

# **BIRMINGHAM CITY COUNCIL**

## **AUDIT COMMITTEE**

**WEDNESDAY, 21 FEBRUARY 2024 AT 14:00 HOURS**  
**IN COMMITTEE ROOMS 3 & 4, COUNCIL HOUSE, VICTORIA**  
**SQUARE, BIRMINGHAM, B1 1BB**

## **A G E N D A**

### **1 NOTICE OF RECORDING/WEBCAST**

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

### **2 APOLOGIES**

To receive any apologies.

### **3 DECLARATIONS OF INTERESTS**

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

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

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

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

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

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

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

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

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

**5 - 30**

5 **MINUTES – AUDIT COMMITTEE 31 JANUARY 2024**

To confirm and sign the minutes of the last meeting of the Committee held 31 January 2024.

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

To note the comments from the Commissioner are now attached under each agenda item.

**31 - 46**

7 **ANNUAL GOVERNANCE & INTERNAL AUDIT PROCESSES**

(30 minutes allocated) (1405 – 1435 hours)

Report of the Interim Finance Director, S151 Officer and Interim City Solicitor & Monitoring Officer.

**47 - 52**

8 **STABILISATION PLAN MONITORING ARRANGEMENTS**

(30 minutes allocated) (1435 – 1505 hours)

Report of the Interim City Solicitor & Monitoring Officer

**53 - 66**

9 **MANAGEMENT RESPONSE TO EXTERNAL AUDITORS UPDATE ON ORACLE**

(30 minutes allocated) (1505 – 1535 hours)

Report of the Interim Finance Director, S151 Officer

**67 - 74**

10 **SCHEDULE OF OUTSTANDING MINUTES**

Information for noting.

11 **DATE OF THE NEXT MEETING**

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

12 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.

13 **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

<p><b>AUDIT COMMITTEE</b> <b>31 JANUARY 2024</b></p>
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**MINUTES OF A MEETING OF AUDIT COMMITTEE HELD ON WEDNESDAY,  
31 JANUARY 2024 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, Miranda Perks and Paul Tilsley

**ALSO PRESENT:-**

Deborah Cadman, Chief Executive  
John Coughlan, Commissioner  
Craig Cooper, Strategic Director City Operations  
Anthony Farmer, Head of Professional Standards  
Richard Fitzjohn, Equal Pay Programme Lead  
Fiona Greenway, Interim Finance Director & Section 151 Officer  
Dr Robert Milford, Managing Director, Milford Research & Consultancy Limited  
Craig Price, Principal Group Auditor  
Marie Rosenthal, Interim City Solicitor & Monitoring Officer  
Mohammed Sajid, Assistant Director Financial Strategy  
Mark Stocks, External Auditor, Grant Thornton  
Philip Macpherson, Oracle Programme Lead  
Mandeep Marwaha, Committee Services

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**NOTICE OF RECORDING/WEBCAST**

703 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**

704 Apologies were submitted on behalf of Councillors Robert Alden and Shafique Shah for their inability to attend the meeting.

979

**DECLARATIONS OF INTEREST**

705 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**

The Chair notified the Committee he had been made aware item 8 - Update on Statutory Recommendations had exempt paper (Exempt paragraph 5 from Schedule 12A of the Local Government Act 1972 - Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings). Therefore, he proposed for the item to be moved to the end of the agenda to move into a private session.

At this juncture, Councillor Jenkins opposed the movement of this item and suggested the agenda remained in the order as published unless there was a good reason to do so.

The Interim City Solicitor and Monitoring advised the Chair, the Director of City Operations was joining the meeting in relation to the exempt item. In addition, the Chief Executive would be joining the meeting later to participate in these discussions.

The advice was noted by the Chair, however, he highlighted given the gravity of the items on the agenda, he would have preferred the Chief Executive to be present for all items. The Chair noted the Director for City Operations had now joined the meeting therefore, he proposed for the meeting to continue in the order set out in the agenda.

The interim City Solicitor and Monitoring Officer acknowledged the Director's attendance therefore, he was able to discuss the exempt item followed by moving back to the public session for any further discussions.

At this juncture, the Chair withdrew his request to move item 8 - Update on Statutory Recommendations to the end of the agenda.

This was agreed by the Committee.

Upon consideration, it was:

706 **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 29 NOVEMBER 2023**

707 The Chair highlighted the minutes of the meeting were well recorded and thanked officers for their work on these.

The minutes of the meeting held on 29 November 2023, having been previously circulated, were confirmed and signed by the Chair.

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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 highlighted there were two separate notes made by the Commissioners on the agenda. He was grateful for one of the Commissioners being in attendance and invited the Commissioner to address the comments made.

The following comments were made by the Commissioner:

- Public meetings agendas are reviewed by the Commissioners.
- Items 8, 9, 10, 11 and 12 on the agenda no comments were made from Commissioners.
- Item 7 – Internal Audit Plan Update - As set out in the Directions issued October 5, 2023, Commissioners expect to see a service review of the provision and operation of BCC’s internal audit function over the next 6 months.
- Item 13 – Comments provided by Myron Hrycyk Commissioner.

(For the purpose of the minutes and record, the comments made on item 13 – on Oracle were as follows):

*“This report delivers a number of very useful observations and recommendations that should improve the success of the current “Safe and Compliant/Stabilisation”, “Income Management System Replacement” and the “Re-implementation of Oracle” programme workstreams.*

*Many of the recommendations have been identified in other reviews of the Oracle programme and the Commissioners broadly support those in this report.*

*Commissioners would like to see the management responses to the recommendations to ensure that BCC have considered their priorities, how they will approach resolving them, resources needed and timescales.*

*We expect that BCC’s Oracle Programme Leadership (the three workstreams) will review these proposals and seek to adopt, if they are not already doing so, the programme focussed recommendations. The segregation of duties observations is of particular concern and Commissioners expect the SRO, Programme Director and Team to address these as a priority.*

*BCC has stated their commitment to adopt Oracle best practice processes and configuration for the re-implementation. Commissioners believe that the observations and recommendations in this report re-enforce these principles.*

*Commissioners suggest that a senior Grant Thornton person e.g. Mark Stocks, has an invitation, to join, if he wishes, the high level Oracle Programme board at appropriate points”.*

The Chair noted the comments made by the Commissioners and valued more engagement with the Commissioners where appropriate.

No other comments were made by Members of the Committee.

Upon consideration, it was:

708

**RESOLVED:-**

The Audit Committee noted the comments made by the Commissioner on the 31 January 2024 agenda.

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**INTERNAL AUDIT PLAN UPDATE**

The following document from the Assistant Director for Audit and Risk Management was submitted:

(See document No.2 of the agenda pack)

The Principal Group Auditor informed members the report provided an update on Internal Audit activity for November and December 2023. A summary of key findings arising from the work completed was highlighted within the report. A summary of progress against the 2023/24 Internal Audit plan, an update on non-assurance activity including progress in developing a central audit recommendation tracker and Internal Audit report repository was provided.

The key points made by the Principal Group Auditor:

Five reports had been assigned a level 3 assurance rating in the Audit Report issued in November/ December 2023. This indicated there was significant control issues which could lead to the management of risk or objectives being compromised. A summary of each audit report and next steps were set out in the appendix.

At the end of December 2023 56% of the 2023/24 audit plan had been completed to draft report stage, which was slightly below the target of 65%.



