BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 29 NOVEMBER 2023 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   **MINUTES – AUDIT COMMITTEE 18 OCTOBER 2023**

To confirm and sign the minutes of the last meeting of the Committee held 18 October 2023.

6   **COMMISSIONERS REVIEW & COMMENTS ON THE AGENDA**

To note the attached comments from the Commissioner.

7   **NEW TERMS OF REFERENCE – AUDIT COMMITTEE**

(10 minutes allocated) (1405 – 1415 hours)

Report of the Interim Finance Director, Section 151 Officer

8   **CORPORATE GOVERNANCE GROUP ASSURANCE REPORT**

(10 minutes allocated) (1415 - 1425 hours)

Report of the Interim Finance Director, Section 151 Officer

9   **INTERNAL AUDIT UPDATE – OCTOBER 2023**

(10 minutes allocated) (1425 - 1435)

Report of the Assistant Director Audit and Risk

18 **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.

19 **AUTHORITY TO CHAIR AND OFFICERS**

Chair to move:-

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

BIRMINGHAM CITY COUNCIL

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**AUDIT COMMITTEE
18 OCTOBER 2023**

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

PRESENT:-

Councillor Fred Grindrod in the Chair;

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

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NOTICE OF RECORDING/WEBCAST

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

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

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APOLOGIES

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

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DECLARATIONS OF INTEREST

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

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EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

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

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

The Committee agreed this.

Upon consideration, it was:

672   **RESOLVED**

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

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

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

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

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

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COMMISSIONER'S REVIEW AND COMMENTS ON THE AGENDA

The following document from the Commissioner was submitted:

(See document No.1 of the agenda pack)

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

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

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

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

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

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

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

Upon consideration, it was:

674   **RESOLVED**:-

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

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INTERNAL AUDIT UPDATE

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

(See document No.2 of the agenda pack)

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

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

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- Internal Audit – Process / Key Findings (A 'green' level 1 report would mean there was nothing of concern whereas a 'red' level 4 report had serious concerns).
- There were several types of reports. These were noted as;

  - Normal Internal audit report – a Internal Audit review and report.
  - If Internal Audit findings indicate high risk/high level, then a progress or follow up report would be produced. The assurance rating would not be changed for a progress report at this point.
  - All high-risk and low assurance areas would be followed up to ensure recommendations had been implemented.
  - Between 1st April and 30th September 2023, 62 final reports had been issued and 31% of the current plan completed to draft audit report stage.
  - 3 reports with a high-risk rating had been issued. These were noted as
    - ➢ Home To School Transport – Strategic Review;
    - ➢ Equality and Cohesion Review of EIAs
    - ➢ Commissioning and Monitoring Arrangements – Day Six Provision
- Other Work Internal Audit were working on was outlined.
- The 2023/24 Plan update was shared with the Committee.

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

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

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

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

 Members raised questions and made the following comments;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Upon consideration, it was:

675   **RESOLVED**:-

That the Audit Committee

(i)   Noted the update, progress in delivering the 2023/24 internal audit programme, and the key findings arising from the work completed.

(ii)   Noted and discussed any emerging issues / risks for inclusion in the planning Process; and

(iii) Noted the report on the work from KPMG on segregation of duties would be shared with members.

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STRATEGIC RISK REGISTER – RISK MANAGEMENT UPDATE

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

(See document No.3 of the agenda pack)

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

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

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

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

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

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

Members raised questions and made the following comments;

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

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

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

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

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

Upon consideration, it was:

676   **RESOLVED**:-

That the Audit Committee

(i)   Noted the progress in implementing the Risk Management Framework and the assurance and oversight provided by the Council Leadership Team (CLT); and

(ii)   Noted there was a root and branch review taking place to review the strategic risks.

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RESPONSE TO THE STATUTORY RECOMMENDATIONS

The following report of the Chief Executive was submitted:

(See document No.4 of the agenda pack)

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

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

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

Members raised questions and made the following comments;

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

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

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

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

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

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

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

Upon consideration, it was:

677   **RESOLVED**:-

That the Audit Committee;

(i)   Noted the paper and contents of the report presented for Full Council on the 12 October 2023; and

(ii)   Noted that Full Council agreed for Audit Committee to receive regular updates on progress against the recommendations and actions within this report.

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UPDATE FROM EXTERNAL AUDIT

This item was a verbal update from the External Auditors.

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

The following points was made by the External Auditor;

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

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

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

Members raised questions and made the following comments;

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

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

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organisation with a strategic risk register. Between the operational and strategic register risks the committee should be receiving the right information.
- The openness and culture throughout the organisation had to change.
- The opinions and views indicated by the external Auditor was evidence based from different sources.
- The final model of the Equal Pay had not been seen by the External Auditors however reassured the Committee active engagement was taking place with officers.

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

678   **RESOLVED**:-

That the Audit Committee;

(i)   noted the verbal update from the External Auditors; and

(ii)   agreed for the section 151 officer to provide a high-level briefing or report on the Equal Pay Model.

_____

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

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

(See document No.5 of the agenda pack)

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

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

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

949

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

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

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

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

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

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

The Assistant Director, Children and Young People's Travel Service had submitted his apologies at this meeting however, he had several meetings with Councillor Yip around the queries raised.
The Director for Children Services emphasised on the successes for the Directorate was to have permanent posts in place. The Head of Strategic Governance and Planning was now in place on a permanent basis.

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

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

Members raised questions and made the following comments;

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

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

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

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

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

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

679   **RESOLVED**:-

That the Audit Committee;

(i)   Noted the report and verbal update regarding the Children and Young People's Travel Service.

(ii)   Noted the information provided on the Children and Families Directorate risk management.

(iii)   Noted the responses to questions raised by Councillor Yip would be circulated to the Committee Members;

(iv)   Information on the actual costs for spend for Contracts to be provided;

(v)   Noted the internal audit reports referred to the Children and Young People's Travel Service to be shared;

(vi)   Noted risk & hidden/missing children to be discussed at a future meeting; and

(vii)   Noted that value for money rather than compliance to be discussed at a future meeting.
_____

SCHEDULE OF OUTSTANDING MINUTES

Minute 575 - 28/03/2023; 577 - 28/03/2023; 603 - 28/06/2023 – Dr Rob Milford gave an overview of the Work Programme for the Committee and the training schedule.
The Chair requested for a 1 to 1 discussions to take place with Dr Milford ahead of the next meeting.
(A new colour coding to take place for ongoing work)
Minute 642 15/09/2023 - (ii) A list of ongoing reviews to be logged and shared with the Committee – outstanding action.
Minute 653 27/09/2023 – Responses were ready to circulate to officers and would be after the meeting.
Minute 655 27/09/2023 – Assurance Session – Leaders Portfolio – This had been adjourned however, options would have to be explored as to how to close this item. (This can be greyed out on the schedule).

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

680   **RESOLVED**:-

That the Audit Committee noted the schedule of outstanding minutes.
_____

681   **DATE OF THE NEXT MEETING**

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

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

AUTHORITY TO CHAIRMAN AND OFFICERS

683   **RESOLVED**:-

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

The meeting ended at 1659 hours

……………………………..

CHAIR

Birmingham City Council
Audit Committee

Date 29 November 2023

Subject: Audit Committee Agenda (29 November, 2023)

Commissioner Review

Commissioners are pleased to see that the Committee are being recommended to adopt the CIPFA guidance and model terms of reference for the Audit Committee. This is an important step in the process of recovery. The Council's Constitution should make it explicit that no Councillor should be able to serve on the Audit Committee until they have attended the necessary training course on how to be an effective member of the Committee. As part of the annual review of the effectiveness of the Committee the training and development needs of councillors in general and members of this committee should be considered.

Audit Committees are required to produce an Annual report. In addition to this the Chair of the Committee should have the ability to place an item on the Cabinet agenda and attend and speak to it if there are significant issues arising that needs Cabinet to give specific attention to the issue. The Committee should also consider whether major issues require them to report directly to full Council as every councillor is responsible for financial stewardship.

Members should satisfy themselves that the level of activity in Counter Fraud is appropriate for a Council of Birmingham's size. The council will inevitably undergo some disruption through the intervention period and this always provides an opportunity for challenge to the Council's processes.

When staff members are involved in fraudulent activities it is not acceptable for the report to say that the matter has been passed to management to deal with. Public service demands the highest standards of probity and the public's trust and confidence in the stewardship of the authority is put at risk in such circumstances. The Committee should require follow up reports to understand what action management take and in what timescale.

Birmingham City Council
Audit Committee
29th November 2023

Subject:	**New Terms of Reference for the Audit Committee**
Report of:	Interim Director of Finance (Section 151 Officer)
	Fiona Greenway
Report author:	Milford Research and Consultancy Limited
	Managing Director - Dr Robert Milford

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 :

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1   Executive Summary

1.1   The New Terms of Reference for the Audit Committee will help to ensure its alignment with current best practices as set out by CIPFA in the '*Audit Committees: Practical Guidance for Local Authorities and Police 2022 Edition*' and in compliance with CIPFA's '*Position Statement: Audit Committees in Local Authorities and Police 2022.*'

2   Recommendation(s)

2.1   That the Audit Committee makes comment on the new terms of reference as necessary, including any specific amendments.

2.2   That the Audit Committee notes the new requirements and responsibilities, in particular, the requirement for the committee to conduct an annual review of its compliance with the CIPFA Position Statement 2022.

2.3   That the Audit Committee approves the terms of reference for consideration and approval by Full Council as necessary to amend the constitution: Part B Roles, Functions and Rules of Procedure May 2023 B14 Audit Committee

3   Background

3.1   CIPFA's Position Statement 2022: Audit committees in local authorities and police 2022 states that:

3.1.1   The Audit Committee is a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

3.2   In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.

3.3   The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

3.4   This Terms of Reference ensures the Audit Committee is operating to the latest best practice and; provides reference for both Members and Officers to ensure appropriate focus of reports for this Audit Committee and reporting on to other parts of the authority as stated in the terms of reference.

4   Legal Implications

4.1   There are no other legal implications other than those set out in the report

5   Financial Implications

5.1   The work of the Audit Committee is a vital part of the Council's governance framework. An effective terms of reference should ensure the resources of the Audit Committee are directed at the most important areas of focus for the Committee

6   Public Sector Equality Duty

7.1   There are no public sector equality duties arising from this report.

7   Other Implications

7.1   The recommendations as set out in this document will ensure the appropriate apolitical and independent responsibilities and accountabilities rest with the Audit Committee

8   Background Papers

8.1   28th June 2023 Audit Committee: Improving the Effectiveness of Audit Committee

9   Appendices

9.1   New Terms of Reference for the Audit Committee

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Appendix 1 New Terms of Reference for the Audit Committee

B14. Audit Committee

14.1   Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk management and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control provides greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

14.2   Governance, risk and control

1. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
2. To monitor the effective development and operation of risk management in the council.
3. To monitor progress in addressing risk-related issues reported to the committee.
4. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
5. To consider reports on the effectiveness of financial management arrangements, including compliance with Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management Code.
6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
8. To monitor the counter fraud strategy, actions and resources.
9. To review the governance and assurance arrangements for significant partnerships or collaborations.

14.3   Financial and governance reporting

Governance reporting:

1. To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
2. To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting:

1. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
2. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

3. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

14.4   Arrangements for audit and assurance:

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit:

1. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate.
2. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
3. To consider specific reports as agreed with the external auditor.
4. To comment on the scope and depth of external audit work and to ensure it gives value for money.
5. To consider additional commissions of work from external audit.
6. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
7. To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

1. To approve the internal audit charter.
2. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
3. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
4. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
5. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
6. To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
7. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
   a. updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
   b. regular reports on the results of the Quality Assurance and Improvement Programme (QAIP)
   c. reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

8. To consider the head of internal audit's annual report, including:
   a. the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
   b. the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
9. To consider summaries of specific internal audit reports as requested.
10. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
11. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
12. To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations.
13. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

14.5   Accountability arrangements

1. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
2. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
3. To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement 2022 (See below).

14.6   Membership

1. Members of the Audit Committee, and its Chair, are appointed by Full Council. There are eight members of the committee, and the quorum is three.
2. The Chair of Audit Committee should not be appointed to serve as a director on any of the City Council's wholly owned companies.
3. An Independent Technical Advisor should be appointed to support the Committee.

14.7   Conflicts of interest

1. If a Cabinet Adviser (or former Cabinet Adviser) is a member of the Audit Committee when it is considering matters to which their role relates, then that Councillor must withdraw from the meeting during the consideration of such matter.
2. If the Audit Committee is considering items relating to the work of a relative of a member of the Committee, then that Councillor must withdraw from the meeting during the consideration of such matter.

14.8   Review of these Terms of Reference

These Terms of Reference are to be reviewed annually to ensure they remain appropriate, reflect best practice and align to relevant standards and regulations.

Previous Terms of Reference – for information only

B14. AUDIT COMMITTEE

14.1 Purpose

i. 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.

14.2 Functions

a) To review the City Council's Annual Accounts and Annual Governance Statement (AGS). This will include advising on significant changes throughout the year to financial regulations and policies.

b) To monitor progress in addressing control or governance issues identified in the AGS.

c) To review and provide the Executive with assurance on the embedding and maintenance of an effective system of corporate governance, including the Council's Corporate Governance Code and Framework, risk management framework, and the associated control environment.

d) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

e) To review the adequacy of treasury risk management arrangements as set out in the Treasury Management Policy, Strategy and treasury management practices.

f) Responsibilities as set out in the terms of reference in relation to external audit including reviewing the planned programme of work, noting fees and terms of engagement of the external auditor, considering, and advising the executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.

g) To review and make recommendations to the executive regarding the effectiveness of internal audit to include ensuring the internal audit function is adequately resourced, to review its strategy, receive, challenge, and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.

h) To consider and make recommendations to the executive on the Council's arrangements for deterring, preventing, detecting, and investigating fraud.

i) To consider reports from the Ombudsman and monitor management response in relation to these.

j) To consider, approve or make recommendations in respect of any other matters at the request of the Council.

14.3 Membership

i. Members of the Audit Committee, and its Chair, are appointed by Full Council. There are eight members of the committee, and the quorum is three.

ii. The Chair of Audit Committee should not be appointed to serve as a Director on any of the City Council's wholly owned companies.

iii. An Independent Technical Advisor should be appointed to support the Committee.

14.4 Conflicts of interest

iv. If a Cabinet Adviser (or former Cabinet Adviser) is a member of the Audit Committee when it is considering matters to which their role relates, then that Councillor must withdraw from the meeting during the consideration of such matter.

v. If the Audit Committee is considering items relating to the work of a relative of a member of the Committee, then that Councillor must withdraw from the meeting during the consideration of such matter.

The Chartered Institute of
Public Finance & Accountancy

cipfa.org

CIPFA

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable

- in local authorities, be independent of both the executive and the scrutiny functions

- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable

- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups

- have rights to request reports and seek assurances from relevant officers

- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

2

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.

- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.

- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.

- In relation to the authority's internal audit functions:

    o oversee its independence, objectivity, performance and conformance to professional standards

    o support effective arrangements for internal audit

    o promote the effective use of internal audit within the assurance framework.

3

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.

- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.

- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.

- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.

- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:

  o promoting apolitical open discussion

  o managing meetings to cover all business and encouraging a candid approach from all participants

  o maintaining the focus of the committee on matters of greatest priority.

- Willingness to operate in an apolitical manner.

- Unbiased attitudes – treating auditors, the executive and management fairly.

- The ability to challenge the executive and senior managers when required.

- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

4

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public

- be able to meet privately and separately with the external auditor and with the head of internal audit

- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required

- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters

- support transparency, reporting regularly on its work to those charged with governance

- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

5

Birmingham City Council
Audit Committee
29th November 2023

Subject:	**Corporate Governance Group Assurance Report**
Report of:	Interim Director of Finance (Section 151 Officer)
	Fiona Greenway
Report author:	Milford Research and Consultancy Limited
	Managing Director - Dr Robert Milford

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 previous agenda item set out the new Terms of Reference for the Audit Committee that will help to ensure its alignment with current best practices as set out by CIPFA in the '*Audit Committees: Practical Guidance for Local Authorities and Police 2022 Edition*' and in compliance with CIPFA's '*Position Statement: Audit Committees in Local Authorities and Police 2022.*'

1.2   The purpose of the Corporate Governance Group (CGG) is to support the Audit Committee in fulfilling its new terms of reference and therefore its governance responsibilities.

