET MEMBER CHILDREN, YOUNG PEOPLE & FAMILIES PORTFOLIO</u></p> <p><u>Additional Action:</u></p> <p>(vi)Noted risk & hidden/missing children to be discussed at a future meeting; and</p>	<p>Update from the Director of Children Services on 11/04/2024: A report on hidden Children was shared at the 18 October 2023 Education & Children’s Social Care O&S Committee. Circulated to the Committee on 15/04/2024.</p> <p>Committee to confirm this can be Completed/ Discharged</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
679 18/10/2023	(vii)Noted that value for money rather than compliance to be discussed at a future meeting.	The Director for Children Services to attend July 2024 meeting to provide an update.
691 29/11/2023	<p><u>CORPORATE GOVERNANCE GROUP ASSURANCE REPORT</u></p> <p><u>Additional Actions</u></p> <p>That the Audit Committee;</p> <p>(i) Commented on the new terms of reference for the Corporate Governance Group and proposed the following amendments to be made by the Interim Director of Finance, Section 151 Officer and the Managing Director, Milford Research & Consultancy Limited.</p> <p>a) The Membership of Corporate Governance Group (CGG) to include the Lead officer for legal;</p> <p>b) To include the option of inviting Audit Committee members to the CGG once the group stabilises to provide a member’s perspective;</p> <p>(ii) Commented on the new work schedule for the Audit Committee and Corporate Governance Group and proposed the Annual Governance Statement to be programmed into the work schedule.</p> <p>(iii) Noted the new requirements for the Corporate Governance Group to report to this Audit Committee as set out in the schedule; and</p>	<p>Marie Rosenthal/ Dr Milford</p> <p>The first meeting of the new Corporate Governance Group took place 16/01/2024. The agenda for the next meeting has been agreed and scheduled to take place 07 February 2024. The Corporate Governance Group will be looking at the Annual Governance Statement</p> <p>Completed & Discharged</p>
691 29/11/2023	<p><u>COPORATE GOVERNANCE GROUP ASSURANCE REPORT</u></p> <p>(iv) Guidance to be shared with Committee on information that was accessible to Audit Committee and Corporate Governance Group Members.</p>	<p>Marie Rosenthal/ Dr Milford</p> <p>Guidance on access to information will be shared at the June 2024 meeting.</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
692 29/11/2023	<p><u>INTERNAL AUDIT UPDATE</u></p> <p><u>Additional Actions:</u></p> <p>That the Audit Committee;</p> <p>(i) Noted the Internal Audit updates and commented for the following to be included in future updates:</p> <p>a) Temporary accommodation – Update on Purchase cards and spot checks to ensure there was no fraudulent activity.</p> <p>b) Proposed Internal Audit to advise Overview and Scrutiny Committees on monitor Internal Audit Reviews relevant to their areas.</p> <p>c) Requested for additional information around next steps; themes; improvement to work practices; actions taken on Oracle (ERP) and impact on resources within Internal Audit Team to be included in the Internal Audit Reviews and relevant sections of the Internal Audit Plan.</p> <p>(ii) Noted the School Audit Reports and financial position to be included as a separate item for discussion on a future agenda. To include an update on the carry forward balances from the local authority.</p>	<p>Sarah Dunlavey/ Craig Price</p> <p>Updates were provided at this meeting (21 February 2024 meeting) – Audit Plan Methodology Report</p> <p>Completed & Discharged.</p>
693 29/11/2023	<p><u>INTRODUCTION OF INTERNAL AUDIT RECOMMENDATION TRACKING</u></p> <p><u>Additional Action:</u></p> <p>That the Audit Committee;</p> <p>(i) Noted the steps taken to implement a replacement audit management system and the interim solution that was sought to support the consistent tracking of internal audit recommendations across the Council; and</p> <p>(ii) An update on the Central SharePoint repository and the initial recommendation progress monitoring report to be reported at the next Audit Committee meeting.</p>	<p>Sarah Dunlavey/ Craig Price</p> <p>Work in progress (6 months target to achieve from April 2024)</p> <p>The Central SharePoint repository is live. Update will be shared at the June 2024 meeting</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