## Audit Committee – 31 January 2024

Internal Audits target for the year was to complete 95% of the plan to draft report stage.

There had been requests to defer jobs from the audit 2023/24 audit plan. These requests were being discussed with the Directorates only jobs that would not have an impact on the end of year opinion would be deferred. Any deferred high-risk jobs would be incorporated into the Audit Plan for next year.

The development of the Centralised Recommendation Tracker was near completion and a pilot was taking place in Digital Technology Services. Once the pilot was completed, the tracker would be rolled out on a phased basis. Communication campaigns would take place to raise awareness for managers.

A security model for the Centralised Audit Report Repository was being tested. This would be used as a knowledge repository for the Audit Committee and access to wider documents, guidance, and training materials made available

*(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 were raised around the deferring audits. It was noted a number of departments were under pressure due to the current budget process however, this should not be used as an excuse to the Internal Audit Team.
- It was suggested any deferrals of audits should be reprioritised for the next financial year.
- The progress and updates made on the report was noted by Members, however, concerns remained on identifying the high risks and what actions have to be taken and require ongoing oversight. The report on Fleet Services External Review was referred to as an example. It was suggested timescales against next steps was required. There was a need to expand on the details to understand the risks and actions. Questions were raised if 'medium' risk could turn into a 'high' risk. It was acknowledged that access to the reports via the central reports database would provide additional information.
- Members sought for an example of when an audit review being deferred would not affect the Audit Opinion. Further queries around this area was raised.
- Reference was made to the 2023/24 audit plan and the reasons to why only 56% had been completed to draft report stage.
- Further questions were raised around the vacancy and resources within the Internal Audit Team and if the vacancy was filled, would this enable the work to be completed. The Chair acknowledged the Internal Audit Department for Birmingham was under resourced to deliver its work and queried if a full complement of staff including the vacancy would be sufficient for the Internal Audit Team to deliver the work. Further detailed questions and discussions took place around the understanding of risk and risk management in the council up until the present moment. There was a significant amount of issues that were live.
- The Chair sought clarity on who was responsible to deliver a 'Risk Based Culture' within the organisation.

## Audit Committee – 31 January 2024

- Reference was made to previous 'cultural change' discussions, i.e. Home to School Transport issues, Weightman's report and cultural shifts. It was queried if this had happened and if not, whose responsibility was this? Accountability of the change was also queried.
- Councillor Jenkins indicated the Cabinet (Elected members) would be responsible for the failures within the organisation.
- Reference was made to the Oracle Accounts Payable - One Time Payments (OTPs) & Request for Payments (RFPs) (low risk level 2) Audit. It was noted in the External Auditors report, there were 70,000 transaction errors and poor control environment. Questions were raised on duplicate one-off payments.
- Further concerns of resource within Internal Audit Team were made by the Committee. Members raised concerns on the wellbeing of staff whilst undertaking their jobs as this was important not to lose sight of.
- A full understanding of the Councils proposed budget and savings proposals was not known. Members want to see a risk associated, financial risk and business continuity risk of each savings proposals. Further queries on this matter was raised by the Chair.
- Concerns was raised on the saving in 2019/20 budget, where there was a cut on the Oracle Programme (£1.7 million pounds). There was a removal of 40 headcount in total. It was questioned had the cut not happened would this have made a difference to the delivery of a successful implementation of the programme. A similar cut was indicated for this year's budget and could this potentially have a huge impact in the future. Assurances were sought on the management of Business Continuity and Financial Resilience had been undertaken for every line in the budget.

In response to members questions, the Principal Group Auditor, the Interim Finance Director (S151 Officer), Interim City Solicitor and Monitoring Officer and the Managing Director, Milford Research & Consultancy Limited made the following points:

- Deferred Audits – Directorates would be supported with challenges that they face. This would be a priority and placed into the next financial year. However, if there was jobs that cannot be deferred and required action, this would be raised the relevant managers, and escalated to the Audit Committee.
- The suggestion made on expanding on risks linked to the audit reports within the next update to the Committee.
- Work was taking place with Managing Director, Milford Research & Consultancy Limited on this report and the information required for the Committee.
- Officers do not have an example of an audit review that could be deferred and would not affect the Audit Opinion to hand however, this would be considered in areas where there was no impact on the overall assessment of the control within a particular area. Work taken place for the rest of the year would be taken account of and findings from previous audit works. Further details around this query was provided.
- Members were informed work was taking place with Internal Audit via Milford Research & Consultancy Limited. Internal Audit would be looking into other

areas of the business to obtain information to rely upon rather than just acquiring assurances themselves. Internal Audit was now working towards a risk-based focus. Next year's Audit Plan was now being looked at as well as appropriate resources within the team.

- There were several factors as to why only 56% of the 2023/24 Audit Plan had been completed to a draft report stage. These were noted as: i) work from the previous financial year; ii) delays in starting work on the current year, iii) vacancy within the team therefore, reduced resources to complete the plan.
- It was highlighted the Council faced many challenges and having the vacancy filled would assist the delivery. However, there had been difficulties to appoint to this post as specialist skills were required for this post. In addition, the Interim S151 officer highlighted the difficulty to recruit therefore, some apprentice roles were being explored. The Internal Audit Plan was currently not risk based approach therefore, a six monthly rolling plan was being looked into.
- The capacity and number of Audit days available should be sufficient to deliver the Internal Audit Plan. The Risk Assessment was key in driving the work. The Managing Director, Milford Research & Consultancy Limited and Head of Professional Standards was assisting shaping this work. Filling the one vacancy would not be sufficient to provide 100% delivery of the Internal Audit Plan. It was recognised by the Centre of Governance Review, External Auditors and self-assessment that there was further work to be done as the Audit Plan did not pick up some of the risks.
- A risk based approached mapping, managing and mitigating against the risks in the Audit Plan would drive this. Extra capacity around risk was now in place.
- There was an acknowledgement by the S151 Officer that the Audit Plan did not have the risks that it should have done. Work was taking place with a different Audit Plan working with the Audit Committee to ensure the right plan was in place to cover the right risks for the organisation.
- The Interim S151 officer highlighted there should not be a deferral for Internal Audit Reports however, if there was a need for the deferral, this should be reported to the S151 officer. If there was a further problem, this would then be escalated to the Audit Committee. Additional details around an Audit Plan was provided by the Managing Director, Milford Research & Consultancy Limited.
- A methodology around the Audit Plan will be shared with the Audit Committee in February 2024.
- The Committee were informed, the cultural shift was the responsibility of both officers and elected members, across the organisation. This had to be owned by 'all' across the organisation.
- The S151 officer agreed to share a response to the Committee on previous 'cultural change' discussions and this had happened or not. The response to include whose responsibility this was and the accountability for the change. It was noted, the accountability ultimately led up to Head of Paid Services and Leader of the organisation.
- Oracle Accounts Payable - One Time Payments (OTPs) & Request for Payments (RFPs) (low risk level 2) Audit – Details of the workflow, and the payments were shared with members of the Committee. As there is no invoice one-time payments are a high-risk area that have the potential to be subject to

fraud. Testing included detailed a data analysis exercise of payments since The implementation of Oracle. A full management response to the external auditors report would be shared at the next Committee meeting.