1.3   The CGG is to be chaired by a statutory officer (S151) and brings together various lead officers from across Birmingham City Council to review all of the key local code of corporate governance elements and lead in the development of the Annual Governance Statement (AGS). The CGG is also responsible for monitoring the implementation of actions relating to the significant issues listed in the AGS.

1.4   The other rationale for this group is to minimise the risk of single point of failure or losses of corporate knowledge due to staff turnover. This was an issue identified in previous Audit Committee meetings. The CGG will act as a Governance, Risk and Compliance (GRC) repository of knowledge for BCC and

ensure that the key elements of governance remain effective and continually developing.

1.5   To help support the Audit Committee to work effectively, the CGG and Audit Committee will have a schedule of key reports for a rolling year. This is to minimise the risk of core reports required for various regulatory and legal purposes being missed or delayed. It will also aid in the planning and timeliness of any Cabinet or Director assurance presentations or reports to the Audit Committee.

1.6   The CGG will also act as the first point of call for members of the Audit Committee requesting reports or other actions from officers (other than those relating to direct communication with the Head of Internal Audit or the External Auditor as set out in the new Audit Committee Terms of Reference).

1.7   Set out in the appendices are the new draft Terms of Reference for the CGG and a draft schedule for the Audit Committee/CGG.

2   Recommendation(s)

2.1   That the Audit Committee makes comment on the new terms of reference for the Corporate Governance Group as necessary, including any specific amendments.

2.2   That the Audit Committee makes comment on the new work schedule for the Audit Committee and Corporate Governance Group as necessary, including any specific amendments.

2.3   That the Audit Committee notes the new requirements for the Corporate Governance Group to report to this Audit Committee as set out in the schedule.

3   Background

3.1   CIPFA's Position Statement 2022: Audit committees in local authorities and police 2022 states that:

3.1.1   The Audit Committee is a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

3.2   In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.

3.3 The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

3.4 Additionally, the CIPFA guidance for the compilation of the Annual Governance Statement identifies that there is a need to review the effectiveness of the local code of corporate governance and reported annually. However, the requirement to ensure governance is effective is an ongoing process and the CGG should enable the local code to become a 'living' document and supported by maintained and developing systems and assurance frameworks.

3.5 This new Terms of Reference for a Corporate Governance Group and the work schedule ensures the Audit Committee is operating to the latest information and; provides reference for both Members and Officers to ensure appropriate focus of reporting to this Audit Committee.

4 Legal Implications

4.1 There are no other legal implications other than those set out in the report.

5 Financial Implications

5.1 Good governance will aid sound financial management and help the Council meet its statutory responsibilities in relation to financial management. Good Governance should ensure resources are directed in accordance with agreed policy and according to priorities, there is sound and inclusive decision making, there is appropriate stewardship of public assets and resources and there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.

6 Public Sector Equality Duty

6.1 There are no public sector equality duties arising from this report.

7 Other Implications

7.1 The recommendations as set out in this document will ensure the appropriate reporting and supporting structures are in place to help with the Audit Committee delivery of its responsibilities.

8   Background Papers

9.1   28th June 2023 Audit Committee: Improving the Effectiveness of Audit Committee

9   Appendices

9.1   New Terms of Reference for the Corporate Governance Group

9.2   The New Schedule of works for the Audit Committee and CGG

Corporate Governance Group

Terms of Reference

The main purpose of the Corporate Governance Group is to support the Audit Committee in the discharging of its governance responsibilities.

The CGG is to promote, monitor, review and improve key elements of the structures and processes that comprise the authority's governance arrangements as summarised below.

This includes the development of the Annual Governance Statement, monitoring the status of any significant governance issues arising from previous AGS and the assessment of the current Local Code of Governance effectiveness.

The CGG should review how the authority is:

1. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
3. Documenting a commitment to openness and acting in the public interest.
4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
6. Translating the vision into courses of action for the authority, its partnerships and collaborations.
7. Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
8. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.
9. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and, where they do not, explain why and how they deliver the same impact.
11. Ensuring effective arrangements are in place for the discharge of the monitoring officer function.
12. Ensuring effective arrangements are in place for the discharge of the head of paid service function.
13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption.
16. Ensuring an effective scrutiny function is in place.
17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit and the Public Sector Internal Audit Standards and, where they do not, explain why and how they deliver the same impact.
18. Ensuring an effective audit committee, as identified in CIPFA Audit Committees guidance.
19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
20. Ensuring that the authority provides timely support, information and responses to external regulators and ombudsman and properly considers their findings and recommendations.
21. Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

Membership

This is to be statutory officer led group and should include other officers as necessary to fulfil the purpose as set out above. This should include:

- Lead Officer for Internal Audit
- Lead officer for Finance
- Lead Officer for Risk Management
- Lead Officer for Change management / project management
- Lead Officer for Performance management
- Lead Officer(s) for Ombudsman and other regulatory works
- Representative for External Audit
- Lead Officer for Counter fraud and whistle-blowing
- Lead Officer for Audit Committee
- (Temporarily) Lead Officer for Statutory recommendation progress this can be updated to be the Lead officer on the implementation of actions arising from the AGS Significant

Frequency of meetings

The meetings should be scheduled to align with the reporting to Audit Committee on the above purposes and to enable the Audit Committee to discharge its governance responsibilities.

DRAFT - Birmingham City Council Audit Committee – Workplan for 2023/24

Date of meeting	Standing Items – Primary Activities	Non-Standing Items (Known) – Other Activities	Training – bite size (back to basics) – 30mins prior to meetings
27th September 2023 @ 2pm			Three Lines of Defense – linking the June 2023 list of items together
18th October 2023 @ 2pm	Internal Audit – minimal as a verbal update External Audit – minimal as a verbal update Finance update – minimal as a verbal update	Sources of Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates Internal Audit Plan Update	Internal Audit – Reporting Assurance including S114/S5/S24 (Council response plans assurance)
29th November 2023 @ 2pm	Internal Audit – minimal as a verbal update External Audit – minimal as a verbal update Finance update – minimal as a verbal update Risk Management – review of registers, framework and escalation Finance Accounts Update – including Treasury Management	Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates Performance Systems/Control Framework Projects Systems/Control Framework Corporate Governance Group Assurance Report NEW ITEM Introduction of Internal Audit Recommendation Tracking NEW ITEM	Financial Reporting – Statement of Accounts – Audit Committee role and assurances + Audit Committee self-Assessment questionnaire

| | | O&S assurance report to the Audit Committee NEW ITEM

Director/PFH assurance report | |
|---|---|---|---|
| 31st January 2024 @ 2pm | Internal Audit – minimal as a verbal update

External Audit – minimal as a verbal update

Finance update – minimal as a verbal update

Counter Fraud Update | Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates

Internal Audit Plan Update

Internal Audit – High Risk Exception Reports NEW ITEM | Risk Management

+ Audit Committee self-Assessment questionnaire - output |
| 21st February 2024 @ 2pm | Internal Audit – minimal as a verbal update

External Audit – minimal as a verbal update

Finance update – minimal as a verbal update

Risk Management – check to known risks impact on registers | Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates

Local Code of Governance

Change Management Update

Audit Committee self-assessment report

O&S assurance report to the Audit Committee

Director/PFH assurance report | External Audit |
| 20th March 2024 @ 2pm | Internal Audit – minimal as a verbal update

External Audit – minimal as a verbal update | Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates

Internal Audit Plan for 2024/25 | Good governance - Annual Governance Statements |

	Finance update – minimal as a verbal update	Internal Audit Charter Audit Committee – Outstanding Resolutions Internal Audit Progress Report Accounting Policies 2023/24 Partnership Governance – Annual Report External Regulators – Annual Report on activity	
24th April 2024 @ 2pm	Internal Audit – minimal as a verbal update External Audit – minimal as a verbal update	Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates Audit Committee Terms of Reference – Review	Counter fraud Other committees e.g. O&S committee assurances
May 2024	Appointment of Audit Committee		Induction – to follow appointment prior to next committee
June 2024	Internal Audit – minimal as a verbal update External Audit – minimal as a verbal update Finance update – minimal as a verbal update	Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates Committee Work Programme 2024/25 Internal Audit Annual Report 2023/24 including the Head of Internal Audit's Annual Opinion	Basic Training – Three Lines of Defense

	Risk Management – refresh of the register and systems	Draft Annual Report of the Audit Committee 2023/24 Review of the Effectiveness of Internal Audit Verbal Update on the Annual Statement of Accounts	
July 2024	Internal Audit – minimal as a verbal update External Audit – minimal as a verbal update Finance update – minimal as a verbal update	Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates Annual Counter Fraud Report Annual Risk Management Report	Internal and External Audit
September 2024	Internal Audit – minimal as a verbal update External Audit – minimal as a verbal update Finance update – minimal as a verbal update Risk Management Update	Assurances on S114s/S5/S24 response plans – encompassing Oracle and Equal Pay updates	

Birmingham City Council

Audit Committee

29th November 2023

Subject:	Internal Audit Update - October 2023
Report of:	Sarah Dunlavey, Assistant Director Audit and Risk Management
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 report provides an update to the Audit Committee on Internal Audit activity for October 2023. It summarises the key findings arising from the work completed and provides a summary of the changes to the 2023/24 Internal Audit plan.

2   Recommendation(s)

2.1   Members are asked to note the update.

3   Background

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

3.2   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 through a risk-based audit methodology. Where weakness or non-compliance is found, recommendations are made to management to improve the operation of internal controls.

3.3   The organisation is continuing to face significant challenges.

3.4 During October 16 final reports have been issued. The key findings contained with these reports are summarised in the attached report.

3.5 As at the end of October 2023 41% of the 2023/24 audit plan has been completed to draft report stage, this is just slightly below our target of 50%. Our target for the year is to complete 95% of the plan to draft report stage.

3.6 The plan remains dynamic and under reviewed. The plan is updated and reprioritised in line with emerging issues and demands.

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?

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

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

8.4 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 - October 2023

Internal Audit Update - October 2023

29th November 2023

Contents

1. Background

2. Significant Issues Impacting upon the Organisation

3. Internal Audit Final Reports Issued October 2023

4. Other Work

5. 2023/24 Plan – Summary of Changes

1. Background

1.1 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 through a risk-based audit methodology. Where weakness or non-compliance is found, recommendations are made to management to improve the operation of internal controls. Management is responsible for actioning recommendations to improve internal controls and strengthen risk management arrangements or accepting the risks.

1.2 Internal Audit activity is governed by the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. These standards seek to secure 'a professional, independent and objective internal audit by setting out the mission and definition of Internal Auditing, the core principles for professional practice, together with a Code of Ethics. Specific attribute and performance standards provide guidance on how internal auditing should be carried out and the function managed. Guidance on the interpretation of the Standards is set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Local Government Application Note.

1.3 The baseline audit plan for 2023/24, developed following the completion of a risk assessment, was agreed by the Audit Committee at the March meeting. The audit plan is dynamic and is reviewed and updated throughout the year, based on discussions, feedback received, emerging issues, and changing risks. Additionally the views of the Audit Committee are important, any concerns flagged by Members will be fed into the planning process.

1.4 This report provides an update to the Audit Committee on Internal Audit activity for October 2023. It summarises the key findings arising from the work completed and provides a summary of the changes to the 2023/24 Internal Audit plan. A summary of the key findings arising from the work completed between April 2023 – September 2023 was provided at the last Audit Committee meeting.

2. Significant Issues Impacting upon the Organisation

2.1 The Statement of Accounts for the year ending 31st March 2021 and 31st March 2022 are still in draft, ongoing discussions are taking place with the Council's External Auditor.

2.2 The Council is continuing to operate under two section 114 notices and a section 5 notice. Additional financial controls, together with a S151 Spend Control Board, have been introduced to monitor non-essential expenditure. Work on the financial recovery plan and revised budget is ongoing.

2.5 The Council has now agreed job evaluation methodology.

2.6 The Council's External Auditor, Grant Thornton, has issued Statutory Recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act 2014. The response to these recommendations has been accepted by Full Council.

3. Internal Audit Final Reports Issued October 2023

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

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.

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.

3.2 During October 16 final reports (5 Audit Reports, 3 Follow up Reports, and 8 Schools Reports) have been issued. A summary of the key findings arising from each report is given below:

Audit Reviews

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
Oct 2023	Shared Lives	Medium	Level 3	Processes and procedures require development to ensure that citizens in shared lives placements receive their assessed package of care and support. This includes aligning services with other Adult Social Care Services, placement matching, and ongoing reviews.
Oct 2023	Temporary Accommodation - Income & Expenditure	Medium	Level 3	Despite a range of proposed mitigations, the number of families in Temporary Accommodation has continued to grow well above the national average. Whilst financial monitoring for 2023/24 is challenging, the most recent estimates have forecast an annual budget pressure of around £11m. Processes for managing income and expenditure operationally have been strengthened in some areas since previous reviews. For example, managing and tracking the receipt and verification of all invoices, and ceasing the use of Purchase Cards as a payment method for bed and breakfast. However, at the time of testing there were still no reliable processes in place to undertake targeted visits.
Oct 2023	Waiver and Breach Procedures	Low	Level 3	Our audit identified areas for improvement in the application of the Waiver and Breach procedures and that some amendments are required to the procedures and Waiver Form.

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
				In our sample testing, we identified instances where the Waiver Form (which is used for both waivers and breaches) was not properly authorised. We have recommended that management explore the automation of this process to avoid this risk, and to make the process more efficient.
Oct 2023	Ladywood Regeneration Competitive Dialogue - Final Tender Stage	Low	Level 2	This audit focussed on the final tender stage of the competitive dialogue exercise for the procurement of a partner in delivering the Ladywood Regeneration Scheme. Testing confirmed that the specific rules around conducting a competitive dialogue exercise, within Public Contracts Regulations 2015, have been complied with.
Oct 2023	Corporate Starters and Leavers	Low	Level 2	Our testing identified that new starters and leavers had all the required documents and checks carried out to support the recruitment and leaving process. However, we did find that some of the required documentation was not available in the employee Document of Records at the time of the review. These documents have since been located.

Follow-up Reports

Month issued	Final Report	Original Risk Rating	Revised Risk Rating	Issues Identified
Oct 2023	Information Governance - Data Breach Travel Assist Follow Up	Medium	Medium	This follow up review found that the previously provided responsible officers are no longer Council employees, and it has proven difficult to determine progress against the actions. The actions have now been reassigned.
Oct 2023	Impulse IT Audit	Medium	Medium	Progression of the actions was slow to start until the Assistant Director for - Strategy, Commissioning and Transformation for Education and Skills chaired a group to set ownership, responsibility, and revised implementation dates. At that time, implementation of our audit actions was factored into the Children and Families Directorate Improvement Plan. This has established some momentum and progress with the actions.

Month issued	Final Report	Original Risk Rating	Revised Risk Rating	Issues Identified
Oct 2023	Information Governance GDPR Compliance City Housing	Medium	Medium	Action to progress implementation of the previously agreed recommendations has been taken since the previous review. The more significant actions continue to be progressed, particularly to review information asset registers and access to information assets.

School Audit Reports

3.3   For the school audit reviews completed in October overall we found good systems and controls in place to ensure compliance and that Governors and Senior Leadership teams had confidence in each other. Financial challenges remain, especially where there are falling pupil numbers due to demographics and where schools are supporting a high proportion of pupils with SEND. School budgets are stretched with risk of deficits both in current year and future years. Operationally we have continued so see a need to further strengthen compliance and controls in relation to purchasing. Whilst our follow up work identified that, in the main, there had been positive progress this had been slower than expected, and as a result is likely to lead to full audit reviews being undertaken within 12 months.

3.4   A large proportion of schools have not received confirmation of their Carry Forward Balances from the Local Authority, and this has impacted on their ability to establish their financial position and plan accordingly, we understand that these will be available early November. Coupled with this schools are clearing a back log of reconciliation files from the Oracle system. This has meant that schools have found providing meaningful financial reports to their Governing Boards difficult. These challenges have been considered during our work and we have not penalised the school for any issues that are out of the school's control.