694 29/11/2023	<p><u>ANNUAL COUNTERFRAUD REPORT 2022/23</u></p> <p><u>Additional Actions:</u></p> <p>That the Audit Committee;</p> <p>(i) Noted the Counter Fraud work undertaken during the year of 2022-23 and members drew assurances from the policies and procedures that were in place to prevent and detect fraud and error. The Committee agreed for further work to be undertaken on the impact and limitations of the ERP system.</p> <p>(ii) Agreed for the Counter Fraud report updates to include data from previous years as a comparative. In addition, to include information from other Core Cities including Manchester as a benchmark; common themes of fraud and details of the escalation process identified.</p> <p>(iii) Agreed for further updates on how the Council responded to staff fraud and the processes involved to be shared at a future meeting.</p>	<p>Sarah Dunlavey/ John Preston</p> <p>Officers to respond additional outstanding actions noted by the Committee.</p> <p>Counter Fraud Risk Assessment and Plan to be produced and reported to the June meeting.</p>
695 29/11/2023	<p><u>FINANCE UPDATE – NOVEMBER 2023</u></p> <p><u>Additional Actions:</u></p> <p>(iii) Requested for an additional briefing session to take place on the financial position of the Council;</p>	<p>Fiona Greenway/ Mohammed Sajid</p> <p>Update provided by Mohammed Sajid at the Corporate Governance Group meeting 11/04/2024:</p> <p>Regular updates have been provided to the Committee.</p> <p>Completed/ Discharged</p>
695 29/11/2023	<p><u>FINANCE UPDATE – NOVEMBER 2023</u></p> <p><u>Additional Actions:</u></p> <p>(iv) A written response to be provided on how Birmingham was going to respond to the Equal Pay Liability and how the £760 million calculation had been calculated; and</p>	<p>Fiona Greenway/ Mohammed Sajid</p> <p>Update provided at the Corporate Governance</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
	<p>(v) Details on budget consequence on spend reviews for the last 6 years to be shared for Birmingham and other similar local authorities.</p>	<p>Group Meeting 11/04/2024:</p> <p>Statutory Officers to provide a briefing session to the Committee followed by a written response.</p> <p>Mohammed Sajid to provide the document to circulate.</p>
<p>696 29/11/2023</p>	<p><u>EXTERNAL AUDITORS UPDATE</u></p> <p>That the Audit Committee;</p> <p>(i) Noted the contents of the report as set out by the External Auditors; and</p> <p>(ii) Proposed for a report to be shared at the next meeting by Counter fraud and internal Audit on the concerns on the number of issues that had been flagged on the Oracle Risk Cloud.</p>	<p>Fiona Greenway/ Mohammed Sajid</p> <p>Update provided at the Corporate Governance Group Meeting 11/04/2024:</p> <p>This will be covered in the response to the External Auditors report and the actions taken to address the concerns.</p> <p>Completed/Discharged</p>
<p>709 31/01/2024</p>	<p><u>INTERNAL AUDIT PLAN UPDATE</u></p> <p><u>Additional action:</u></p> <p>(ii) Agreed for the S151 officer to report back to a future meeting of the Committee on the work that had been done to date and was planned to develop a risk-based culture across the organisation.</p>	<p>Anthony Farmer</p> <p>Update provided at the Corporate Governance Group Meeting 11/04/2024:</p> <p>Update will be discussed at the May CGG meeting followed by Audit Committee in June 2024.</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
711 (Exempt) 31/01/2024	<p><u>UPDATE ON THE RISK MANAGEMENT PROGRAMME</u></p> <p>Refer to exempt schedule of outstanding actions.</p>	
714 31/01/2024	<p><u>UPDATE ON THE RISK MANAGEMENT PROGRAMME</u></p> <p><u>Additional action:</u></p> <p>(ii)Progress on the delivery of the Stabilisation Plan required by the Governance Review carried out by the Centre for Governance and Scrutiny be reported at the next meeting and the author Ed Hammond be invited.</p>	<p>A report was shared at the 21 February 2024 meeting and Ed Hammond invited.</p> <p>Completed/Discharged</p>