- The Head of Practice Management had been going through each of the Delivery Plans with the Section 151 officer and the risks associated. The information would be shared with all the Councillors (elected members). The proposals had been through Task and Finish Budget Scrutiny Committee. In addition, the report was shared with Finance & Resources Overview & Scrutiny with recommendations for Cabinet to consider and respond to in order to propose a budget to full council.
- The S151 Officer would undertake a S25 as part of the budget setting for Council in which assurances would be available. The Commissioners will be looking at the S25 in detail. External support and legal advice will be in place for this process. Details on a S25 was shared with the Committee. Over 150 delivery plans were being developed to the savings proposals which would be accessible to the public. Sessions were taking place with Cabinet Member and Finance Business Partners to the delivery plans.
- The S151 officer will challenge anything raised to her that had not been brought to her attention.

Upon consideration it was;

709

**RESOLVED:-**

That the Audit Committee;

- (i) Noted the Internal Audit update for January 2024; and
- (ii) Agreed for the S151 officer to report back to a future meeting of the Committee on the work that had been done to date and was planned to develop a risk based culture across the organisation.

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**UPDATE ON STATUTORY RECOMMENDATIONS**

710

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

(See document No.3 of the agenda pack)

The Interim Finance Director Section 151 Officer made introductory comments. Members were informed this was the first update to the Audit Committee since the City Council meeting. The report provided an update on progress against the action plan that was agreed at Cabinet in response to the twelve statutory recommendations contained within the External Auditors report, as of December 2023.

Point 1.3 of the report was read out by the Interim Finance Director, Section 151 Officer.

*“Delivery against these recommendations is crucial for financial sustainability and effective governance for Birmingham City Council. The issues raised within the External Auditor’s report are significant enough to have caused them to use their statutory powers. Addressing these recommendations will re-affirm a basis for sound financial management and effective governance within the Council and provide a platform from which we can address the broader challenges facing the Council and City as a whole.”*

Appendix 1 of the report was the update Consolidated Action Plan in response to the External Audit report dated Friday 29th September 2023.

*(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;

- Issues highlighted on page 64 (Asset Disposals) and large assets had to be disposed of were referred to. Assurances were sought from officers that there were plans to look ahead of this. Furthermore, on page 67 of the report, (status of the sign off for 2020/21 and 2021/22 accounts), to be completed in January 2024. The External Auditors had indicated this had not occurred. This raised concerns as the previous External Auditor was no longer with Grant Thornton.
- Only issues for 2020/21 and 2021/22 accounts were around value sum of the assets.
- Concerns were raised at the slow pace of the actions against the recommendation.
- Queries were raised around the appointment of the Job Evaluation Team.
- Recommendation 4 – Independent Review of obtaining legal advice – Members sought clarity if this was taking place. Several questions on this matter were raised by members.
- The Chair sought confirmation from the External Auditors on this report and if this was satisfactory progress against the recommendations.

In response to Members questions, the Interim Finance Director (S151 Officer), Interim City Solicitor and Monitoring Officer, the Equal Pay Programme Lead and the External Auditor made the following points:

- Recommendation 9 – Asset Disposal Plan – Members were informed Cabinet had agreed to set up a Cabinet Committee for Property which would meet monthly to oversee a programme of asset disposal. This was managed by the Director for Places, Prosperity, and Sustainability. The Committee consists of Cabinet Members with Opposition members in attendance as observers.
- Linkage to Equal Pay calculation – Open discussions were taking place on 2021/22 on outstanding queries with External Auditors.
- Members were informed the Equal Pay Team were in place and benchmarking would be taking place in the programme until May 2024. The team were on target for spring 2025.
- The last meeting of Cabinet Committee Property was cancelled due to no business going to this however, there was several auction sales taking place. Details on the revenue was discussed.

- Recommendation 3 – The Interim City Solicitor and Monitoring Officer advised these discussion must take place in exempt session as the Council was in live litigation in the Employment Tribunal.
- The Interim City Solicitor and Monitoring Officer was seeking clarification with the External Auditors on the Recommendation relating to how legal advice was commissioned was suggested a Monitoring Officer Protocol should be in place. An Independent person would be appointed to undertake the review in February 2024. A fact gathering exercise would take place on what advice had been provided, had the advice been followed and was this safeguarded.
- The External Auditors highlighted they were working closely to the job evaluation process however, as this unfolded, various versions of the Job Evaluation was forwarded to the External Auditors on how legal advice was commissioned and safeguarded. This was the responsibility of the City Solicitor and Monitoring officer in post however, the External Auditors were made aware the advice provided was not being followed. There was a point where there was the option to stop the process and for the External Auditors to undertake the process themselves however, due to the urgency, the statutory recommendations was issued.
- Details on the 2022/23 accounts and impact on future accounts was shared by the S151 officer. Details around this would be set out in the S25 document for the budget setting which would be shared with Cabinet and Finance & Resources O&S Committee in March 2024.
- The External Auditors were content with the progress made against the recommendations and there were no additional comments made.

At this juncture, the Chair announced the meeting would move into the private session. He requested for the press and public to leave the room. Only Councillors, City Council employees, External Auditors and Commissioners were able to remain in the private session.

At 1516 hours, the Committee moved to a private session.

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**(Note: Minute 711 is in private - document No.4 of the agenda pack)**

**RE-ADMITTANCE OF THE PUBLIC**

712

At 1605 hours, following discussions on item 8, Update on Statutory Recommendations, the Committee moved back into the public meeting.

**(The Committee moved back to Item 8 on the agenda)**

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**UPDATE ON STATUTORY RECOMMENDATIONS**

Upon consideration it was;

713

**RESOLVED:-**

That the Audit Committee noted the current progress against the agreed action plan.

**UPDATE ON THE RISK MANAGEMENT PROGRAMME**

The following document from the Head of Professional Standards was submitted:

(See document No.5 of the agenda pack)

The Head of Professional Standards gave a summary of proposed improvements which covered over three themes. These were highlighted as:

- Theme 1 - Visibility & Articulation
- Theme 2 - Process & Procedure
- Theme 3 - Recording & Reporting

It was highlighted as part of the recording and reporting theme, a formal Risk Management section would be included in decision-making reports. A Knowledge Repository will be created for all associated risk management data, reports, and action plans. Specific training in relation to the new systems, consultation and engagement on the approach taken, and future reports required by Committee Members would be provided.

Consultation and engagement on future reports required by the Corporate Leadership Team and the nature of information required would facilitate decision-making. This would provide assurance over the way risks was managed. In conjunction with Internal Audit colleagues, the inclusion of bi-annual reports to the Committee on the effectiveness of the Risk Management function itself would be available.

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

Members raised questions and made the following comments;

- Reference was made the Centre of Governance and Scrutiny report which highlighted the issues on the Annual Governance Statement. The Chair reminded the Committee, prior to this meeting members had received bitesize training on this area as part of the development on this Committee. The Chair sought steer as to how the risk management remained active in the Annual Governance Statement and practicing risk management culture.
- The Chair requested for the report author for Centre of Governance and Scrutiny Report Author to be invited to the next meeting of the Audit Committee. Members were notified this will be itemised at the next meeting agenda and arrangement would be made for the author to attend.
- A question was raised as to how the risk management approach been utilised to develop the budget proposals for the Council.
- It was queried if the information on unintended consequences would be shared with members before the budget proposals? Was there confidence that those who were working on the branches of risk management, business continuity and financial resilience had an understanding on this?