4. Other work

4.1 In addition to the completion of audit review work is currently ongoing to support management. Whilst this work does not ultimate result in the provision of assurance it is considered to key in supporting the organisation. A brief outline of this ongoing work is provided below:

- **Oracle:** We are continuing to attend bronze task groups providing proactive advice and guidance. We are supporting the implementation of Oracle Risk Management Cloud Oracle to assist the ongoing review of segregation of duties and the implementation of proactive compliance testing.

- **Pay compliance:** Providing ongoing support and data analysis to support the Council pay compliance group. Ongoing timesheet compliance testing is also being undertaken to ensure appropriate working practices are consistently adopted.

- **Grant Certification:** Completion of grant certification work.

5. Internal Audit Plan

5.1 A summary of the changes to the 2023/24 audit plan is detailed below.

5.2 As at the end of October 2023 41% of the 2023/24 plan has been completed to draft report stage, this is just slightly below our 50% target. Our target for the year is to complete 95% of the plan to draft report stage.

5.3 The plan remains dynamic and under reviewed. The plan continues to be assessed and reprioritised based on emerging issues and demands.

Summary of Changes to the Internal Audit Plan

Jobs added to the Plan	Objective
Section 114 Spend Controls	To provide assurance on:
	a) the operation of the spend control process and consistency and transparency of decision making; and
	b) compliance with the spend controls.
Management and control of seized items	Provide assurance on the management and control of items seized during enforcement activities.

Jobs removed from the Plan	Comments
Stock Condition Data 2024 – City Housing	Ongoing external assurance and oversight

Birmingham City Council

Audit Committee

29th November

Subject:	Internal Audit Recommendation Tracking
Report of:	Sarah Dunlavey, Assistant Director Audit and Risk Management
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:

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1   Executive Summary

1.1   This report summarises the work that is being undertaken to replace the audit management system and the steps that are being taken to implement a central internal audit recommendation tracker and final report repository.

2   Recommendation(s)

2.1   Members are asked to note the steps taken to implement a replacement audit management system and the interim solution that is sought to support the consistent tracking of internal audit recommendations across the Council.

3   Background

3.1   Internal Audit's Public Sector Internal Audit Standards External Quality Assessment flagged that whilst the current model of operating through a network of business partners / audit contacts had numerous and accepted benefits, there were risks of reporting gaps. Therefore, it was recommended that as part of the future operating model that this risk was considered for key elements of the audit process. This included the periodic reporting and monitoring on the implementation of recommendations, over and above the established follow-up process.

3.2   It was identified that the existing audit management system did not fully support the functionality required to help drive the Internal Audit service forward, including allowing management to track and update progress on the implementation of

recommendations online through a single database. A project to replace the existing audit management system was commenced, and is currently being progressed, with the Council's Digital and Technology Services (DTS).

3.3   Whilst work is still ongoing it is likely that the replacement system will be built within the Council's exiting Microsoft Power Platform allowing the solution to integrate with Microsoft Officer 365. This would create a saving on system support, maintenance, and hosting fees for the existing audit management.

3.4   As the replacement system, containing the base functionality, is unlikely to be in place until at least April next year an interim central SharePoint recommendation tracking solution is being established.

3.5   It is anticipated that the current recommendation trackers maintained at a service level will be imported into this central SharePoint repository.

3.6   This interim solution will:

   3.6.1   create a consistent central repository of audit recommendations, their status, and implementation progress;

   3.6.2   enable action owners to update progress against individual recommendations;

   3.6.3   enable directors, who have responsibility for ensuring that agreed audit recommendations are implemented, to track progress;

   3.6.4   identify areas where management have accepted risk; and

   3.6.5   support progress reporting across the Council as a whole.

3.7   Internal Audit will continue to undertake follow up reviews, focusing on high priority rated recommendations, to confirm implementation and assess the effectiveness of the actions taken.

3.8   Discussions are currently taking place with directorates to take forward this interim central tracking SharePoint solution.

3.9   It is also intended that this SharePoint solution will also be used as a central repository for Internal Audit final reports with access being made available to Audit Committee Members. This will enable Members to easily gain access to the reports that they wish to review.

3.10   An update on the central SharePoint repository and the initial recommendation progress monitoring report will be reported at the next Audit Committee meeting in January 2024.

4   Options considered and Recommended Proposal

4.1   This 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   It is intended that the replacement audit management systems will utilise the Council's existing Microsoft Power Platform. Whilst it is anticipated that no additional direct costs will be incurred, Digital and Technical Services are currently investigating the level of Microsoft licence required to support the necessary functionality. If it is identified that a higher level licence is required, the costs will be identified and evaluated.

6.2   The interim SharePoint solution will utilise the Council's exiting Microsoft Office 365 environment, no additional direct costs will be incurred.

6.3   Decommissioning the existing audit management system will result in an annual saving in support, maintenance, and hosting fees of just over £14K per annum for the central IT budget.

7   Public Sector Equality Duty

7.1   There are no equality duty or equality analysis issues relating to the proposals 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?

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

8.3   Public Sector Internal Auditing Standard 2500 requires a system to be in place for monitoring progress with management actions relating to audit findings, to confirm that these have been effectively implemented or, if not, that senior management have accepted the risk of not taking action.

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

8.5 Internal Audit provide independent and objective assurance to management and those charged with governance on the systems of internal control that have been established. This is achieved by examining, evaluating, testing, and reporting on the effectiveness of the system of internal control through a risk-based audit methodology. Where weakness or non-compliance is found, recommendations are made to management to improve the operation of internal controls.

8.6 Management is responsible for actioning recommendations to improve internal controls and strengthen risk management arrangements or for accepting the risks.

8.7 A key function of the Audit Committee is to help promote the effective use of internal audit within the overall assurance framework, this includes escalating internal audit recommendations where further action is needed and seeking assurance on the effectiveness of the systems of internal control. Reporting on the implementation status and progress of Internal Audit recommendations, together with accepted risks, will assist the Committee in fulfilling this function.

9   Background Papers

9.1 None.

10   Appendices

10.1 None.

Birmingham City Council

Audit Committee

29th November 2023

Subject:	Annual Counter Fraud Report 2022/23
Report of:	Sarah Dunlavey, Assistant Director Audit and Risk Management
Report author:	John Preston, Group Auditor Corporate Fraud

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 updates the Audit Committee on how the Council has managed the risk of fraud during the period April 2022 to March 2023.

2   Recommendation(s)

2.1   Members are asked to note the work undertaken during the year and draw assurance from the policies and procedures that are in place to prevent and detect fraud and error.

3   Background

3.1   The annual counter fraud report is a standalone report to summarise how the risk of fraud is being managed by the Council.

3.2   The level of fraud across the UK economy and the public sector continues to remain of national interest.

3.3   Counter fraud and error work remains a priority for the Council, and we continue to reinforce the 'zero tolerance' message.

3.4   Processes and procedures are in place for the prevention and detection of fraud and error, and we will utilise appropriate sanctions for those who commit fraud against the Authority, including criminal prosecutions.

3.5   We have increased our financial investigation capability in order to utilise more tools to investigate fraud and money laundering and recover the proceeds of crime.

3.6   The number of fraud and error referrals received has reduced slightly since last year. The value of fraud reported has decreased since last year, which was artificially high due to fraud around COVID-19 financial support measures. However, it is up on 2020/21 levels.

3.7   Social housing and Council Tax exemptions / discounts continue to remain high risk areas. We have achieved positive results in these areas, and these are outlined further in the report.

4   Options considered and Recommended Proposal

4.1   This 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.

6   Financial Implications

6.1   Whilst there are no direct financial implications, fraud is a long-standing threat to public services. The Public Sector Fraud Authority estimates that a minimum of £33bn per year is currently lost to fraud and error across the public sector.

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?

8.2   Sound internal controls and financial management underpins all the Council's priorities, plans and strategies. These are key to creating a culture of 'zero tolerance' to fraud.

8.3   The Council's Anti-fraud and Corruption Policy outlines the corporate approach and key responsibilities to managing the risk of fraud.

OFFICIAL

9   Background Papers

9.1   Anti-fraud and Corruption Policy.

9.2   Fraud and Corruption Response Plan.

10   Appendices
10.1 Appendix 1 Annual Counter Fraud Report 2022/23.

Annual Counter Fraud Report 2022/23

29th November 2023

Contents

1. Background

1.1 In common with other public bodies, the Council has a duty to protect the public purse. The purpose of this report is to update the Audit Committee on national and local fraud issues that arose during 2022/23, and in particular, the role played by Birmingham Audit in the investigation, prevention and detection of fraud.

1.2 The standards of governance required within the public sector are understandably high and controls within systems must be effective to minimise the risk of fraud and error. However, compliance with these controls can sometimes be an issue. During a period of change, internal controls can become unstable and ineffective and so it is important that any increased risk of fraud is identified and appropriately managed. Birmingham Audit is tasked with the investigation of suspected fraud and error and the identification of any system or procedural issues that allow such incidents to occur. We identify how fraud or other irregularity has been committed and make recommendations to senior management to address weaknesses in controls to reduce the chance of recurrence in the future. We also assist management in taking action against those found to have perpetrated fraud and in the recovery of any losses.

1.3 There remains a high level of interest in fraud nationally. This is fuelled in part by publicity around new and emerging fraud risks and the necessity to make scarce resources go as far as possible. Birmingham Audit is therefore continually looking to enhance its counter fraud capability and develop new and innovative ways of identifying irregularities, whether this is the result of fraud, error, or procedural non-compliance.

2. Audit Committee

2.1 The Audit Committee has shown a keen interest in, and been supportive of, both proactive and reactive work within the Council to reduce levels of fraud and error. We regularly report on counter-fraud activity as part of our overall reporting on the work of the Audit service. The Committee share the view that prevention, detection, and deterrence are all important and have probed what actions management can take to prevent fraud entering the systems in the first instance.

3. Resources for Counter Fraud Work

3.1   The Corporate Fraud Team (CFT) is a dedicated counter-fraud team within Birmingham Audit and is responsible for the investigation of suspected financial irregularities perpetrated against the Council, whether this is by employees, contractors or other third parties. The team identify how fraud or other irregularity has been committed and make recommendations to senior management to address any issues of misconduct, as well as reporting on any weaknesses in controls to reduce the chance of recurrence in the future. In addition, where criminal activity has been committed, the team will consider instituting criminal proceedings or may refer the matter to the police and will help to seek redress from the perpetrators. The team will also investigate any issues of procedural non-compliance that may have a financial or reputational impact on the Council.

3.2   In addition to tackling financial irregularities, CFT also has a small team dedicated to preventing, detecting, and investigating application fraud, primarily relating to Social Housing and Council Tax. An intelligence and data analytics hub also support the work of the team and will bring together information from various Council systems to proactively identify possible issues for investigation, as well as building intelligence packages following referrals received from Housing, members of the public, the police or other sources.

3.3   Since October 2021, the Corporate Fraud Team has benefitted from having an Accredited Financial Investigator with powers to obtain banking information and investigate money laundering offences contrary to the Proceeds of Crime Act 2002. This has increased the ability of the team to investigate cases where funds have been transferred out of the authority and to recover the proceeds of crime wherever possible, using tools such as property restraining orders and account freezing orders. This is becoming a key area of our work, particularly with the emergence of more sophisticated frauds and scams. Three members of the Application Fraud Team have also completed their training as Financial Intelligence Officers to increase that capability further.

3.4   In recent years we have re-prioritised our work to concentrate on the more material cases, as well as putting greater emphasis on proactive work to try to identify and stop fraud and error. This has largely been achieved by enhancing our fraud monitoring capability to extract data from Council systems and develop analytical tests designed to detect fraud and error by flagging up any unusual patterns in transactions for further interrogation and investigation. This also helps to inform the routine audit assurance work in these key financial systems. We are continually looking to enhance our counter fraud capability and develop new and innovative ways of identifying irregularities, whether this is the result of fraud, error, or procedural non-compliance.

4.   Raising Awareness

4.1   The overall stance on fraud by the Council is set by our Anti-Fraud and Corruption Policy, Fraud and Corruption Response Plan and the Whistleblowing Code. Adopting a strategic response that commits to tackling fraud at all levels within the organisation, fits in line with the principles of good governance.

4.2   As part of our work in raising awareness of fraud throughout the Council, we produce Fraud Spotlight, a bi-annual fraud bulletin covering topical fraud related issues. This is circulated throughout the Council via the intranet, and a school specific version is distributed to all schools via the Schools Noticeboard. We also periodically issue alerts whenever we become aware of a fraud threat in a particular area, and review and revise corporate policies and procedures to respond to particular issues. We continue to explore the use of other media to help raise awareness of fraud, as well as participating in local counter fraud networks to exchange examples of best practice and share intelligence on emerging threats.

4.3   In November 2021, we launched a 'Focus on Fraud Awareness' e-learning package to all Council staff, to raise awareness of the types of frauds that they may encounter through their work. In June 2022, we further launched a school-specific version of the e-learning tool. It is hoped that by raising awareness of the latest threats and trends in the fraud arena, and by highlighting some typical red flags, staff will be more vigilant and proactive in preventing fraud from occurring. Whilst we have been unable to mandate that staff must undertake the e-learning module, we have recommended it to all Directorates and schools, and have had positive feedback on its uptake.

4.4   We continue to work closely with the City Housing Directorate to ensure that staff involved in dealing with housing applications and tenancy issues are aware of the risks of fraud in this area. We have also established a good working relationship with Revenues & Benefits in tackling Council Tax related fraud and dealing with any associated benefit issues which may arise from our investigations.

5.   Levels of Fraud

5.1   It is difficult to measure the level of fraud against the Council. Not all fraud is formally reported; some will go undetected, and some will be prevented. In some cases, it is difficult to quantify a value. Similarly, some losses can be attributed to error, misinterpretation or poor management. A good example of this is contract management, where contractors seek to maximise their profits by exploring potential loopholes within contracts, or where a procurement process has been intentionally circumvented, resulting in items being supplied but not necessarily at the best price. The level of identified fraud in any particular year can vary significantly, depending on the nature and outcome of the cases investigated.

5.2 Fraud is estimated to account for 40% of all crime committed across the UK and is a long-standing threat to public services. The Public Sector Fraud Authority estimates that a minimum of £33bn per year is currently lost to fraud and error across the public sector. During the COVID-19 pandemic, criminals further targeted public sector resources, which saw additional losses in the region of £13bn.

5.3 It is difficult to place a monetary value on our anti-fraud activity during 2022/23, particularly in terms of our work in relation to prevention and deterrence. Some quantifiable losses that are identified through investigation may be recovered, and work on the associated system issues may prevent and deter further losses. During 2022/23, the level of fraud/error investigated by CFT contained a notional value totalling just over £365,000 (£964,000 in 2021/22 and £256,000 in 2020/21). This figure excludes application-based fraud (Social Housing and Council Tax) which is covered in Section 6 of this report.

5.4 During 2022/23, CFT received information in respect of 79 potential irregularities (91 in 2021/22 and 124 in 2020/21) from a variety of sources. Referrals can cover a wide range of issues, some of which lead to major investigations requiring significant resources, whilst others may be referred to the directorates to deal with locally. The Council's Financial Regulations place a responsibility on all employees to report suspicions of financial irregularity, and the revamped whistleblowing procedures have encouraged more staff to make disclosures. We regularly liaise with Legal Services to discuss the progress on those whistleblowing cases that are referred to us for investigation. We also receive information from various external sources, including members of the public, using our online fraud reporting form. Additional referrals may arise when we raise awareness of a particular issue, or when we identify a specific concern through data matching exercises such as the National Fraud Initiative (NFI). During the year we received several referrals concerning potential breaches of the Staff Code of Conduct, which may not necessarily constitute fraud, but can nevertheless pose a potentially significant risk to the Council's reputation.