715 31/01/2024	<p><u>FINANCE UPDATE – JANUARY 2024</u></p> <p><u>Additional actions:</u></p> <p>(ii)Noted the details on the budget savings and breakdown document which was shared with Scrutiny Committee would be shared with Members of the Audit Committee.</p> <p>(iii) An update is required on the outstanding action from the previous meeting (29 November 2023) on the comparison with other Core Cities in order to gain an understanding of the in-year overspending to see where Birmingham was (pound per population). To see if Birmingham was in line with the current condition of local government.</p> <p>(iv) Noted the Committee to receive a Corporate Risk Register at the next meeting ahead of the Budget setting meeting.</p> <p>(v)Noted a written response of the methodology and assumptions used for rebasing to be shared with the Committee.</p> <p>(vi) Noted a review of the savings from previous years and understanding of why these could not be met and details of this to be shared with the Committee in order to learn from previous years.</p> <p>(vii) Noted the risk element of the Delivery Plans to be shared with Audit Committee.</p>	<p>Fiona Greenway/ Mohammed Sajid to explore how to report to Audit Committee.</p> <p>Updates provided at the Corporate Governance Group Meeting 11/04/2024:</p> <p>Budget setting meetings occurred. This will also form part of the Internal Audit Plan Reporting to Audit Committee.</p> <p>Update to be provided at the June meeting.</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
716 31/01/2024	<p><u>EXTERNAL AUDITORS UPDATE</u></p> <p><u>Additional action:</u></p> <p>(ii)Requested the Chief Executive to investigate the challenges and issues the External Auditors faced from the Council and to provide an update in either a private briefing session or letter to the Committee.</p>	<p>Marie Rosenthal/ Graeme Betts</p> <p>Update to be provided at the June meeting. (Private session)</p>
717 31/01/2024	<p><u>FINAL REPORT ON ORACLE</u></p> <p><u>Additional actions:</u></p> <p>ii)Noted an update to be provided to the Committee on DBS check, why safe and complaint with Oracle has not been achieved and reasons for the delay; and</p> <p>iii)Noted a full response to the final report on Oracle from the External Auditors will be shared at the next meeting of the Committee.</p>	<p>Full response to the final report on Oracle from the External Auditors was shared at the 21 February 2024 meeting.</p> <p>Completed & Discharged.</p>
734 21/02/2024	<p><u>STABILISATION PLAN MONITORING ARRANGEMENTS</u></p> <p><u>Additional actions:</u></p> <p>(ii)Agreed for the Interim City Solicitor and Monitoring Officer to share the monitoring arrangements documents with the Committee and 'reporting by exception' documents if key milestones were not met.</p>	<p>Marie Rosenthal</p> <p>Updates provided at the Corporate Governance Group Meeting 11/04/2024: Monitoring arrangements have been shared and Committee to confirm if more information is required.</p> <p>Governance Stabilisation Plan Monitoring arrangements emailed to Committee on 15/04/2024.</p> <p>Committee to confirm this can be Completed/ Discharged</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
735 21/02/2024	<p><u>MANAGEMENT RESPONSE TO EXTERNAL AUDITORS UPDATE ON ORACLE</u></p> <p><u>Additional actions:</u></p> <p>(ii) Noted the detailed plan outlining the milestones to the management response to be reported back to the committee.</p> <p>(iii) An update report to be provided to the Committee looking at the concerns raised by members and officers in Cabinet meetings around Implementation of Oracle to understand if questions and concerns were answered effectively.</p> <p>(iv) Previous and new options appraisal documents to be circulated outside of the Committee.</p> <p>(v) Councillor Jenkins to provide feedback to the Audit Committee on commentary and challenge to the ERP reimplementation work; and</p> <p>(vi) Agreed for an update to be provided Safe and Compliance on GDPR.</p>	<p>Update report to June/ July 2024 meeting</p> <p>Update report to June/ July 2024 meeting</p> <p>Mohammed Sajid/ Fiona Greenway</p> <p>Work in progress via Councillor Jenkins</p> <p>Update report to June 2024 meeting</p>
739 (Exempt) 21/02/2024	<p><u>OTHER URGENT BUSINESS (EXEMPT)</u></p> <p>Refer to exempt schedule of outstanding actions.</p>	