## Audit Committee – 31 January 2024

In response to Members questions, the Head of Professional Standards, Interim City Solicitor and Monitoring Officer made the following points:

- The Corporate Governance Group, which was an officer, led group would prepare the Annual Governance Statement. The Group would have Risk Management embedded throughout it. The Head of Professional Standards was be involved in the group to ensure all the independencies was working together.
- Challenge sessions were taking place on the savings plans. A robust process had been taking place around the risk management plans.
- Information on unintended consequences will be included in the budget proposals.
- The risk maturity journey was in its very early stages as a final framework had not been established.
- The Chief Executive gave assurances to the Committee that the budget process had been very robust. The Budget proposals had been shared via the Scrutiny process where political debate had taken place. This was in addition to the officer Assurance Sessions. Another piece of work on continued risks will also be monitored.

Upon consideration it was;

### 714 **RESOLVED:-**

That the Audit Committee:

- (i) Supported the risk management rebuild programme outlined within the update and made comments on additional assurances that might be required to satisfy Committee Members with regard to the way the City Council considers, responds to, and manages risk; and
- (ii) Progress on delivery of the Stabilisation Plan required by the Governance Review carried out by the Centre for Governance and Scrutiny be reported at the next meeting and the author Ed Hammond be invited.

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### **FINANCE UPDATE – JANUARY 2024**

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

(See document No.6 of the agenda pack)

The Interim Finance Director, Section 151 Officer outlined this was the report which was presented to Cabinet on 16<sup>th</sup> January 2023 and Finance and Resources Overview and Scrutiny. This report was the third report in a series of updates which was requested by the Finance Commissioner in conjunction with the Lead Commissioner.



It was highlighted the potential Equal Pay Liability sits alongside the structural budget problems in 2023-24 budget. The Commissioners would like Birmingham to have a balanced 2-year budget (2024-25 and 2025-26 budget). Though work had taken place to find £140 - £150 million pound savings, the budget was not balanced hence exceptional financial support was requested for. This was in order to capitalised on here key areas; potential equal pay liability, potential redundancies and plug the gap for balanced budget for the Council.

Several areas of engagement had taken place including the Finance Board and Commissioners. There were some issues which were continuous and some were one off with the 2023-24 Base placed right.

Details around the significant issues with the budget had been discussed with Finance and Resources Overview and Scrutiny. A series of challenge sessions had been taking place to ensure the savings were as deliverable as possible. Every saving line had a Delivery Plan with a risk assessment and resources request.

Anything in the Capital Programme was part of the value for money work and for the 2 year period. Birmingham cannot rely on prudential borrowing.

Summary of Directorate Changes to Net Base Budget was referred to and a brief summary of how the savings were made was shared. Cabinet and City Council will consider the detail of this.

2024/25 Net Base Budget was built via a Directorate, Division and Service Level followed by the cost centre level. Assurances were provided to Members around the delivery i.e. which cost centre was applied. The overview on the process and assurance was shared with 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;

- Questions were raised around the breakdown and understanding of table 3 - Summary of Directorate Changes to Net Base Budget i.e. what was the net based budget made of, cash envelope and inflation/pay award.
- Concerns were raised on the savings within Children and Families in particular Home to School Transport and Special needs areas.
- Officers were reminded of the outstanding actions for the Committee. This referred to a request for information on a comparison with other Core Cities and to gain an understanding of in year overspending to see where Birmingham was (pound per population) - to see if Birmingham was in line with the current condition of local government.
- The Chair requested for the Committee to receive a clear risk register at the next meeting ahead of the Budget setting meeting.
- The Chair requested for a written response of the methodology and assumptions used for rebasing to be shared with the Committee.

## Audit Committee – 31 January 2024

- The Chair requested for a review of the savings from previous years and understanding of why these could not be met and details of this to be shared with the Committee in order to learn from previous years.
- It was queried what was the involvement of the Commissioners in overseeing the budget proposals? Further queries on the budget were raised.
- Reference was made to the 2019/20 budget saving, where £1.7 million was saved in the Oracle programme and 40 members of staff were removed from the programme. The Chair sought assurance from the Chief Executive if she was confident each saving, mitigations of the risk was made i.e. the risk itself would not cause a greater financial burden on the Council and using the risk management framework and culture.
- The Chair sought assurance from the Chief Executive that the budgets savings proposed would not cause unintended consequences in the future.
- Revenue outturn report 2022/23, was to be delivered by November 2023. Questions were raised on the progression of this.
- Further extensive discussions took place on the 2023-24 outturn and budget proposals going forward and if there was a reliable forecast for 2023-24 to set the budget for 2024-25. The Chair was concerned on the position of this as the foundation to base the budget upon was not firm.
- Members questioned if there was confidence that all the Council's Income was being collected.
- It was requested for Audit Committee to have sight of the Delivery Plans as this would need to be monitored.

In response to members questions, the Interim Finance Director, S151 officer and the Chief Executive made the following points:

- A breakdown to the of table 3 - Summary of Directorate Changes to Net Base Budget was provided. Details around this had been discussed with Scrutiny.
- It was noted, demographically, there were some complex need cases where the need and demand for the service had been increased.
- The saving would be considered by Cabinet and Full Council to support the delivery of the budget. The S151 Officer suggested a written response to be shared with the Committee as document containing all the details on the budget savings and breakdown document had been shared with Scrutiny Committee. It was suggested this can be shared with Members of the Audit Committee.
- The S151 Officer agreed to share the Risk Register ahead of the Budget Setting meeting.
- Rebasing – There was a document which was shared with Scrutiny and can be shared.
- Savings – This had been taken out however, Directors were asked if they can deliver these and then this could be placed back into the Delivery Plan and with the reasoning. The savings that cannot be delivered, lessons learnt could be shared with the Committee.
- Cabinet would make the budget proposals to full Council. The proposals must be deliverable by Directors within the organisation. Each Director had been asked to sign off the delivery plans and assure the resources were available to deliver these. There was a structural deficit within the budget and this would be provided in the analysis document on rebasing. Corporate Leadership Team have been challenged on several occasions.

## Audit Committee – 31 January 2024

- 160 + budget proposals have been discussed with the Corporate Leadership Team. The Finance Sub Board, with the Commissioner in charge, had linked into this process.
- The Chief Executive, Interim City Solicitor and Monitoring Officer are meeting the Commissioner weekly in relation to the budget. A lot of work was taking place with the Commissioners to get assurance and they will form their own view on the overall budget.
- Regular updates was taking place via Scrutiny and Group Leaders Briefings.
- The Chief Executive highlighted every budget proposals had political oversight with a clear indication of the mitigation against the risk. The delivery and minimising the impact of the budget saving proposals was important.
- Several levels of scrutiny, risks and assurances had taken place for the budget. At least £300 million budget savings had to be made. Every budget savings had been risk assessed and mitigated.
- Given the number of scrutiny and risk assessment, the Chief Executive informed there were many other factors to consider i.e. global impact, different national politics direction etc. It was important the Council was agile enough to the surroundings which was not in control and assess the impact this has on the services.
- Birmingham City Council had undertaken several levels of assurances, scrutiny, and risk assessment in order to make the budget as robust as possible.
- 2023-24 provisional outturn would be shared will be shared at the March 2024 Cabinet meeting however, this will be considered in the S25 notice to full Council.
- Further details was provided on the budget by the S151 Officer.
- The Budget setting process was done away from the ERP general ledger (Oracle). The budget work had been undertaken outside of this system. Reports can now show the information by Directorates and forecasting. This had been quite accurate as there were other sub-systems used to forecast from. An example of the Childrens Directorate was shared with the Committee.
- Income from Council Tax and Business Rates details was available however, there were some problems around miscellaneous income. The income is collected and indicated on the bank accounts and cash systems. There was proposals to improve this and this would be undertaken as part of the budget setting process.
- The 'Risk' element of the Delivery Plans would be shared with the Audit Committee to monitor the governance, risk and assurance processes. The delivery of the plans would be monitored through Finance & Resources Overview & Scrutiny as well as Co-Ordinating Overview & Scrutiny.
- The Chief Executive notified Members consistent information would be shared across the relevant areas however, Members had to be aware there was a lot of work that had to be done. The process would be streamlined.