5.5 The table below summarises the reactive investigations activity of CFT (excluding Application Fraud) during the year:

	2020/21	2021/22	2022/23
Number of outstanding investigations at the beginning of the year	30	53	57
Number of fraud referrals received during the year	124	91	79
Number of cases concluded during the year	101	87	94
Number of investigations outstanding at the end of the year	53	57	42

Corporate Fraud Referrals Received
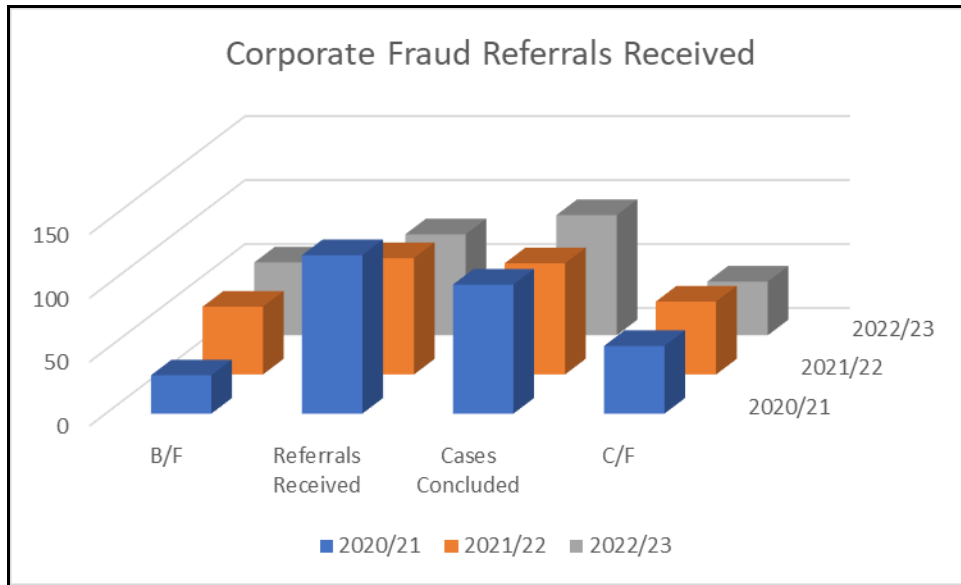
The referrals can be categorised by fraud type as follows:

FRAUD TYPE	REFERRALS RECEIVED 2022/23	Percentage of Total
Payroll/Recruitment Related Fraud, i.e. salary overpayments, false absenteeism, dual working, overclaimed hours, false employment history	15	19%
Banking Related Fraud, i.e. payment diversion, cheques	13	16%
Employee Code of Conduct	10	13%
Other	9	11%
Procurement Related Fraud, i.e. purchasing, contracts, creditor payments	6	8%
Theft	6	8%
Grant or Allowance - Public, i.e. Social Care Direct Payments	6	8%
Grants to External Organisations, i.e. support through grants, loans	5	6%
External Revenues Related, i.e. Business Rates, Penalty Charge Notices	5	6%
Computer Misuse, i.e. password sharing, unauthorised systems access	3	4%
Blue Badge Fraud	1	1%
Total	**79**	

Corporate Fraud Referrals by Type 2022/23
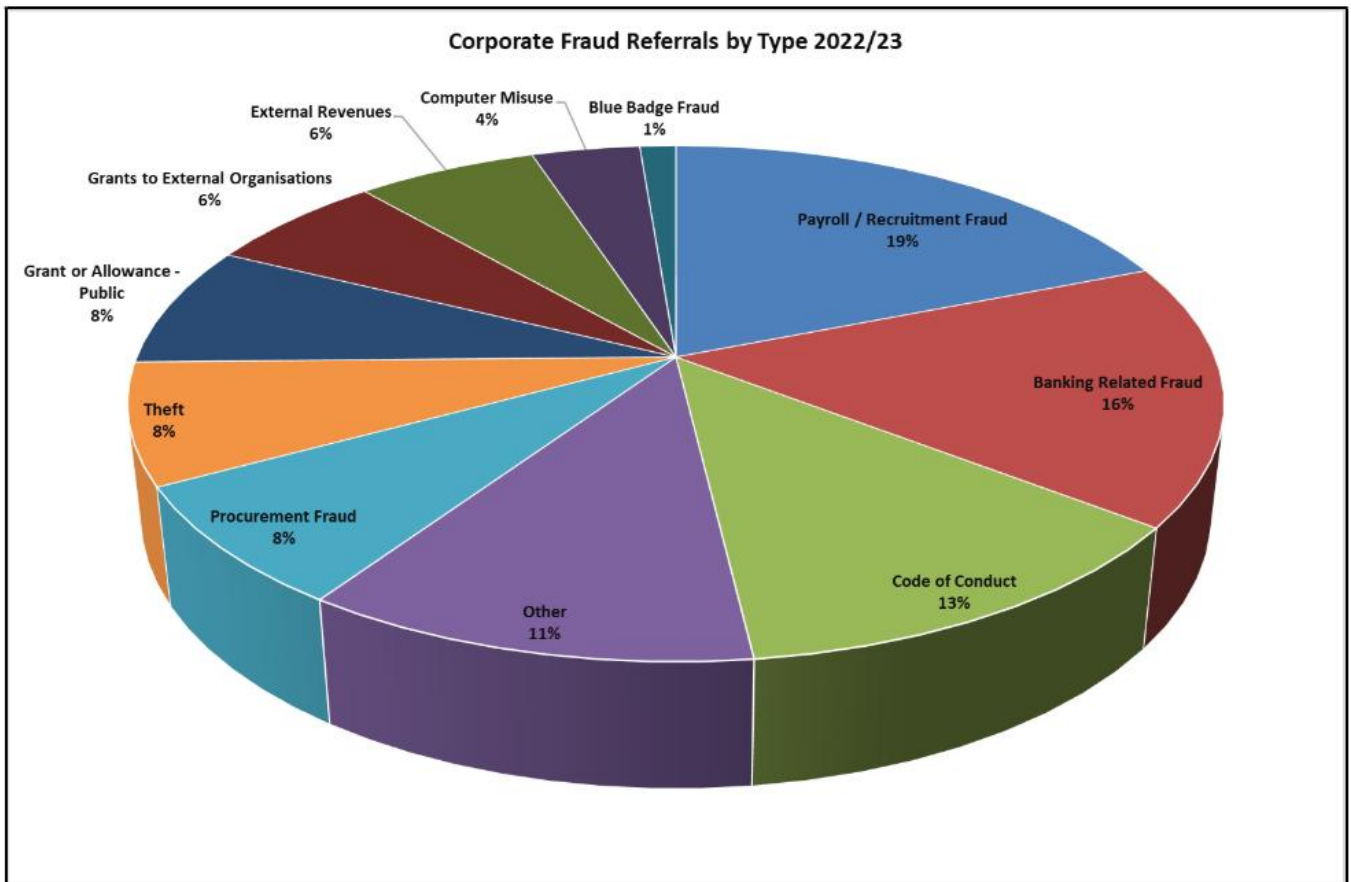
The referrals can be categorised by service area[1] as follows:

SERVICE AREA	NO. OF REFERRALS
Children & Families	30
City Operations	14
Adults Social Care	11
City Housing	11
Place, Prosperity & Sustainability	6
Council Management	6
Birmingham Children's Trust	1
TOTAL	**79**

[1] Based on Directorate structure at the time of reporting

Corporate Fraud Team Referrals by Directorate 2022/23

- Birmingham Children's Trust 1%
- Council Management 8%
- Place, Prosperity & Sustainability 7%
- City Housing 14%
- Adults Social Care 14%
- City Operations 18%
- Children & Families 38%

5.6   Each referral is assessed, and a decision made as to whether an audit investigation is necessary or whether the matter is best left to local management to deal with. This enables us to concentrate our resources on the most urgent or high-profile cases. The split between different types of referral in any year can be affected by a number of factors, such as a particular proactive fraud exercise, fraud awareness initiative or corporate action. Some of the issues that are referred to us are not necessarily fraud, such as those involving computer misuse or breaches of the Employee Code of Conduct, but nonetheless, any procedural non-compliance can lead to fraud being committed and therefore we ensure these matters are investigated and dealt with appropriately.

5.7   During the year, we have continued to receive referrals relating to payroll overpayments. The circumstances surrounding each overpayment have been investigated to verify that the payments were not fraudulent and appropriate management action has been considered. This is particularly in respect of any Code of Conduct issues, where it is established that the employee has failed in their duty to report the fact that they were being overpaid, or where managers have been negligent in their responsibility to update payroll or HR systems. In respect of individuals who have left the organisation and have been overpaid, we have been liaising with Payroll, HR and Accounts Receivable to improve the process for seeking swift recovery of the funds, assisting with our financial investigation powers, where necessary.

5.8 Following the COVID Pandemic we received numerous reports of suspicious applications for business support grants. A number of those were investigated and closed with appropriate outcomes, including the recovery of some of the funds. For the most serious cases, files have been passed to Legal Services and criminal proceedings have been commenced against the alleged perpetrators.

> In March 2023, an individual appeared at Birmingham Crown Court where he entered not guilty pleas to 18 fraud offences and 1 money laundering offence, following an investigation into a number of suspected fraudulent Covid-19 Business Support Grants. The investigation also found that the individual is suspected to have falsified a number of business entities in order to avoid payment of Business Rates to the City. The total value of the fraud is believed to be in the region of £300,000. Some remaining funds from the Covid-19 grants have been restrained in his bank account and he is due to stand trial in January 2025.

5.9 During the year we have received details of four attempted payment diversions, one of which was unfortunately successful. In all four cases, fraudsters attempted to impersonate employees of schools to get bank details changed for payroll purposes. In the case of the successful diversion, a new employee at a school responded to an email that she thought came from her headteacher, asking for computer login information. One month's salary of approximately £1,400 was lost before the fraud was detected and any further payments were stopped. There has been a national increase in the number of instances and sophistication of this type of fraud, but fortunately we have recorded zero attempts to divert funds in relation to supplier payments, which previously was an area of concern and had resulted in some much larger frauds. We believe that a strengthening of the process for changing bank details for suppliers has contributed to this significant improvement.

5.10 This year saw five reports of school purchase cards being hit with fraudulent transactions over the Christmas period. The suspicious transactions were picked up by the Purchase Card Team and were reported to the bank who refunded the transactions and conducted their own investigations. We also received two reports of schools having cheque payments intercepted, the cheques doctored to change the amounts and payee details and then the cheques cashed. One of the cheques was intended as a donation to charity following a collection in school. We have been liaising with Royal Mail and the Police, who are conducting an investigation into suspected mail thefts.

> An investigation concluded this year found that a school employee in a position of trust had misappropriated cash payments from parents intended for extra-curricular activities. The theft had taken place over a period of time and from analysing documents and computer records, we were able to calculate a loss of just over £14,700. The member of staff resigned with immediate effect upon being notified of the investigation and has since agreed with the school to make an immediate repayment of a proportion of the funds.

5.11 We have continued to see social care related frauds reported to us. These were mainly in respect of Direct Payments and were reported to us either by members of the public or Adults Social Care staff. In one case, it was reported that a relative of a service user failed to notify Social Services of the death of the service user and continued to claim Direct Payments for their care. Investigations are ongoing for some of these cases, with a view to bringing criminal proceedings against the suspects. We continue to work with the Directorate in ensuring that a more robust approach is taken to tackling potential fraud in this area.

5.12 We have continued to try to enhance our capability in the use of data analytics and now periodically run reports from some of the main Council systems to proactively identify potential fraud and error. This year, we have looked at patterns of attendance on the Borer time recording system, purchase card expenditure, activity and dormant activity on systems. These projects not only help to detect fraud and error, but also highlight areas of poor practice and procedural non-compliance. Through our liaison with other local authorities and professional bodies, we continually look to identify emerging fraud risks for inclusion in our programme of proactive work.

5.13 In any investigation conducted, the team seek to identify how fraud or other irregularity has been committed and make recommendations to senior management to address any issues of misconduct, as well as reporting on any weaknesses in controls to reduce the chance of reoccurrence in the future. In carrying out our investigations, we have regard to the various outcomes available, whether this is internal disciplinary action against a Council employee, recovery of any funds, or considering instigating criminal proceedings. We continue to work with Human Resources and Legal Services colleagues to ensure the best outcome for the Council.

6.   Application Fraud

6.1   Social Housing and Council Tax are both regarded nationally as being high risk areas for fraud within local government. The CIPFA Fraud & Corruption Tracker estimated that in 2019/20, the value of Social Housing fraud across the UK was £122.4m (£135.6m 2018/19) and Council Tax related fraud was £35.9m (£30.6m in 2018/19). As such, both areas remain a high priority for Birmingham Audit and so we have dedicated resources for tackling application-based fraud.

Social Housing Fraud

6.2   During the year, we have continued to work closely with the City Housing Directorate, to investigate and remedy all aspects of social housing fraud, including illegal sub-letting, non-residency, false applications and concerns about Right to Buy. We also continue to provide support in the use of the Data Warehouse to help them verify details submitted on housing / homeless / Right to Buy applications. Our primary objectives have always been:

   a) to recover social housing properties where investigations find that they are not being used as intended; and

   b) to protect the gateway for social housing by preventing fraudulent applications entering the system.

6.3   We continue to receive a high number of notifications relating to potential social housing fraud. Through our investigations, we recovered 30 Council properties (22 in 2021/22 and 14 in 2020/21) with a combined indicative value of £2,790,000*. The properties recovered are returned to the housing stock to enable those with a genuine need for social housing to be provided with a home. We also cancelled 260 housing applications prior to letting (548 in 2021/22 and 591 in 2020/21), with a combined indicative value of £842,400**.

   *   Based on an indicative cost of £93,000 per property, source: Cabinet Office
   **   Based on an indicative cost of £3,240 per application, source: Cabinet Office

6.4   The Council's Prosecution & Sanctions Policy and legislation such as the Fraud Act 2006 and the Prevention of Social Housing Fraud Act 2013 can be used to prosecute offenders, whilst the Proceeds of Crime Act 2002 can be used to recover losses. Although prosecuting offenders and publicising successful convictions act as a valuable deterrent and helps raise awareness of the problem of tenancy fraud, it is a time-consuming process and is not always possible because of lack of evidence or documentation. We also support Housing in bringing civil proceedings to regain possession of properties where we have found evidence that the tenants are not using the property as their main home.

6.5   There are obvious social benefits in ensuring that only those with the greatest need are allocated social housing, but there is also a real financial saving from preventing and/or stopping social housing fraud, particularly in respect of providing temporary accommodation,

and losing valuable housing stock through fraudulent Right to Buy applications. We will continue to work with the directorate to further develop work in this area.

In September 2022, we issued a Simple Caution to an individual who submitted false NHS documentation in an attempt to secure a more favourable council house move. The applicant claimed that she had severe walking difficulties and supplied a letter supposedly from her Orthopaedic Consultant requesting that she be moved to a ground level flat. Concerns were raised about the letter after spelling errors were spotted within the text. We liaised with the NHS Counter Fraud Authority who were able to confirm that whilst it originated from a genuine document, the letter had been amended to exaggerate the medical conditions. The applicant admitted using a false instrument with the intention of inducing the Council's Housing Department into accepting it as genuine, contrary to the Forgery and Counterfeiting Act 1981 and accepted the caution. Her housing application was cancelled.

This year, we were alerted to concerns that one of our Council housing properties was being advertised for rent on the 'Airbnb' holiday letting site. We gathered evidence of the property being illegally sub-let via the website and using newly acquired powers under the Proceeds of Crime Act, we were able to identify payments being received by the tenant from customers for renting the property. The tenant has been interviewed and a case is now being compiled to pass to Legal Services to consider prosecuting for fraud offences.

Council Tax Fraud

6.6   Since April 2013, local authorities have been responsible for administering their own Council Tax Support schemes and need to ensure that safeguards are in place to minimise fraudulent claims. The Council Tax Reduction Schemes - Detection of Fraud & Enforcement (England) Regulations 2013 authorise the investigation of offences in relation to Council Tax Reduction Schemes, and also create offences and enable penalties to be imposed in connection with these schemes. These are reflected in our Prosecution & Sanctions Policy.

6.7   We continue to identify fraudulent claims for Single Person Discount, as well as for some of the various Council Tax exemptions, such as those given to students, people in residential care homes, and cases awaiting probate to be granted. As a result of this, a total of £564,261 of adjustments in Council Tax liabilities were identified (£336,703 in 2021/22 and £332,000 in 2020/21).

6.8 We are increasing the use of statutory penalties in addition to the requirement to re-pay incorrectly claimed exemptions and refer the more serious cases to Legal Services to consider commencing criminal proceedings. Where cases of Council Tax fraud involve Birmingham City Council employees, a report will also be made to the individual's senior mangement team to consider disciplinary action. By this action, we hope to reinforce the message that fraud against the Council Tax system will not be tolerated.

On 27th October 2022, an individual appeared at Birmingham Magistrates' Court where she pleaded guilty to failure to report a change in circumstances in relation to her Council Tax Reduction Benefit. Magistrates imposed a fine of £250 and ordered her to pay full prosecution costs of £1,819.40, plus a victim surcharge of £34.00 (total £2,103.40). A re-payment plan has been set up to re-pay the Council Tax that was avoided.

In November 2022, we issued a £1,000 fixed penalty notice to a resident who failed to declare a change in circumstances in relation to his Council Tax Reduction Benefit. A re-payment plan was also put in place to reimburse the Council for £3,700 in underpaid Council Tax.

In March 2023, an individual charged with a fraud offence for failing to report that she was no longer entitled to a student discount on her Council Tax, failed to appear at Birmingham Magistrates' Court. A warrant was duly issued for her arrest. The investigating officer managed to track down the individual and encouraged her to hand herself in. She later appeared before Magistrates where she pleaded guilty, was fined £200, ordered to pay costs of £500 and a victim surcharge of £80. A re-payment plan was also set up to recover the underpaid Council Tax.

7. Intelligence

7.1 We continue to enhance our capability by developing our data warehouse facility with the addition of more data sets, not only with Council data, but also those of our partners and neighbouring authorities. This provides us with a sophisticated data resource to enhance our intelligence function in assisting our investigations. We have extended access to the facility to a variety of frontline services across the Council, as well as to our external partners, including law enforcement agencies, where it provides a comprehensive means of verifying information to help tackle crime and disorder. In Housing, it has been embedded into their verification checks on applications and tenancy records, helping to combat social housing

fraud. It is also used by Trading Standards, Taxi-licensing and Schools Admissions. By extending access to the data warehouse, we have been able to reduce the reliance on our intelligence function to provide verification checks.

7.2 The development of All City Risk (ACR), which matches data contained in housing applications with other Council held data, allows us to identify potential fraud and error within 24 hours. This has been particularly effective in identifying fraudulent claims for Council Tax Single Person Discounts and fraudulent housing applications. As indicated above, the process has reduced the amount of fraud or error that requires a formal investigation, as it will have been prevented or stopped almost as soon as it began. As a result, services that are being provided incorrectly can be stopped quickly, thus helping to preserve resources and reduce the level of fraud and error. Our work in this area is highly regarded nationally and we often receive enquiries from other Local Authorities wishing to establish similar schemes in their areas.

8. National Fraud Initiative (NFI)

8.1 The NFI is a mandatory bi-annual data-matching exercise undertaken by the Cabinet Office, which matches a variety of data across public bodies for the purpose of identifying fraud and error. The main data extract was passed to the Cabinet Office in October 2022, and the matches were returned in January 2023.

8.2 This latest exercise has returned just over 36,500 matches of our data against that held by other public bodies, where a potential anomaly has been identified. The Cabinet Office does not expect all of these to be checked and provides guidance on the areas that they recommend are investigated further. Whilst the matches may be an indicator of fraud or error, in most cases the match can be attributed to outdated or incorrect data, but nevertheless still needs to be checked and if necessary, records put right. Due to resourcing, we must pass the majority of these matches to the relevant service area for them to review, particularly those relating to Housing Benefit and Housing Tenancies. So far, we have processed just over 6,610 matches from the current exercise, identifying fraud and error worth £229,593, mainly in respect of Housing Benefit. A further 1,832 matches are currently under review and work will continue on the remaining matches in the coming months.

8.3 The Cabinet Office also use the exercise to calculate savings achieved from acting on the information provided, for example Blue Badges cancelled. Savings for the Council from this exercise so far are estimated to be £382,730.

9. Conclusions

9.1 Countering fraud and error remains a priority for the Council. We continue to work on reinforcing the message of 'zero tolerance' through prevention, detection and deterrence. Where fraud is identified, we will implement appropriate sanctions, including financial penalties and/or criminal prosecution.

9.2 As part of our investigatory work, we continue to highlight weaknesses in systems and procedures and make recommendations to assist management in addressing these issues. We therefore expect management to act decisively and implement our recommendations and if necessary, take robust action against employees who choose not to comply.

9.3 Whilst it is difficult to assess the Council's overall exposure to the risk of fraud and error, it is safe to say that there will always be an increased risk in those areas where systems are weak, or where controls are allowed to be circumvented. Managers must remain alert to this risk and take responsibility for assessing it within their business area by ensuring that robust procedures are in place and are followed. This is more important than ever with fewer resources available.

9.4 Our continued commitment to tackle Social Housing Fraud has not only delivered financial benefits to the Council, by freeing up scarce housing resources, it also provides huge social benefits by helping to ensure that these resources are allocated to those most in need.

9.5 Our commitment to enhancing our data analytics capability is key to identifying and stopping fraud and error by proactively identifying anomalies for further investigation.

9.6 The expansion of our Data Warehouse continues to provide benefits, not only in terms of detecting and preventing fraud and error, but also in the effective delivery of Council services and helping to tackle crime and disorder.

9.7 Our increased financial investigation capability will provide us with additional tools for investigating fraud and money laundering and tracing and recovering the proceeds of crime.

9.8 We will continue to work to raise awareness of general and specific risks of fraud, and to ensure that everyone knows how to report their concerns.

John Preston
Group Auditor – Corporate Fraud
Birmingham Audit

Birmingham City Council
Audit Committee
29th November 2023

Subject:	**Finance Update – November 2023**
Report of:	**Fiona Greenway, Interim Director of Finance and Section 151 Officer**
Report author:	**Fiona Greenway, Interim 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 financial situation of Birmingham City Council as of November 2023. The City faces very significant underlying financial challenges and this report outlines the issues being faced during each financial year, the challenges in terms of the Council's reserves position, and the proposed savings targets which must be met to address recover the Council's finances.

1.2 This aligns to the papers discussed at Cabinet on 14th November 2023.

2   Recommendation(s)
2.1 Audit Committee is recommended to:

2.1.1 Note the current financial position of the Council as set out in this report.

3   Background
3.1 Please see the attached presentation for further information.

4   Options considered and Recommended Proposal
4.1 Please see the attached presentation for further information.

5   Legal Implications

5.1   The Council will comply with all relevant legal requirements to complete Council Tax Setting in February 2024, including consultation with the public where appropriate on the implications of proposals as part of this process. The council will make sure that Equality Impact Assessments and all appropriate consultation takes place in the development of savings proposals. This will be referenced in future reports to Cabinet.

6   Financial Implications

6.1   Financial implications of proposals will be considered as part of the process of developing savings, however this report does not contain any financial commitments.

7   Public Sector Equality Duty

7.1   The Council will ensure that all actions taken in response to these recommendations are in line with the Public Sector Equality Duty, this includes aligning to Equality Impact Assessments completed in the development of savings proposals, and ensuring the impact of savings proposals are aligned to the Public Sector Equality Duty.

8   Other Implications

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

8.1.1   All implications and priorities will be considered in the development of savings proposals alongside CLT and Cabinet Members.

9   Background Papers

9.1   Section 151 Officer Update on the Financial Position of the Council – November 2023. *Report to Cabinet, 14th November 2023.*

10   Appendices

10.1 20231108 - S151 Update to Audit Committee

S151 Officer Update

Audit Committee
November 2023

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1. Finance Position (General Fund)

2022/23	2023/24	2024/25	2025/26

£86.1m overspend
January 2023 outturn

- At the end of January 2023, the 2022/23 General fund outturn was an underlying deficit of £86.1m, offset by the use of reserves;
- As at today, the forecast outturn for 2022/23 shows a £78.2m overspend.

£87.4m overspend
Quarter 1 2023/24 forecast

- On 25th July 2023, Cabinet received a high-level Quarter 1 forecast for 2023/24. This showed a forecast overspend of £87.4m.
- Any one-offs used to address the overspend will need to be addressed in the next year.

£164.8m budget gap
Quarter 1 2023/24 forecast

- The forecast for 2024/25 also showed an additional budget gap of £77.5m in-year, making this £164.8m cumulative across the two years.
- This is being reviewed and updated.

£177.1m budget gap
Quarter 1 2023/24 forecast

- The forecast for 2025/26 also showed an additional budget gap of £12.3m in-year, making this £177.1m cumulative across the three years.
- However, this is almost certainly going to be higher as historically growth has been understated.
- Capitalisation of Equal Pay will mean higher borrowing costs.

From an accounting perspective we are in a negative general fund position.

Next Steps
- Outturn report being presented in November with final position.

Savings & Next Steps
- *1) Reserves centralisation*
- *2) Stop revenue projects*
- *3) Contract review*
- *4) In-year cash targets through Spend Control Boards*

Savings & Next Steps
- 2024/25 budget targets to be issued.

Savings & Next Steps
- Additional savings to be identified.
- *Next Steps: Develop refreshed 2025/26 forecast assumptions, to identify true budget gap.*

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1. Negative Reserves of -£680 million

Useable Reserves	Value (£m)
Balance at 31st March 2022	**£596.8m**
Reserves used in 2022/23	(£336.2m)
Latest forecast 31st March 2023	**£260.6m**
Estimated reserves usage in 2023/24	(£25.6m)
Latest forecast 31st March 2024	**£235.0m**

Of the £235.02m, £172.2m is available for use.

*There are **additional draw-downs** which need to be addressed.*

Reserves available for Overspend and Other Items	£172.2m
Overspend for 2023/24	(£87.4m)
Oracle Costs (multi-year)	(£46.5m)
Extra Pay Award Costs 23/24 (assuming 6.5%)	(£11.2m)
Equal Pay Liability, midpoint £650m-£760m future yr	(£705.0m)
Negative Reserves	**(£677.9m)**

- Useable reserves is currently defined as the sum of the Delivery Plan Reserves, Financial Resilience Reserve, Other Corporate Reserves, and Earmarked Reserves;

- Our expected 2023/24 reserves position forecasts that we could have up to £172.2m of usable reserves to address the challenges above;

- *This is before the impact of Equal Pay, and the costs of borrowing to fund Equal Pay;*

- There are also other risks such as Highways PFI.

- As such, from an accounting perspective we are in a **negative general fund position**.

2. High Level Recovery Plan – 2024/25 & 2025/26 targets
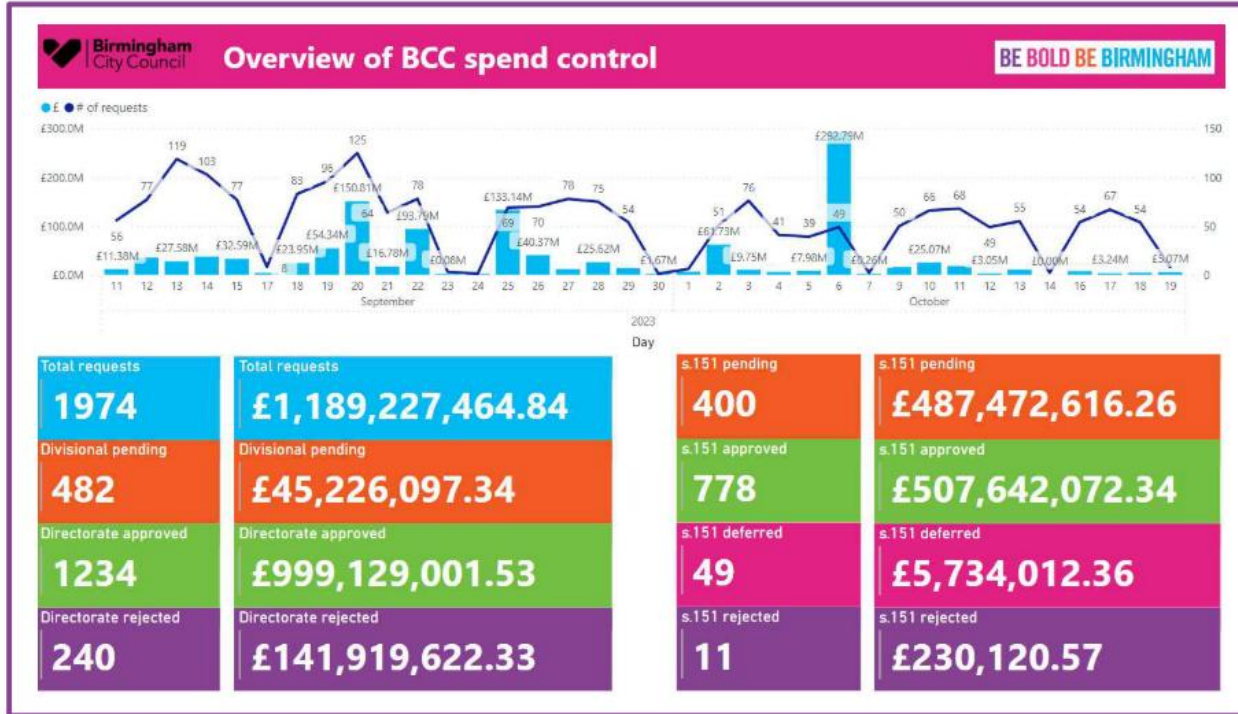
(all figures in £ million)

Directorate	Adults Social Care	City Operations	Places, Prosperity & Sustainability	City Housing	Council Management	Strategy, Equalities & Partnerships	Children and Families	Total	
Total Expenditure	548.5	312.6	128.3	64.5	148.7	8.3	463.4	1,674.3	
Controllable Income	-110.8	-106.4	-73.6	-40.1	-117.3	-0.1	-34.6	-482.8	
Net Budget (Adjusted for controllable income)	437.7	206.2	54.7	24.5	31.4	8.2	428.8	1,191.5	
Allocation of £200m target based on Net Budget	73.5	34.6	9.2	4.1	5.3	1.4	72.0	200.0	: Savings Target
								17%	: Percentage
2024/25 Target	60.62	28.55	7.58	3.39	4.34	1.13	59.38	165.00	
2025/26 Target	12.86	6.06	1.61	0.72	0.92	0.24	12.60	35.00*	

Notes
- Controllable Income = Income less Council Tax & Business Rates and Grants, and removing Public Health Grant expenditure
- Saving percentage of 17% against total Net Budget (adjusted for controllable income)

This is almost certainly going to be higher as historically growth has been understated.

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PROUD HOST CITY

Birmingham City Council

3. Effectiveness of Spend Control Process

Reflections

- Significant volume of requests and attendees at SCB;
- Directorate SCBs successful at 'weeding out' items to be rejected;
- Limited rejected at S151 SCB, requests meet requirements;
- Items deferred, hence clarity on justification needed in submissions;
- Internal Audit will review effectiveness of Directorate SCBs.

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3. Effectiveness of Spend Control Process – Governance

New Governance & Next Steps

- ***S151 Spend Control Board will have 4 attendees***: CEX (or representative), S151 (or Deputy), Monitoring Officer (or Deputy), and Cllr Brigid Jones (Cabinet Member for Finance & Resources). Proposed start date start w/c 30/10.

- Backlog need to be addressed during w/c 30/10, with additional S151 SCBs to be scheduled, plus review in advance of sessions offline for recommendation.

- Form updates need to be accelerated, with pressure on IT&D to deliver changes ASAP so appropriate information is captured.