Upon consideration it was;

715

### **RESOLVED:-**

That the Audit Committee:

- (i) Noted the update on the financial position, as at January 2024,

## **Audit Committee – 31 January 2024**

- (ii) Noted the details on the budget savings and breakdown document which was shared with Scrutiny Committee would be shared with Members of the Audit Committee.
  - (iii) An update is required on the outstanding action from the previous meeting (29 November 2023) on the comparison with other Core Cities in order to gain an understanding of the in year overspending to see where Birmingham was (pound per population). To see if Birmingham was in line with the current condition of local government.
  - (iv) Noted the Committee to receive a corporate risk register at the next meeting ahead of the Budget setting meeting.
  - (v) Noted a written response of the methodology and assumptions used for rebasing to be shared with the Committee.
  - (vi) Noted a review of the savings from previous years and understanding of why these could not be met and details of this to be shared with the Committee in order to learn from previous years.
  - (vii) Noted the risk element of the Delivery Plans to be shared with the Audit Committee.
- 

At this juncture, the Chair informed the Committee item 11 – Finance Treasury Management would be moved to the end of the agenda (The Chair had been informed the External Auditors had leave the meeting by a specific time). Therefore, item 12 – External Auditors Update would be discussed next.

### **EXTERNAL AUDITORS UPDATE**

The following document from the External Auditors was submitted:

(See document No.7 of the agenda pack)

The Key Partner, Mark Stocks introduced his colleague Fiona Baldwin, Head of Audit for Grant Thornton (joined online) to the Committee. The previous key partner, Jon Roberts had retired. Members were informed, that he had now taken over the old audits.

Key points made:

- 2020-21 & 2021-22 Audits – There were two key areas that were being looked at (i) additional procedures – ongoing work and this was not completed at present. A date for completion could not be shared at present; (ii) Equal Pay – two models had been submitted to the External Auditors on 29 November 2023. March 2021 and 2022 had been received. No date was provided on the completion for this work.
- 2022-23 & 2023-2024 Audits – The position of the Council remained the same. There were issues with ERP system, IT issues. A controls workshop had taken place with Birmingham Officers and worked through the first phase of the audit and there are several outstanding questions which officers were preparing the documents for. Another Controls workshop would be taking place in February 2024. The plans should be available for the March meeting.

➤ Other areas of work including;

Equal Pay - historical backward review – ongoing complex work; work would need to take place looking forward in terms of the Job Evaluation Methodology – recent data had been submitted in relation to this.

Financial Sustainability – This was complex area as some of the interviews had taken longer than anticipated. Further interviews will need to take place in relation to this and would be reported back to the Committee.

Oracle – Final report on Oracle was on the agenda and would be discussed then. Backward looking review had started to see what had happened.

The continuation of Grant Thornton as the External Auditors for Birmingham - Page 161 of the document pack. The External Auditors highlighted it was important for External Auditors to undertake their work without impediment. It was important the findings reported were not undermined. If the External Auditors felt intimidated via physical or complaints system this was taken seriously. The Key Partner indicated if such behaviours continued, then the continuation of the audit would be reviewed. A number of safeguards had been put into place therefore, the Key Partner, External Auditor, indicated he would continue with the audit.

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

Members raised questions and made the following comments;

- Questions were raised around the spreadsheets referred to by the External Auditors and if these would be used to calculate the Equal Pay liability. There were concerns raised as the work on the spreadsheet would take some time however, the (accounts), budget had to be agreed at full Council. It was queried if the models would be ready by March 2024.
- Members raised questions around the position of the External Auditors satisfying themselves on the accounts therefore, queried if the calculations were correct and if the Council can vote on a budget.
- Concerns were raised around the External Auditors considering their position on the audit and questioned who was responsible for intimidating, complaining and undermine their work. Further queries around this were raised and there was a need for more information to be shared with the Committee.
- If there was a legitimate complaint that had to be heard, then questions around this issue still stood.
- Members sought assurance that the work undertaken by both Internal and External Auditors was not inhibited in any way for them to undertake their role. Members need to be aware of the issues the External Auditors were experiencing i.e., was their independence being impeded upon, was there issues on accessing information.

## Audit Committee – 31 January 2024

- The Chair sought assurances from the Chief Executive given the severity of the statements made by the External Auditors and if any of the complaints with the organisation fit within this concern.
- Members were concerned to the statements made as they had never come across such situations and ultimatum by an auditor. Members of the Committee were shocked with the statements made.
- The Chair requested the Chief Executive to investigate the challenges and issues the External Auditors faced from the Council and to provide an update in either a private briefing session or letter to the Committee.

In response to Members questions, the External Auditor, Interim City Solicitor and Monitoring Officer made the following points:

- The spreadsheet referred to by the External Auditors would be used to calculate the Equal Pay Liability.
- The models were ready however, the External Audits were unsure how long it would take to work through this due to some of the assumptions included. Legal advice had to be taken on the assumptions.
- Approvals of the accounts – Government had moved the backstop date, likely to be September 2024 now.
- The External Auditors informed members the Council should not rely on the Auditors as the responsibility for placing the models together was the officers. The 2023-24 Audit would not be finished for when the budget would be set. The information provided by the officers is what should be relied upon. The Key Partner acknowledged this was a difficult position for Members as the 2022-23 accounts outturn was not available and update to quarter 3, 2023-24 accounts.
- The Key Partner confirmed physical violence was referred to as an example and there had been no threats of physical violence and apologised as it was not his intention to infer this. The issue had been discussed with officers therefore there was no need for detail. He was content with the safeguards in place and matters were being handled appropriately.

At this juncture, the Interim City Solicitor and Monitoring Officer advised the Chair the External Auditors had made their position clear and this would need to be respected by the Committee who must ensure the External Auditors can undertake their work professionally.

The Chair acknowledged the advice provided by the Interim City Solicitor and Monitoring Officer however, this information was included in the Audit Committee papers therefore, the Committee could ask questions on the matter.

Further responses were made to Members questions, by the External Auditors. These were noted as:

- The Key Partner did not want to share details of the incidents however, advised the Committee he was comfortable with the safeguards which were in place. It has been agreed to change the way External Auditors and BCC work together by a significant increase in the number of meetings taking place. It had also been recommended to have regular private Audit

Committee meetings with the Chair and Members of the Committee around any concerns.