4. Budget Milestones 2024/25 (1/2)

Week	Date	Milestone
1	26th October 2023	Issue 2024/25 and 2025/26 savings targets to CLT
2	1st November 2023	Commissioner Finance Board
2	3rd November 2023	Draft communications plan for budget
3	w/c 6th November 2023	Review and update inflation model
3	w/c 6th November 2023	Review pressures and growth for 2024/25 and 2025/26
3	w/c 6th November 2023	Review and rebase 23/24 budget
3	w/c 6th November 2023	List of assets and potential capital receipts available
3	w/c 6th November 2023	Review of Capital Programme available
3	7th November 2023	Saving options return to finance
3	7th November 2023	CLT discussion on savings options – Presentation by each Director
4	14th November 2023	CLT Full day – line by line, work through budget
4	14th November 2023	Cabinet - position statement on 24/25 and 25/26 budgets
3-4	7th - 16th November 2023	Due diligence of savings options
4	15th November 2023	Commissioner Finance Board
5	w/c 20th November 2023	O&S Task & Finish Group Phase 1 – Budget gap and timeline
5	w/c 20th November 2023	CLT and EMT to discuss savings – Fully developed proposals
5	22nd November 2023	Autumn Statement
6	w/c 27th November 2023	Commence drafting of report (General Fund, HRA, Capital, Treasury Management Strategy)
6	29th November 2023	Commissioner Finance Board

4. Budget Milestones 2024/25 (2/2)

Week	Date	Milestone
7	w/c 4th December 2023	O&S Task & Finish Group Phase 2 – Draft proposals
7	w/c 4th December 2023	CLT and EMT
8	13th December 2023	Commissioner Finance Board
9	w/c 18th December 2023	CLT and EMT – Lock in of budget
9	TBC December 2023	2024/25 Provisional Local Government Finance Settlement and EFS Discussion
-	TBC December 2023	Budget Consultation
11	w/c 1st January 2023	Commissioner Finance Board
12	w/c 8th January 2024	All member briefing post-settlement
12	w/c 8th January 2024	Political group briefings
12	w/c 8th January 2024	O&S Task & Finish Group Phase 3 – Final Budget
13	w/c 15th January 2023	Commissioner Finance Board
13	16th January 2024	Cabinet Meeting – Council Tax Base 2024/25
14	w/c 22nd January 2024	2024/25 Final Local Government Finance Settlement
14	w/c 22nd January 2024	Business Rates consultation
14	w/c 22nd January 2024	Finalise budget reports
15	w/c 29th January 2024	Commissioner Finance Board – Final budget
-	TBC January/February 2024	Exceptional Financial Support 'minded to' letter from DLUHC / Council tax discussion with DLUHC and internally
17	13th February 2024	Cabinet – Receives budget
19	27th February 2024	Full Council – Council tax setting

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Birmingham City Council
Audit Committee
29th November 2023

Subject:	**External Audit: Progress Report for Birmingham City Council**
Report of:	**Jon Roberts and Mark Stocks, Grant Thornton**
Report author:	**Jon Roberts and 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. The overarching Value for Money work and additional powers, and other work necessary for Value for Money to complete 2020/21 to 2022/23.

1.2 This is contained within the presentation dated 15th November 2023.

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 15th November 2023 which is contained as an appendix to this report.

4 **Legal Implications**

4.1 There are no other legal implications other than those set out in the external Auditors progress report

5 **Financial Implications**

5.1 There are no other financial implications other than those set out in the external Auditors progress report.

6 **Public Sector Equality Duty**

6.1 There are no public sector equality duties arising from this report.

7 **Background Papers**

7.1 None

8 **Appendices**

8.1 External audit: Progress report for Birmingham City Council dated 15th November 2023

Grant Thornton

External audit: progress report for Birmingham City Council

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

15 November 2023

Contents

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: Jon Roberts and Mark Stocks
For Grant Thornton UK LLP
Date: 10 November 2023

Financial statements audits

2020/21 and 2021/22

As reported at previous Audit Committees, and as set out in more detail in our recent External Audit Landscape document, 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.

In our September update, we reported that we intended to complete various elements of our work in September and October. However, we have not been provided with the information necessary to meet these deadlines. Since the last Audit Committee meeting, we requested documentation and information in order to complete our work on the 2020/21 and 2021/22 accounts. This request was made on 13 October 2023 under paragraph 22 of the 2014 Local Audit and Accountability Act. We requested that the information be received by 31 October in order to meet the statutory recommendation requirement of finalising the audits by 30 November.

This paper gives an update on progress against each of the outstanding items reported to you previously.

Subsequent to the request being made on 13 October, information has come to light that requires us to consider further the risk that the Council's draft accounts for the years in question may have been deliberately misrepresented. We therefore need to undertake work in additional areas as set out on page 7.

More details are provided on the following pages.

We acknowledge that the Council's focus is on providing a financial outturn to inform its decision making, but equally it is important that sight is not lost of the importance of closing down the Council's open years of account. As such we met with the s151 and other officers to discuss our updated requests, who have committed to provide the information in a reasonable timescale.

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Financial statements audit - 2020/21

Issue	September update	Next steps at September	November update
Equal Pay provision 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.	Several meetings have been held between key members of the audit team and key individuals at the Council, including initial discussions with the Council's modelling team, to discuss the process that has been undertaken and the progress that the Council has made. We have not yet received the Council's revised model. We expect to receive this shortly for consideration, which is later than initially planned.	Upon receipt of the Council's revised model, we will consider the approach taken by the Council, the completeness and accuracy of the underlying data, and any key judgements and estimates that management have made. We will be supported in this work by modelling specialists from within Grant Thornton. Given our expectation that the provision currently reflected in the draft accounts is materially understated, we will then consider the implications of the anticipated material misstatement (if uncorrected in the draft accounts) for our audit opinion We are aiming to complete this work by the end of October 2023.	We have recently received the Council's accounting paper, which sets out the rationale for its assumptions and judgements to be applied within its accounting model. We are currently working through this paper and have yet to receive the Council's models, though we understand from officers that they are expected to be with us over the course of November with a model being provided each week for each year in question.
Investment property classification The Council is unusual in that it only holds one asset as an investment property on its Balance Sheet. We have challenged the classification of a sample of operational properties.	Officers have provided additional information linking the assets we have selected for our review to place-shaping and strategic regeneration aims. So far, we do not consider the information provided to be sufficient, and so we have requested additional audit evidence.	Officers are actively considering the specific assets that we have challenged the classification of and are providing additional information. We are aiming to complete this work by the end of September 2023.	This work has been completed and the matter closed.
AGS update The Annual Governance Statement will need to be updated to the date that it is signed.	We have not received any updates on the AGS, as the work on significant governance issues (which would inform a revised AGS) is still ongoing, eg Equal Pay/Financial Sustainability/Oracle.	Once management have completed the other areas of work, consideration should turn to updating the AGSs as necessary. We can then consider the completeness and appropriateness of the proposed updates.	As September

Financial statements audit - 2021/22

Issue	September update	Next steps at September	November update
Matters from 20/21: Equal pay, Investment property classification, AGS As above, the resolution of matters from our 20/21 audit in all three areas set out in slide 3 above will also have a bearing on the 21/22 audit of accounts.	As for 20/21	As for 20/21	As for 20/21
Oracle impairment assessment The Code requires that assets are carried at no more than their recoverable amount (recoverable through sale or use).	Officers have not yet provided us with this information on the grounds that focus has been on Equal Pay matters. It is anticipated that this will be provided in September 2023.	We have requested that management document their consideration of whether any impairment is required in relation to the capitalised costs of the new ledger system. We are aiming to complete this work by the end of October 2023.	The Council's assessment and proposed treatment in relation to this issue was provided in early November. We are currently working through this paper.
Actuarial valuation under IAS 19 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.	The actuary has provided us with initial responses on queries raised on review of the assumptions applied in the revised IAS 19 report, based on our review of the pension liability. Our work on the pension asset is ongoing as at the time of writing.	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. We have also asked officers to consider the impact of the triennial valuation on the Children's Trust, given that it is a significant consolidated component in the group accounts. Upon receipt of this information, the Council will need to amend the financial statements accordingly, for us to audit any adjustments arising. We are aiming to complete this work by the end of September 2023.	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.

Financial statements audit - 2021/22 (continued)

Issue	September update	Next steps at September	November update
SAP IT audit			
We had reported in previous years that we had identified deficiencies relating to user access permissions. These deficiencies continued to be in place when we undertook our review of SAP for the purposes of our audit of the 31 March 2022 financial statements. Management responses to our recommendations were received in September 2022 noting that recommendations were accepted, and that the situation would not be repeated in the Oracle Cloud system.	We subsequently performed a follow up review of the Oracle system in March 2023 to identify whether the deficiencies previously identified in SAP had been addressed. This included a review of the Council's data migration processes in implementing the new system. Management responses to the recommendations raised were received week commencing 7 August 2023.	Findings from this review will feed into our overall work Value for Money work being undertaken on Oracle, as set out later in this document.	A separate workstream has been undertaken to review the implementation of Oracle and the consideration of the previous SAP findings. An interim report was provided to management for consideration on 16 October and is included as a separate agenda item at this Committee meeting.
Property valuations			
A small number of queries remain outstanding to complete our work on the Council's property valuations in 2021-22.	A full audit trail of evidence remains outstanding in respect of the floor areas of three assets selected for review. We have been advised by officers that they are being reviewed as part of the 22-23 valuations process, the outcome of which may not be known for a further 2-3 weeks from the time of writing, but will inform considerations.	Officers are actively addressing queries. For the assets in question we will also consider the 2022-23 valuations for indications of potential issues in the 2021-22 valuations. We are aiming to complete this work by the end of September 2023.	Dialogue has taken place with relevant officers and the latest iteration of the information is now with the audit team to consider, but we anticipate that adjustments will be required to the financial statements.

Additional information needed

Given the information currently emerging relating to issues with the Council's control environment, risk management, and financial management, we now consider that further work is needed to fulfil our responsibilities under auditing standards.

We set out a list of the areas where we need to extend the work we have already undertaken below.

Issue

Capitalisation - 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;

Housing Revenue Account - 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;

Grants - 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;

Corporate landlord function – we will consider whether the Council has been capturing and properly recognising all income due under its corporate landlord function. Specifically, the risk we would be addressing is that commercial tenants have been undercharged or hadn't received rent reviews due to related party influence, or whether income may have been misstated due to the records not being sufficiently up to date;

Land and property sales – we will consider whether proper consideration has been obtained and has the impact of any related parties been appropriately dealt with;

Procurement – we will consider the recent procurement report and whether the weakness identified in the Council's procurement arrangements indicate areas where additional testing is needed;

Highways PFI – 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;

Regulator of Social Housing – we will also 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;

Related Parties – we will extend our consideration of related parties, particularly in relation to procurement and contracting.

Financial statements audit - 2022/23

Background and Audit Approach

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

- Equal pay –the Council's equal pay liability is significant and by necessity its focus of the Council has been on putting in place an appropriate Job Evaluation process. This has reduced the level of finance capacity available for other matters

- 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.

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 reported to the last committee issues with regard to Implementation , Security, Compliance, Finance System, Cash, Accounts receivable and Payables, Payroll, and Journals.

We also outlined 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). We estimate that this will take c3 months to complete

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.

We have set out on the following pages an update on our progress re phase 1 of our work.

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Financial statements audit - 2022/23 (continued)

Progress since last committee

We continue to progress our work on Phase 1 of the audit. We have undertaken the following work:

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 integrated feeder systems 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 which mean that a detailed review of the 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. Previously, 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 descoped 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 not appropriately restricting access to reports on personal data, i.e. schools were able to see the salaries of other schools in the area. We also note that a number of reports had not been built at all which restricted the effective monitoring of Oracle post go live. There is also significant uncertainty over the effectiveness of budget monitoring. The lack of regular budget monitoring at a granular level means that errors may not have been detected or have not been detected in a timely manner. As a result there is a significant risk that transactions are coded incorrectly, which carries a presentational risk to the financial statements to the face of the CIES, as well as the EFA 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. There is also a reliance on contractors. The Council's current focus is on fixing issues going forwards rather than addressing former problems (with the exception of significant transaction backlogs). The Council had a large team supporting SAP. The current Oracle team size is in flux as the Council are not sure what a stable Oracle solution looks like and therefore what sort of support they would need in place. It is also clear that the Council has not made the same level of progress in identifying to identify Subject Matter Experts (SMEs) within finance. Given the complex nature of the Council 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.

Financial statements audit - 2022/23 (continued)

Progress since last committee

IT controls and security continued

Scale of Unresolved Issues

Management have confirmed that they have not been able 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 Council 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.

Management override

Management in all organisations is in a unique position to perpetrate fraud because of management's ability to alter accounting records and override either system or manual controls. The audit team is required to perform audit procedures in response to this risk. This includes testing the appropriateness of manual or automated journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. As management descoped the implementation of Oracle Risk Management Cloud as part of the original programme this increases the risk of management override.

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.

Management override - while it is unclear if there will be adequate documentation to support journals, we will identify whether this is in fact the case or not, by documenting our understanding of the controls and processes in operation throughout the period in respect of the journals environment. We note that management is currently undertaking its own substantive review of journals posted during the period, which we welcome. However, even if we were to gain assurance over journals, we do not consider that the risk of management override of control due to inadequate segregation of duties can be resolved or detected. We will consider the impact of this on our audit opinion once phase one is completed.

Financial statements audit - 2022/23 (continued)

Progress since last committee

IT controls and security continued

Conclusion continued

Integrations and Financial Reporting – We have identified the completeness and accuracy of the feeder systems as an issue that may inhibit our ability to gain the necessary assurance. In order to be able to identify if this is the case, we will:

• understand and document the procedures in place for control and holding reconciliations, for oracle, non-oracle and any integrated systems. We note that the processes and controls are likely to have changed throughout the 22/23 financial period to the date that our work takes place as issues were addressed. We will therefore need to document the changes along with supporting evidence, and test our understanding by walking through evidence of the controls and process in action throughout the period

• We will understand and document the procedures in place for performing bank reconciliations, including consideration of how cash is allocated to the appropriate account code. We are aware that there has been a backlog during the year in performing such bank reconciliations, and therefore again, we will need to document any changes to procedures along with supporting evidence. We will test our understanding by walking through evidence of the controls and processes in action throughout the period.

Data migration

The data migration 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 transitionary 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. At the time we were not provided with evidence to demonstrate how each defect was addressed as there was a lack of sign-off evidence from the Council's SMEs. Subsequently we have been provided with documentation demonstrating ongoing sign off and resolution tickets raised. We are currently considering this evidence.

Financial statements audit - 2022/23 (continued)

Progress since last committee

Data migration continued

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 Oracle Cloud we have been unable to gain assurance that the data migration is free of error or fraud. We are consider the additional evidence provided re the resolution of data issues.

Core processes

As outlined on page 11, we are currently documenting

- the procedures in place for control and holding reconciliations,

- the procedures in place for performing bank reconciliations

- the procedures in place for other key financial systems.

We plan to conclude this work by 31 December 2023.

We have begun documenting our understanding for the key financial systems of cash; journals; housing benefit, council tax and business rates expenditure; payroll; and property, plant and equipment. The work is still underway but initial findings indicate that there are processes that have been negatively impacted by Oracle and weaknesses that will need to be explored further to ascertain the level of additional substantive work that will be required.

We are waiting for information from officers in order to progress work in the areas of accounts payable, accounts receivable, revenue and grants.

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Financial statements audit - 2022/23 (continued)

Progress since last committee

<u>Summary</u>

As outlined earlier, we do not assurance over IT controls and security, or with regard to data migration. Our work on controls is ongoing but indicates significant weaknesses.

We will report our full findings to members of Phase 1 of our work in January 2024. Phase 2, if undertaken, will take place across 2024.

At present, we consider that the risk of a disclaimed audit opinion is high.

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 not taken any additional work on this matter since the last Audit Committee. We are currently reviewing the chosen JE methodology and the revised 2023 Addendum to the Job Evaluation Joint Principles Document.

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. The key lines of enquiry will be:

A high-level understanding of the historical context and a detailed understanding of the chronology of the Council's approach to single status job evaluations and the management of equal pay claims,   and the effectiveness of the governance arrangements in place. This will include:

- how the Council's workforce strategy created the conditions for the subsequent level of equal pay claims.

- actions taken at the time of industrial action taken by the refuse service in 2017, the agreement of the Memorandum of Understanding with trade unions in 2021, and how the Council has managed the job evaluation options available over this period up to the extraordinary Council meeting held on 12 October 2023.

- following the onset of the COVID-19 pandemic, the changes to the waste services operational model, and how these changes have impacted on equal pay claims.

We are aware that the Local Government Minister Lee Rowley has written to the Council asking for an independent review of the Council's governance arrangements. We also note that the Centre For Governance and Scrutiny (CFGS) is concluding its independent governance review and we understand that it is shortly to issue its final report. We will take any relevant findings from the CFGS into account as part of scoping our work in this area..

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 beach 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 in this area is complete and we plan to issue our draft findings to the Council in November 2023.

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 is part of the agenda for the 29 November 2023 Audit Committee. Our final report on the current and future operations will be issued in December 2023.

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

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Other work necessary to conclude our Statutory Audits for VFM 2020/21-2022/23

Background

We have already undertaken, or have in train, substantial risk-based work in the areas that the National Audit Office (NAO) has prescribed under its Code of Audit Practice and supporting auditor guidance. So far, we have completed work supporting our Statutory Recommendations, that was considered by the Extraordinary Full Council Meeting of 12 October 2023 and have issued separate reports on its Oracle implementation and its Financial Sustainability (the latter currently with officers in draft). In addition, work has now commenced on the governance implications of the Council's management of Equal Pay in recent years.

Update

To fulfil our statutory audit responsibilities, we also have to consider the implications of the completed work the adequacy of the Council's arrangements across the three 'Code Criteria' defined by the NAO:

- Financial Sustainability

- Governance

- Arrangements for supporting economy, efficiency and effectiveness.

In addition, we also consider whether there are other relevant risks of significant weakness in arrangements, relating to the period of audit not yet covered by the work above. At this stage we are reflecting on two additional areas where further audit attention may be required – namely the recent progress of the Council's Highways PFI retendering and its response to the breaches reported by the Regulator of Social Housing. We will discuss our considerations with officers and will inform the Audit Committee, should we determine whether further work in these areas is necessary.

Grant Thornton

grantthornton.co.uk

Birmingham City Council

Audit Committee

29th November 2023

Subject:	**Additional Value for Money Work Oracle Interim Findings**
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 letter dated 26th October 2023, as set out in the appendix, outlines the interim findings from the review by external auditors Grant Thornton in relation to the review of the Oracle Fusion implementation, and the plans and further investment required for this programme's completion.

2   Recommendation(s)

2.1   Audit Committee is recommended to:

2.1.1   Note the contents of the External Auditors letter dated 26th October 2023. .

3   Background

3.1   The background to this report is contained within the letter dated 26th October 2023.

4   Legal Implications

4.1   There are no other legal implications arising from this report other than those highlighted in the external auditors report.

Page 1 of 2

5   Financial Implications

5.1   All relevant financial implications are set out in the appendix containing the letter from external audit.

6   Public Sector Equality Duty

6.1   There are no public sector equality duties arising from this report.

7   Background Papers
7.1   None

8   Appendices

8.1   Letter of external auditors dated 26th October 2023

Grant Thornton

Our ref:
Your ref:

Deborah Cadman
Chief Executive
Birmingham City Council
Council House, Victoria Square
Birmingham
B1 1BB

26 October 2023

Dear Deborah

Birmingham City Council - Additional Value for Money Work Oracle Interim findings

We are writing to you in connection with our review of your Oracle Fusion implementation, and the plans and further investment required for this programme's completion. This letter contains our interim findings based upon interviews with Council Officers and PWC staff, and review of data and documents provided to date and summarises the themes which are more fully developed in our full report.

Our work has focused on the following lines of enquiry:

- **Finance Operations:** The Council's process to close the 2022/23 Financial Year and produce an auditable set of accounts, and accounting and financial management for 23/24.

- **The Safe and Compliant Programme:** The processes and governance arrangements put in place to identify and manage issues arising from the Oracle implementation.

- **Future Optimisation:** The Council's plans to transition from the Safe and Compliant programme into optimisation of the Oracle solution.

Progress:

- First round interviews have now been completed with Council Officers and members of the PWC team supporting the Council.

- The lack of access to the Interim CFO and other key finance officers over the last few weeks, in the wake of the S114 notice being issued, significantly impaired our ability to gain assurance in relation to the effectiveness of finance operations and the Council's work to produce accounts for 2022/23. However, over the last few days we have begun to get the access to the Finance team, and we are now able to make progress on this aspect of the review.

- A limited number of further interviews with Council Officers are planned to gain further evidence and inform our findings prior to the conclusion of our report.

- The Risk Management Cloud has now been implemented. This module went live in September, with a basic profile of core controls, and is now recording risk events for analysis and resolution. This is expected to give the additional reports to identify access control and other risk events across Oracle and inform priorities for resolution of Segregation of Duties (SOD) issues. We understand the version

implemented does not support the level of customisation that has been applied to Oracle, including areas such as Journals and one time payments.

- An options paper covering the full range of options for future optimisation is being prepared. We have unresolved questions about the extent to which the Council has fully evaluated options around optimisation and reimplementation and the related costs and benefits. It will be beneficial to review this paper when available, expected to be November.

Interim findings:

Remedial activity on the general ledger for 2022/23:

- The Council are some months from having an auditable set of accounts for 2022/23.

  o We have established that the main source of error in the financial processing has been the Bank Reconciliation Solution (BRS), a bespoke piece of coding to manage posting rules, which has resulted in transactions either not being posted to the ledger or posted incorrectly. This appears to be a result of attempts prior to implementation to customise the solution to mirror existing allocation rules under the previous SAP ledger system, but which had not been successfully implemented. As a result, throughout 2022/23 a very large backlog of posting errors had accumulated. This has resulted in the need for a very large volume of correcting journals to be processed manually in order to correct the financial records on the general ledger.

  o In order to process the volume of corrections needed the finance team has been augmented by additional temporary staff, resource allocated through the Oracle recovery programme. The initial focus for this additional resource has been to rectify the financial records for financial year 2022/23 and to establish a reliable outturn position.

  o Aside from BRS, we have established that Oracle modules relating to payroll, accounts payable and asset management have also experienced issues particularly immediately post implementation, and there is an ongoing requirement for manual intervention and additional resource. For example, in Payroll an additional 60 to 100 hours per month, of staff overtime, is currently required to manage the monthly payroll process.

  o The Accounts Receivable module has been identified as an area of risk, current issues with cash allocation and reporting of debtors, which relies to a high degree on information from the BRS system, is affecting the Council's ability to operate effective credit control processes. Cashflows are monitored on a daily basis and a higher level of free cash is being held to manage short term volatility. Officers also recognise the impact upon collection rates and the risks around debt recoverability, and plans are being put in place with Directorates to manage long-term collection. However, there are indications of a significant problem with the recoverability of accumulated debt.

  o The finance team have provided some assurance that the level of manual corrections to the ledger that have now been processed for 2022/23 means that the draft Q4 outturn report is expected to be produced over the next few weeks. At this stage we have had verbal assurances, but we have not yet been able to fully explore the process being followed or seen evidence to support that view and the delivery timeline has not been defined. We note the heavy reliance on a high volume of correcting journal entries, some of which have been posted on the basis of limited information and in some cases 'best fit'. We have general concerns about the lack of reliable financial controls within Oracle and a lack of reliable financial reports to enable effective monitoring of budgets which mean that the financial record for 2022/23 is likely to be vulnerable to error. Therefore, significant time may be required to obtain further internal assurance over the accuracy of the Quarter 4 figures, before these will be ready for external audit.

  o Overall, the Council are speaking positively about remediation in regard to the financial records for 2022/23 but we have not yet seen sufficient evidence to provide assurance that the Q4 position is materially correct. There seems to have been little provision made to independently check controls over the manual processes being followed or to test the financial record for 2022/23 using internal audit or other 3rd party.

- o Some form of independent assurance process would be advisable prior to any attempt to present 2022/23 outturn as accurate or commence the 2022/23 external audit. We understand the Council intend to commission independent assurance as part of the Internal Audit work programme for the 22/23 outturn.

- Financial Management during 2023/24 and planning for 2024/25.

  - o The Council has been operating during 2022/23 and 2023/24 without effective budgetary control mechanisms in place. Localised efforts to manage budgets within the services using historic performance as a benchmark appear to have been taking place, but this has not been adequate to provide a reliable measure of performance against budget or the delivery of savings to the corporate management team or to members. The Council does not have a reliable forecast outturn figure for 2023/24 or a reliable baseline cost position on which to set the 2024/25 budget. The baseline budget position on which the 2023/24 budget was set must also be in significant doubt.

  - o We note that the finance team assert that the same BRS system issues have continued to apply to transactions day by day in 2023/24, with errors occurring in approximately 40% of transactions. As at 25th September there were 9,057 unallocated transactions with a net value of £74.43 million, a Debit balance of £118.12 million and Credit balance of £43.69 million.

  - o Finance are hopeful that having almost completed 2022/23, they can now switch focus and resources to 2023/24, and will benefit from having developed a much clearer idea of how and where the errors are occurring. Rectification of these issues requires a significant level of ongoing manual effort, investigating each transaction to identify and correct postings to the General Ledger and this needs to be done in the context of the Council needing to minimise costs due to the requirements of the S114 notice.

  - o There appear to be limited system-based fixes that can be applied to BRS in the short term, and therefore the finance team will be reliant upon an ongoing process of retrospective transaction analysis and manual journal adjustments until BRS is replaced. There is currently no agreed plan for replacement of BRS, though an options appraisal is being carried out and Officers believe that a discrete solution, based upon use of standard Oracle supported by specialist Income management software, will take less than eighteen months.

  - o The development of the Q1 budget monitoring report for 2023/24 is still some way off but finance are intending to focus on remedial action immediately after the 2022/23 Q4 position has been resolved. There is acknowledgement from the finance team that that budgetary control and the monitoring of savings had not been functioning effectively in 2022/23 or 2023/24. While the Council is nearing a position where the overspend for 2022/23 can be calculated within a degree of accuracy, very little reliance can be placed on the financial information available on the forecast financial outturn for 2023/24.

  - o The finance team have indicated that, based on the latest Q4 numbers for 2022/23 there is likely to be a significant over-spend on budget for 2022/23 that will need to be covered by reserves, in addition to reserves already committed to supporting the original 2022/23 budget. We have yet to have access to any preliminary Q4 outturn figures to confirm this.

  - o The finance team have an expectation that 2023/24 will have at least a similar forecast overspend (but this is not based on definitive information). If this proves to be true, then the combined effect of overspends in 2022/23 and 2023/24 is likely to severely deplete available reserves and weaken the ability to set a balanced budget for 2024/25, even without the additional cost impact of Oracle and Equal Pay costs.

- Internal Audit have not done and are not planning any assurance work around the measures taken to correct the ledger , though we note the Council intend to commission independent assurance as part of the Internal Audit Work programme for the 22/23 outturn.

- Remediation of 22/23 and ongoing processes for 23/24 require significant manual intervention and are reliant upon additional temporary resource. It is likely that the additional costs being incurred will therefore continue to accumulate until a solution which resolves the BRS issues is fully implemented. There is a reliance on material levels of interim resource, including middle to senior management levels both in day

to day management and project remediation. A large team of additional temporary finance staff had been brought in to clear the backlog, this team was now being reduced but still c. 20 people needed to complete the backlog work and continue making corrections to support BAU in 2023/24.

- The high level of turnover of middle and senior finance staff has resulted in a fundamental loss of corporate memory which is relevant to the production of the accounts following such a period of delay. The Deputy S151 Officer had been leading the work to resolve issues with BRS and was using a dashboard to monitor the gradual reduction in the level of backlog errors (volume and value). However, this individual has now left the Council and the role will be filled by a new temporary appointment.

- There is acknowledgment of a high level of fatigue within the Finance team. A number of senior finance officers communicated deep dissatisfaction with the senior management culture and lack of receptiveness to finance expressing concerns, perceptions of poor treatment by colleagues outside of the finance team and the lack of engagement particularly with the design aspect of the revised Oracle implementation plan. They also raised concerns about the lack of sufficient engagement from the Oracle Programme team on supporting shorter term systems fixes within the existing Oracle modules, that could help reduce the reliance on labour intensive and costly manual workarounds that they have had to deploy to address the immediate remedial requirements and maintain basic business as usual finance functions. This issue is seen as important given the significant time period that will elapse before a longer-term solution can be implemented.

The Safe and Compliant ('S&C') programme

The Safe and Compliant programme has captured issues arising since go live and provides the governance for the prioritisation and delivery of "fixes", issues ranging from material (e.g. BRS miss postings) to cosmetic (e.g. Invoice headers). The S&C programme was established in March 2023 following escalation of issues and the commissioning of a high level review by PWC. We note the following:

- A governance (Gold, Silver, Bronze) "crisis management" process has been established, including CLT and Member oversight, to provide appropriate focus on Oracle issues. PWC are providing project management and governance support, not Oracle expertise. There is very limited Oracle knowledge within the Council and there remains a significant reliance on expertise provided by Version One Ltd and a limited number of contract staff to inform decision making on priorities and appropriateness of fixes deployed.

- Fixes are focused on addressing the immediate problem not necessarily resolving the underlying issues. The programme team acknowledge many of the fixes being implemented are not aligned to the long-term vision for Oracle and are thus considered temporary.

- Concerns have been raised, during interviews, that the S&C programme's focus is on upward communication to Members, and it does not have sufficient appreciation of operational issues. As a consequence, actions that could be progressed to reduce significant areas of manual intervention and risk to the Council, e.g. BRS and Accounts Receivable modules, are being deferred until a completed solution for future optimisation is designed.

- The BRS module remains on the S&C issue log. BRS is a bespoke piece of coding and fixes for this critical module have been limited to point solutions for particular transactions and missing data, as the module itself is considered to be too complex to fix. The Programme team are currently proposing that resolution of issues with BRS is moved out of S&C and into future optimisation. This will leave the finance team reliant on the labour intensive and costly short-term workarounds it has developed for an estimated twelve to eighteen months

- People Services has the largest number of open items classified under Safe & Compliant, principally issues affecting the Councils ability to report against its statutory obligations , e.g. reporting on staff DBS checks, or because they form part of schools essential requirements.

- Open S&C issues as at June:

  o Finance 49 – majority related to BRS miss postings, year-end reporting and remediation.

  o People Services 77 – majority related to statutory obligations or schools essential requirements.

- o Internal Audit 9 – Risk Management Cloud, Audit Logs, Reporting and access.

- o Procurement 3 – Contracts reporting

- o Technology 22 – Implementation of Risk Cloud and various interfaces

- There is a clear objective to exit the S&C governance model and move to a more traditional transformation / optimisation programme. However, while backlogs have been reduced there is limited evidence that the exit criteria have been achieved, and significant ongoing issues and further risks remain particularly in the areas of Finance and People Services.

- Exit criteria from the current gold, silver, bronze governance structure are summarised as:

  - **Confidence in Delivery:** Members and Council leadership feel confident and assured in the progress of delivery towards 'safe and compliant', signified by feedback at Boards.

  - **Reduced Risk to the Council:** The overall level of risk to the Council (reputational, financial and business continuity) is reduced.

  - **Progress in Delivery:** The programme is established and delivering, signified by a reduced need for decision making at pace/in a reactive manner.

  - **Clear future direction:** There is visibility over the future direction of the programme and what the end result will look like.

- Whilst the broad principles of these criteria are reasonable to support a change in governance arrangements, to support a decision about exiting the S&C phase of the programme a more robust gateway process will be required with specific and evidencable targets and metrics as the basis for an informed decision.

Future optimisation of the Oracle solution

As set out above, there is a clear intent to move away from the S&C governance model and transition to a more traditional transformation programme. While we note this intent, our initial work indicates that planning for future optimisation is at a very early stage and a clear end state for the Council's functions and the approach to Oracle optimisation have yet to be defined. We note the following:

- The High-Level Design for the future Oracle solution is currently being carried out. This was started by an in-house Council team, based upon the principal of adopting Oracle standard functionality and lessons learned from other authorities (Norfolk, Solihull). Oracle UK have now been engaged to support high level design activity. Design workshops are planned over coming weeks. This is anticipated to be a twelve week programme through to November.

- We understand the approach to high level design is based upon adopting standard Oracle functionality across its principal business processes, e.g. Procure to Pay, and adapting the Council's ways of working. Whilst this is an appropriate approach to process design, this is only a partial solution and wider consideration needs to be given to future resourcing and organisation (the target operating model) for corporate functions to design a complete and efficient solution.

- There are potentially a number of different approaches which could be used to achieve optimisation. From interviews the primary focus is on establishing a new "clean" Oracle instance with a phased transfer from the current version. There are significant technical considerations and financial implications to this approach. Other options such as removal of customisation, back to standard Oracle functionality, may offer a more practical and value for money solution. Options need to be fully evaluated and a business case established, to enable informed decision making as to the right approach to optimisation. It is our understanding that a paper presenting the various options for optimisation, from do nothing to full reimplementation, is currently being prepared. It is anticipated this paper will be presented in November.

- Our current understanding is Oracle will present a cost for the next stage of Systems Integration (SI) work. In our experience this only represents a part of the cost to the council (typically a 1/3) and we are unclear on how the BAU costs and additional resource required to implement a new system in parallel, are being captured or presented as this could run for another 18 months until resolved.