- The Complaints had been through the Audit Panel within Grant Thornton however, the External Auditor was concerned to the context of the complaint. The Key Partner was content on procedures that had been put into place. Fiona Baldwin, Grant Thornton was now a support partner to assist in managing this. If the Key Partner gets concerned again, he would make the Audit Committee aware if this. Councillors had to be made aware of this issue hence raised in the public domain. A constructive relationship between Members and officers was required otherwise the Key Partner informed the Committee, he would resign the audit with immediate effect.
- 2023-24 audit was a contract of £1million pounds with Grant Thornton.
- The Chief Executive informed the last 12-18 months, work with the External Auditors had been professional and supportive and appropriate scrutiny had been undertaken.
- The Chief Executive, Interim Finance Director, S151 Officer and the Interim City Solicitor and Monitoring officer had met with the Key Partner on this matter. The organisation had zero tolerance on physical threats etc. respectful relationship was in place with the External Auditor and their colleagues. Any issues raised by the External Auditor would be raised and resolved. The relationship between the Council and the External Auditors was important.
- The Chief Executive stated there was zero tolerance for physical or intimidation. She was grateful the External Auditor had indicated the Council was responding in a positive way.

716

**RESOLVED:-**

That the Audit Committee:

- (i) Noted the update provided by the External Auditors; and
- (ii) Requested the Chief Executive to investigate the challenges and issues the External Auditors faced from the Council and to provide an update in either a private briefing session or letter to the Committee.

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**FINAL REPORT ON ORACLE**

The following document from the External Auditors was submitted:

(See document No.8 of the agenda pack)

The Key Partner, Mark Stocks informed members the ERP system, (Oracle) was not in the right place. There was significant issues over the past year of where the Council is ad what it was trying to implement.

As a result, three areas had been looked at by the External Auditors; (i) Finance Operations; (ii) Safe and Complaint Programme and (iii) Future Optimisation. It was highlighted there was a significant issue with the BRS system which would not be resolve for at least 6 - 12 months. As a result, significant manual workarounds were taking place.

Many issues were moved from Safe and Compliant stage to the Future Optimisation stage which had been paused and placed back. Safe and Compliant would therefore take longer than anticipated.

A series of recommendations made by the External Auditors was set out in the report on the various areas outlined. An overview of the recommendations was shared with the Committee Members. There was a particular concern around Oracle expertise and building the capacity into the future. The Key Partner acknowledged that officers were working hard on this area however, the progress anticipated had not been made at this stage.

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

Members raised questions and made the following comments;

- The Chair was concerned on a paragraph on page 20 of the report, on the retention of finance staff. This paragraph was read by the Chair. It was questioned if this was a recent discovery or a review of what the position prior to members being alerted to the Oracle issue?
- Reference was made to the *'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....'* Statement in the report. It was questioned if this was happening now.
- The Chair queried with the Chief Executive if she was aware of the staff deep dissatisfaction during this period and if any actions had been taken to challenge this and support those who were affected? To the period before the issues of Oracle were highlighted. It was questioned if the signs of the dissatisfaction was missed by the Chief Executive as the working environment continued to the possible failures.
- Reassurances were sought by the Chief Executive that all members of the Programmes and Finance Team currently engaged in the Oracle Implementation Recovery was supported correctly, felt confident, positive about their roles and were being supported and cared for.
- It was suggested that at the end of the second paragraph of the statement on the report, it would have been helpful to indicate 'these concerns had been addressed'.
- Questions were raised around the S151 officer being the Senior Responsible Officer (SRO) for the Oracle programme and the concerns around the level of pressure of the budget proposals and responsibility.
- It was questioned to the External Auditors if in their opinion if investing in Oracle should continue or move away from this.
- The Chair requested for information to be provided on why there was a delay to get to safe and complaint. Previously, the Committee had received various briefings from Oracle Team, Programme Leads, Directorate of Transformation where various updates was to be provided to the Committee (e.g. Update on DBS checks etc).
- There were previous concerns on GDPR and questions were raised if GDPR risk assessment were in place to the systems given the Oracle situation.



## Audit Committee – 31 January 2024

- The Chair requested for a full response to the final report on Oracle from the External Auditors to be shared at the next meeting.

In response to Members questions, the External Auditor, the Chief Executive and the Interim Finance Director, S151 Officer made the following points:

- The Finance Team had been affected for over the last year. Finance Team have had to deal with the workarounds, BRS Cash systems not working effectively and the fatigue for the finance team builds up over time. Some staff have been dealing with this since April 2022 and for a prolonged period they have not been listened to and still dealing with this now. It was important to consider what resources had to be in place to ensure the finance system works from 01 April 2024. It was recognised the Finance Team was fatigued and had been for a long time.
- The Key Partner confirmed the statement around the '*deep dissatisfaction with the senior management culture .....*' this was not happening at the moment. This happened up until the point Oracle was know as an issue and improved since. Finance colleagues still require assistance to fix the issues and no solution was in place for them. Finance Team have tried to push for change however, the change had not occurred.
- The Chief Executive informed members that when it became clear there were issues with the implementation of Oracle, a number of sessions took place with staff to understand how they felt. It was clear the leadership of the Finance Team was not right therefore alternative arrangements went into place where staff were supported. Additional capability and capacity was in place to manage the challenges. The Chief Executive was not aware of the dissatisfaction and poor treatment staff experienced before the implementation of Oracle had failed. This was not seen in other departments either. If there was a systemic issue where staff were unhappy with the leadership, this would be raised with CLT.
- There was no indication of dissatisfaction in the leadership in a systematic way that was brought to the Chief Executive's and Corporate Leadership's Teams attention, and it was the reverse.
- When external staff join the Council, they saw the challenges faced within the Finance Team.
- The Chief Executive assured the Chair, that at the point when she was made aware of any issues, this was actioned upon very fast, and staff were brought together as it was not to be tolerated.
- A lot of time, effort and energy had been invested in staff welfare and support for staff across the organisation. Finance Team had an additional Employee Support in place.
- The Chief Executive was assured through the Interim Finance Director, S151 Officer and through the Programme Manager for Oracle that there was support for staff in the Directorate. All staff within the organisation supported and cared for by the Employee Support arrangements and processes was in place.
- The S151 officer notified members a full management response will be shared with the Committee on the Oracle report from the External Auditors. The teams had been under extreme pressure as across the

Council. 270+ staff had not been listened to for over a year was difficult to come back from. It was difficult to build the level of trust. Sessions were taking place with KPMG to look at this. The S151 officer had a team of officers challenge her. Fortnightly meetings take place with the local trade unions. Key areas of discussion are around Stress Risk Assessment, and this is revisited regular.

- The staff survey of Council Management, where Finance had indicated concerns around stress, lack of trust and not being listened to. The interim posts had to become a permanent team in order to build the team and have promotions etc. This was a long journey for finance.
- The S151 Officer was now the official Senior Responsible Officer (SRO) for Oracle
- The Key Partner informed it was for the Council to form a view on if Oracle should continue or move away from this. The optimisation process was not there yet.
- There External Auditors informed there was some compliance issues that the HR Team were concerned about, and this was an area that had not been resolved. There were areas that Birmingham was not fully compliant.

717

**RESOLVED:-**

That the Audit Committee:

- (i) Noted the contents of the report as set out by the External Auditors,
- (ii) Noted an update to be provided to the Committee on DBS check, why safe and complaint with Oracle has not been achieved and reasons for the delay; and
- (iii) Noted a full response to the final report on Oracle from the External Auditors will be shared at the next meeting of the Committee.