- There is an acknowledgement from the Director of Transformation, and other interviewees, that significant business change will be required, but at this stage a reliance on High Level Design to define those requirements, consequently at this time there is no:

  o plan, timeline or resourcing strategy for optimisation and the management of change, or

  o evidence of Member buy in to what will be required to achieve an optimised solution.

- Resourcing (capacity and capability) to maintain business as usual, which will continue to require significant manual intervention, and support the requirements of the design and implementation phases of the optimised solution is a significant risk. For example, based upon our current understanding:

  o there are high levels of interim resource in Finance, indicators of low morale and low levels of resilience

  o there is limited in house Oracle capability and a reliance upon external expertise

  o wider change within the Council, is drawing resources away from the programme e.g. the newly appointed Comm's lead for Oracle has been focused on wider internal comms related to the S114 notice.

- The Director of Transformation's view is that all likely costs are covered by the £100m estimate already stated in the public domain and they are trying to stay within this cost, and there is a mindset that things are acceptable if they stay within this budget, i.e. approximately £40m for original implementation, £26m for the Safe & Compliant programme and a further £18m left to spend to keep them well within the £100m envelope. They consider the money spent to re-design Oracle (£500K) is Value for money against other options considered.

- Prior to the completion of the final report we are currently carrying out additional interviews with Council Officers and will consider any further documentary evidence provided prior to the finalisation of our report. Finalisation will be dependent on availability of Officers, over the next two weeks, to complete the outstanding interviews.

M C Stocks

Yours sincerely

Mark Stocks

Partner

DRAFT FOR REVIEW

Public Report

Birmingham City Council
Report to Audit Committee

29 November 2023

Subject: Corporate Performance Management Framework

Report of: Richard Brooks, Director of Strategy, Equalities and Partnerships

Relevant Cabinet Member: Cllr Sharon Thompson, Deputy Leader

Relevant O &S Chair(s): Cllr Albert Bore, Co-ordinating Overview and Scrutiny

Report author: Paul Clarke, Assistant Director (Programmes, Performance, and Improvement)

Are specific wards affected? If yes, name(s) of ward(s):	☐ Yes	☒ No
Is this a key decision? If relevant, add Forward Plan Reference:	☐ Yes	☒ No
Is the decision eligible for call-in?	☐ Yes	☒ No
Does the report contain confidential or exempt information? ☐ Yes ☒ No If relevant, provide exempt information paragraph number or reason if confidential:		

1   Executive Summary

1.1   This report provides an overview of the council's Corporate Performance Framework. The Corporate Performance Framework is an integral part of the council's overall governance, control, and assurance mechanisms.

1.2   An effective performance framework has four key components:
   (1) Clear roles, accountabilities, and responsibilities
   (2) Clearly stated ambition and aims
   (3) Consistent and accurate reporting against the framework
   (4) Robust measures and deliverables that are clearly linked to improving outcomes for citizens (the "golden thread").

1.3   The council's approach to operationalising these components is set out in section 4 of this report. This includes a summary of the key documents, reporting arrangements, and forums that enable a regular oversight and consideration performance and delivery. The corporate performance framework is a critical element of our governance, control, and assurance mechanisms to ensure that we deliver our services effectively and meet our statutory and legislative responsibilities.

2   Recommendation

2.1   Members are asked to note the report and to consider what further information, briefings or training on this topic might be helpful in supporting the Committee to best undertake their role and responsibilities.

3.   Background and context

3.1.   The importance of an effective performance management framework is a key theme of our Corporate Governance Code as outlined in section C1 of the council's Constitution. The Code sets out the importance of continually reviewing performance and of using the performance management framework as a means of ensuring our citizens receive excellent value for money. It is therefore crucial that Audit Committee, a central tenet of governance itself, is comfortable and confident in the use of the performance framework in its role.

3.2.   The Programmes, Performance, and Improvement (PPI) Division was formed in April 2022, to provide a stronger corporate focus on performance and improvement. The Division, which is part of the Strategy, Equalities and Partnerships (SEP) Directorate, has a remit for strengthening the arrangements for reporting and using performance information across the council. One of the key functions within the PPI Division is the Corporate Performance Team which is responsible for managing, developing, and reporting against the corporate performance framework.

4.   The Corporate Performance Framework

4.1   There are a suite of key documents that provide a 'golden thread' linking our overall ambitions and priorities as a council to our delivery activity:

- The Corporate Plan 2022-2026 sets out the ambitions and priorities for the Council. Approved by Full Council in October 2022, the Plan brings together elements from other documents to provide a cohesive and coherent framework for our business and financial planning.

- A Corporate Performance and Delivery Plan (CPDP), updated annually, summarises key activities including delivery milestones from directorate business plans, current delivery plans / strategies, and transformation activity that make a direct contribution to the delivery of Corporate Plan priorities. The CPDP also includes 80 Key Performance Indicators (KPIs) against which we report performance.

- Directorate Business Plans summarise directorate and service priorities and key activity that align to the Corporate Plan priorities. The Corporate Plan provides context for business planning and programme development. Service plans and individual objectives should be aligned to Directorate Business Plans, reinforcing the 'golden thread' and alignment between individual roles and the overall priorities of the council.
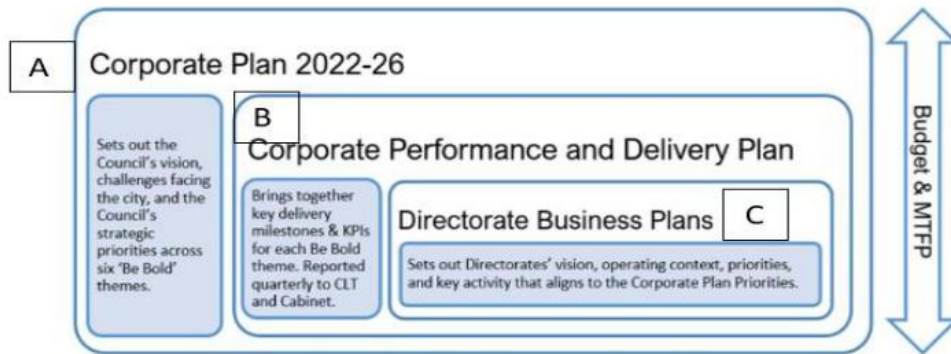
4.2   The quarterly report against the Corporate Performance and Delivery Plan (CPDP) is an important, public document by which we hold ourselves to account against the commitments we have made to our citizens. However, there is a broader suite of information that makes up our overall performance framework, as set out in the diagram below. This range of information enable a regular focus from the Council Leadership Team (CLT) on organisational performance as well as delivery against corporate priorities.
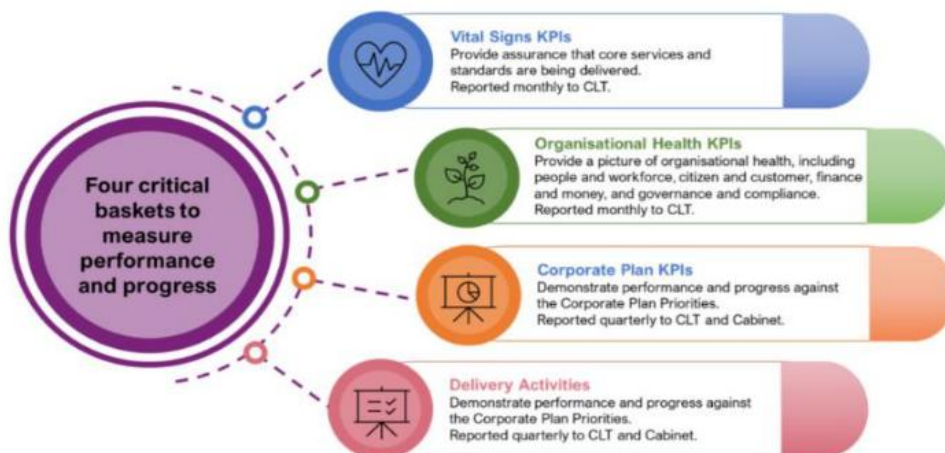
4.3   The performance framework also includes a set of 'State of the City' outcome indicators. These provide the context for our priorities and delivery and help measure the overall city and citizen outcomes we are trying to impact and influence through our delivery, enabling and influencing roles and activity. They are published as part of the City Observatory.

4.4   The Corporate Performance Team manage and develop the framework, and provide a critical friend role in reviewing, analysing and ultimately reporting on the data provided by directorates to produce a comprehensive and accurate view of performance across the authority to the relevant audiences. It is however important to note that responsibility for the setting of robust measures and deliverables, and ensuring data is updated accurately and in a timely manner across all the baskets lies with directorates.

4.5 The range of performance information collated informs discussion about performance across several different forums, including:

- Cabinet considers a quarterly Performance and Delivery Report (see para 4.2) which provides members with a summary of performance and delivery progress against the 'Be Bold' ambitions and priorities set out in the Council's Corporate Plan 2022-2026, using the KPIs and delivery milestones set out in the Corporate Performance and Delivery Plan.

- A monthly Council Leadership Team (CLT) Performance and Assurance Board that considers a range of performance and assurance reports, which together provide updates and highlighted issues regarding organisational health, delivery of key services, customer experience, and transformation.

- A quarterly Performance Meeting (QPM) with each Directorate, which is a corporately led process, chaired by the Deputy Leader, that facilitates discussion and a deeper understanding of the issues impacting on service performance.

- Performance reporting to Overview and Scrutiny Committees. There is some reporting and scrutiny of service performance data and other performance information aligned to committee work programmes.

- Directorate Management Teams meet to consider performance and delivery against priorities

- Cabinet Member Briefings provide an opportunity to update portfolio holders on performance and delivery matters

- Chief Executive and Director meetings includes information prepared by the PPI Division about performance and delivery

CLT Performance and Assurance Board	Performance and Delivery Monitoring Report to Cabinet	Quarterly Performance Meetings (QPMs) with Directorates	Chief Executive and Director 121s	Directorate Management Teams	Cabinet Member Briefings (CMBs)	Overview and Scrutiny Committees
Twice monthly	Quarterly	Quarterly	Monthly			
Provides a rounded discussion about performance, improvement, and compliance in the context of risks, ensuring the most critical issues are considered by CLT.	Provides CLT and Cabinet with a summary of performance and progress against the KPIs and delivery activities in the Corporate Performance and Delivery Plan.	Corporately led process and chaired by Deputy Leader. Enables discussion and deeper understanding of the issues impacting on service performance.	Enables discussions on performance and critical issues and priorities.	Directorate Performance meetings to monitor and discuss delivery against Directorate Business Plan priorities.	Regular Director and Portfolio Holder meetings include performance reporting against Corporate priorities.	Challenge and oversight to inform improvement. Some reporting of performance against priorities.

5. **Future developments: Improvement and Recovery Plan**

5.1. An important and evolving area for performance and improvement is the Improvement and Recovery Plan (IRP) currently being developed in response to the Secretary of State's intervention. Once approved by Commissioners, it is expected that the IRP will be the primary document upon which performance and delivery will be reported, superseding and/or incorporating those delivery activities and KPIs relating to a Best-in-Class Council. Notwithstanding this, we anticipate a continuation of some reporting against our Corporate Plan ambitions and priorities focusing on the Be Bold outcomes of Prosperous, Safe, Inclusive, Green, and Healthy.

6 **Consultation**

6.1. Not applicable. This is a paper for members information and does not include any delivery proposal or policy decision.

7 **Risk Management**

7.1. Not applicable. This is a paper for members information and does not include any delivery proposal or policy decision.

8 **Compliance Issues**

8.1. Not applicable. This is a paper for members information and does not include any delivery proposal or policy decision.

9 **Legal Implications**

9.1. There are no direct legal implications arising from this report. The report does not include any delivery proposal or policy decision.

10 **Financial Implications**

10.1. There are no direct financial implications arising from this report. The report does not include any delivery proposal or policy decision.

11 **Procurement Implications**

11.1. Not applicable

12 **Human Resources Implications**

12.1. Not applicable

13 **Public Sector Equality Duty**

13.1. Not applicable

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

29 NOVEMBER 2023

SCHEDULE OF OUTSTANDING MINUTES

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

⬜ (grey)	Completed & discharged
⬜ (yellow)	Approaching 2 months
⬜ (red)	2 months +
⬜ (peach)	Ongoing action

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
575 28/03/2023	**GROUP COMPNY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT** **Additional Action:** (ii) An offline briefing session to be arranged for Committee Members to understand the work undertaken by Cabinet Committee Group Company Governance.	Alison Jarrett/ Mohammed Sajid/ Committee Services **Dr Rob Milford to programme briefing sessions into the training timetable for the Committee.**
577 28/03/2023	**APPROVAL OF THE STATEMENT OF ACCOUNTS 2020/21 AND 2021/22** **Additional Action:** (vi) Officers to arrange an offline briefing via the Treasury Advisor for committee members to gain a better understanding on affordable borrowing.	Contact made to David Green on 08.06.2023. Dates to be explored before sharing with Committee Members. Mohammed Sajid/ Committee Services **Dr Rob Milford to programme briefing sessions into the training timetable for the Committee.**
603 28/06/2023	**UPDATE FROM THE EXTERNAL AUDITORS** **Additional Action:**	

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
	(ii) Agreed for a report on Equal Pay to be provided at the next meeting 19 July 2023.	Committee Services **This item was presented to the 19 July meeting COMPLETED & DISCHARGED**
	(iii) Noted a briefing session to be delivered by the External Auditors on Equal Pay and Oracle.	External Auditors **Dr Rob Milford to programme briefing sessions into the training timetable for the Committee.**
642 15/09/2023	**REPORT ON ORACLE** **Additional Action:** (ii) A list of ongoing reviews to be logged and shared with the Committee	Janie Berry/ Fiona Greenway
653 27/09/2023	**RESPONSE FROM THE INTERIM DIRECTOR OF FINANCE (SECTION 151 OFFICER) TO THE EXTERNAL AUDITORS REPORT** **Additional Action:** (ii) Noted officers would provide a response to outstanding queries raised by the Committee on; - Issues around the 4am start for staff. - Security - an update on Oracle Risk Management Cloud - Risks and calculated timescales associated with the four options of the job evaluation process. - A written update would be provided to the Committee around Schools budgets and their current position.	Fiona Greenway and Finance Team **Email circulated to Committee Members with responses on 23/10/2023.** **COMPLETED & DISCHARGED**
655 27/09/2023	**ASSURANCE SESSION – THE LEADER'S PORTFOLIO** The Audit Committee deferred the Leader's Portfolio Session. An extraordinary meeting to be arranged to cover areas associated with the Leader.	**An Extraordinary meeting was arranged for 06 October 2023.** **This action followed to minute 666 06/10/2023 which is outstanding**

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
		therefore Minute 655 27/09/2023 can be closed. **DISCHARGED**
666 06/10/2023	**ASSURANCE SESSION – THE LEADER'S PORTFOLIO** The Audit Committee agreed to reconvene the Leader's Portfolio Session.	**TBC**
675 18/10/2023	**INTERNAL AUDIT UPDATE** **Additional Action:** (iii) Noted the report on the work from KPMG on segregation of duties would be shared with members.	
676 18/10/2023	**STRATEGIC RISK REGISTER – RISK MANAGEMENT UPDATE** **Additional Action:** (ii) Noted there was a root and branch review taking place to review the strategic risks.	
678 18/10/2023	**UPDATE FROM EXTERNAL AUDIT** **Additional Action:** (ii) agreed for the section 151 officer to provide a high-level briefing or report on the Equal Pay Model.	
679 18/10/2023	**ASSURANCE SESSION – CABINET MEMBER CHILDREN, YOUNG PEOPLE & FAMILIES PORTFOLIO** **Additional Action:** (iii) Noted the responses to questions raised by Councillor Yip would be circulated to the Committee Members; (iv) Information on the actual costs for spend for Contracts to be provided;	**Responses to Councillor Yip's questions emailed to Committee Members on 21/11/2023**

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
	(v) Noted the internal audit reports referred to the Children and Young People's Travel Service to be shared; (vi) Noted risk & hidden/missing children to be discussed at a future meeting; and (vii) Noted that value for money rather than compliance to be discussed at a future meeting.	