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(Agenda Item 11 – Finance – Treasury Management was discussed at this point in the meeting)

**FINANCE – TREASURY MANAGEMENT**

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

(See document No.9 of the agenda pack)

The Interim Finance Director, S151 Officer introduced the new Oracle Programme Lead, Philip Macpherson. Members were notified the SRO role for the Oracle was assigned to the Interim Finance Director, S151 Officer. The Finance Commissioner was in agreeance this role sat with the S151 Officer however, there was support put in place for discussions to take place with other Finance Directors in the private sector as well as other government departments where the dual role has been carried out. This was support for the S151 officer.

The Chair shared his concerns around the practicality of resource and ability to undertake the job. The Chair checked if additional resource was in place to ensure the S151 officer was able to carry out the role.

Extra support had been put in place including a Financial Recovery Lead on Oracle (Barry Scarr). He would be focussing on the finance aspects of Oracle. This was supported by the Chief Executive.

The three statutory officers (Chief Executive, Interim City Solicitor & Monitoring Officer and the Interim Finance Director, S151 Officer) provide mutual support across the organisation and avoid any undue stress. The Chief Executive emphasised it was important employees felt supported as this was a pressuring time for the Council. This was the top priority for the Chief Executive.

At 1735 hours, Councillor Grindrod (Chair) left the meeting and announced Councillor Tilsley, (Vice Chair) to continue the meeting.

The Assistant Director Financial Strategy shared a presentation on the screen. This covered;

- Audit Committee's role
- Treasury and risk management
- The Council's TM Strategy highlights 2024-25
- Treasury Reporting and Monitoring

The presentation gave an outline to a guidance of managing treasury management activities; the headlines figures for Birmingham City Council; key risks and issues that were managed; Treasury Strategy for 2024/25; BCC's treasury reporting and monitoring; summary dashboard: Q22023/24; BCC's TM policy (Approx Budget for 2024+) ; BCC's TM Strategy (Appx to Budget 2024+) and the Treasury Management system in Local Government.

At 1737 hours, Councillor Grindrod returned to the Chair.

The key risks and issues we manage were noted as:

- Liquidity and refinancing risk - the risk that the Council cannot obtain funds when needed
- Interest rate risk - the risk that future borrowing costs rise post budget
- Credit risk - the risk of default in a Council investment
- Environmental, Social & Governance (ESG) risk

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

Members raised questions and made the following comments;

- The Chair queried how much the risk had increased on the Credit risk due to the S114 notice.
- Reference was made to Lender Option, Borrower Option (LOBO) as this was not seen in the report.

- How much of the risk management culture has influenced on this approach to treasury management?
- It was questioned if £3.3 million, total loan debt outstanding include pensions?

In response to members questions, the Assistant Director Financial Strategy made the following points:

- Members were informed that certain lenders may choose not to lend to Birmingham whereas previously a lender would have 3-4 Council's bidding for the funds. The Section 114 Notice had reduced the flexibility for Birmingham.
- LOBO - There was £71 million however, there was now £61 million. Redeem £10 million this year.
- There was a lot of guidance and regulations around the code around treasury management. There was a risk management framework already in place. However, a lot more challenge was being posed onto the risks and assumptions therefore this was enhanced.
- The total loan debt outstanding of £3.3 million did not include pensions. The pension deficit was a separate entity on the balance sheet.

718

**RESOLVED:-**

That the Audit Committee noted the Council's treasury risk management arrangements as set out in the attached draft 2024/25 Treasury Management Policy, Strategy and Treasury Management Practices.

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**SCHEDULE OF OUTSTANDING MINUTES**

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

**Minute 642 (ii) 15/09/2023 – Report on Oracle** - Final report on Oracle presented at the 31 Jan 2024 meeting ***Completed & Discharged***

**Minute 666 06/10/2023 - Assurance Session – Leaders Portfolio** This will be considered as part of the new work programme for the Committee (as part of the Assurance Sessions). Dr Rob Milford to programme this. ***Completed & Discharged***

**Minute 675 18/10/2023** – Internal Audit Update - Response circulated via email to Committee Members on 08/12/2023. ***Completed & Discharged***

**Minute 676 18/10/2023** – Strategic Risk Register – Risk Management Update - A report on Risk Management is scheduled on the 31 Jan 2024 Committee agenda. ***Completed & Discharged***

**Minute 679 (iii) 18/10/2023** - Responses to Councillor Yip's questions emailed to Committee Members on 21/11/2023. ***Completed & Discharged***

**Minute 679 (v) 18/10/2023** - Email giving information to a secure repository of reports was circulated to Committee Members on 20/11/2023 ***Completed & Discharged***

**Minute 690 (i), (ii) & (iii) 29/11/2023** - The Terms of reference were approved by City Council on 09 January 2024 and reflected in the Constitution. ***Completed & Discharged***

**Minute 695 29/11/2023** – A report on 31 January 2024 agenda– Finance Update – January 2024 point (i) & ii) ***Completed & Discharged***

**Minute 697 29/11/2023** - A report on 31 January 2024 agenda – Final Report on Oracle. ***Completed & Discharged***

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

The Chair updated the Committee on the position of outstanding actions and noted some outstanding actions to remain on the schedule for information only.

719

**RESOLVED:-**

That the Audit Committee noted the schedule of outstanding minutes.

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720

**DATE OF THE NEXT MEETING**

The next meeting was scheduled to take place on Wednesday, 21 February 2024 at 1400 hours in Committee Room 3 & 4, Council House.

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721

**OTHER URGENT BUSINESS**

**Introduction to the Annual from the Chair of Audit Committee to Full Council**

The Chair indicated the process would be similar to last year. The draft report will be circulated by the Independent Technical Advisor of the Audit Committee for Members to submit any comments (deadline for comments would be indicated).

The report would be approved by the Committee before progressed to full Council. The final report will be shared at the 16 April City Council meeting.

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**AUTHORITY TO CHAIRMAN AND OFFICERS**

722

**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.

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The meeting ended at 1751 hours.

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CHAIR

# Birmingham City Council Audit Committee

21 February 2024



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**Subject:** Annual Governance and Internal Audit Processes

## Commissioner Review

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





# Birmingham City Council

## Audit Committee

21 February 2024



**Subject:** Annual Governance and Internal Audit Processes  
**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 This report sets out the recommended approach to updating the Annual Governance Statement (AGS), including the internal audit plan methodology and conducting a review of the effectiveness of the Birmingham City Council Local Code of Corporate Governance.
- 1.2 This methodology recognises that the Audit Committee has not had opportunity to review an AGS, and therefore the local Code of Corporate Governance and its effectiveness, since 28<sup>th</sup> September 2022. The AGS presented at that time was a review reflecting the financial period of 2021/22.
- 1.3 The next AGS needs to include the significant governance issues identified in the independent Governance Review conducted by the Centre for Governance and Scrutiny during 2023 and the successful delivery of the Stabilisation Plan recommend by the Governance Review. It also needs to include the issues that led to the appointment of Commissioners, the publication of the statutory S114 and Section 5 Notices and the External Audit Statutory Recommendations.
- 1.4 The AGS will also include output from the internal audit function, usually in the form of the Head of Internal Audit's annual opinion report, which is informed by a risk-based internal audit plan.
- 1.5 Additionally, the Audit Committee, under its new Terms of Reference, is required to produce an annual report to Full Council. This report can inform the AGS. This

approach leads to the timeline and activities, including review material from the CIPFA (Self-assessment questionnaire) that can be an aid in the creation of the Audit Committee's own annual report.

## **2 Recommendation(s)**

- 2.1 That the Audit Committee supports the Corporate Governance Group and the methodology for the creation of the AGS.
- 2.2 That the Audit Committee's Annual Letter inform the AGS review and that Audit Committee members attend a specific facilitated review workshop in March to compile the letter, using CIPFA tools and questionnaires as necessary to aid in this process.
- 2.3 That the Audit Committee supports the action plan arising from the AGS review.
- 2.4 That the Audit Committee supports the internal audit plan methodology to provide assurance over the significant governance issues and their assurance role over the creation of the AGS.

## **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.
- 3.5 However, the requirement to ensure governance is effective is an ongoing process and the Corporate Governance Group should enable the local code to

become a 'living' document and supported by maintained and improving systems and assurance frameworks.

- 3.6 The AGS has not been reviewed by the Audit Committee since 28<sup>th</sup> September 2022 for the period 2021/22. Therefore, the methodology set out below enables the AGS to be brought up-to-date and consideration given by the Audit Committee to the Local Code of Corporate Governance effectiveness and any action plans to improve significant governance issues.

## **4 Recommended Approach and Roles**

### ***Role of the New Corporate Governance Group***

- 4.1 In November 2023 the Audit Committee approved the terms of reference for a new Corporate Governance Group (CCG). The main purpose of the CCG is to support the Audit Committee in the discharging of its governance responsibilities.
- 4.2 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.
- 4.3 This includes the development of the Annual Governance Statement, monitoring the status of any significant governance issues arising from previous AGS, other assurance providers, external reviews, and the assessment of the current Local Code of Governance effectiveness.
- 4.4 It is proposed that the Local Code of Corporate Governance is reviewed against CIPFA recommended criteria (see appendix 1 for the core principles) by the Corporate Governance Group as part of this work.
- 4.5 The CGG met on the 7<sup>th</sup> of February 2024 to develop an action plan to deliver a draft AGS to the Audit Committee in April 2024 and final version for the June Audit Committee. However, given the time since the last published AGS, the review will cover more than one financial year.
- 4.6 To assist the CGG in preparing the AGS Strategic Directors, Directors and Heads of Service will be required to complete an Assurance Questionnaire.

### ***Role of Internal Audit***

- 4.7 The Governance Review has identified the urgent need to enhance Internal Audit processes and develop a risk-based programme of work. In accordance with the Public Sector Internal Audit Standards (PSIAS) this risk-based plan must reflect the requirement to produce an annual internal audit opinion. However, it is also vital that Internal Audit provides assurance to the Audit Committee as part of its work.

- 4.8 This section of the report sets out the methodology to be adopted in developing and maintaining the 2024/25 Internal Audit plan in the first six months and how it will support the new AGS.
- 4.9 The Internal Audit Plan will be submitted in more detail to the March Audit Committee for approval and ensure alignment with the Stabilisation Plan recommend by the Governance Review.
- 4.10 The internal audit plan notes that the Council has serious financial and governance problems and is subject to government intervention. The challenging transformation and savings programme alongside addressing Oracle and Equal Pay issues gives a risk profile that will require the internal audit plan to be responsive and fully flexible.
- 4.11 The Internal Audit plan will focus on providing assurance on delivery of the Stabilisation Plan, the delivery of the Intervention Directions, implementation of the Improvement and Recovery Plan, and responding to the significant issues raised by the External Auditor.
- 4.12 Assurance activities will include but not limited to:
- evaluating the effectiveness of actions and controls from the stabilisation plan to assure they are delivering the desired impact and improvement.
  - that the programme frameworks are effective and avoid duplication and have appropriate assurance mechanisms in place, including feeds to the Audit Committee.
  - delivery of Improvement and Recovery Programme activities and their effectiveness. Including regular assurance health checks on projects, governance, and control frameworks.
  - action taken to address all recommendations raised by the External Auditor and testing the effectiveness of improvements.
- 4.13 An initial plan will be set out for six-months (to help with staff management) but will remain fluid and dynamic so it can respond to emerging issues and risks. Updates to the plan will be reported to Audit Committee on a regular basis.
- 4.14 The internal audit plan also recognises that the programme of work to rebuild risk management required by the Stabilisation Plan will lead to a greater visibility and a more in-depth understanding of risks. This rebuild and any emerging risks, will continue to be assessed and used to inform the internal audit plan and ongoing assurance activities.
- 4.15 In addition to risk-based work, the plan will be structured to accommodate other key assurance requirements:
- Completion of high-risk only work from the previous plan.
  - Corporate Fraud reactive and proactive investigations.
  - Recommendation follow-up – noting the requirement to now report back to the Audit Committee on recommendation implementation outstanding.

- A school visiting programme.
  - Completion of grant certificates.
  - Provision of support, advice, guidance, and advisory work particularly focused again to the key risks of BCC.
- 4.16 To support the implementation of recommendations a central recommendation tracking database is being implemented with automated reminders and management reporting. The Audit Committee will be sighted on these management reports and receive updates to enable them to monitor implementation progress.
- 4.17 Internal capacity and capability to deliver assurance over the areas identified will be reviewed to identify any resource or skill gaps together with requirements for reliance on other assurance sources.
- 4.18 Engagement with the Corporate Governance Group will be vital, and the Head of Internal Audit will be part of this group. Assurance work will be undertaken to support the CGG in the discharging of its own new terms of reference, with a particular focus on testing the reliability and validity of information this group uses to create the new AGS.
- 4.19 Information and plans will be shared with the External Auditor to coordinate activities and minimise duplication as per the PSIAS.

### ***Role of the Audit Committee***

- 4.20 In November 2023, the Audit Committee approved the new terms of reference for the Audit Committee. Within the new terms of reference are the key elements of governance reporting are specified as follows:

#### *Governance reporting:*

- 4.20.1 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.
- 4.20.2 To consider whether the annual evaluation for the AGS fairly reflects and concludes if governance arrangements are fit for purpose, supporting the achievement of the authority's objectives, and that corrective actions are underway where necessary.
- 4.20.3 That the Corporate Governance Group supports the Audit Committee in the review of the AGS to help ensure the effectiveness review of the Local Code of Corporate Governance remains a living and continually developing activity.

4.20.4 That a schedule of works for the Audit Committee includes a clear timeline for the production, consideration and monitoring of the AGS. This schedule will be updated to reflect this AGS process.

4.21 In addition, the Audit Committee's accountability arrangements set out the following:

*Accountability arrangements*

4.21.1 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.

4.21.2 The Chair of the Audit Committee to have the ability to place an item, attend and speak to it if there are significant issues arising that needs Cabinet and City Council to give specific attention to the issue.

4.21.3 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.

4.21.4 To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement 2022.

4.22 The last time the Audit Committee reported to Full Council was on the 7<sup>th</sup> of February 2023 and reflected the work done by the Audit Committee over the period: October 2021 and September 2022.

4.23 This AGS review can help to align these key reporting elements regarding governance into a more standard timeline and enable the Audit Committee to have a current perspective on the effectiveness of governance arrangements as at the end of the municipal year 2023/24.

4.24 To aid in the assessment of the work by the Audit Committee and the review of its own effectiveness the CIPFA self-assessment questionnaire could be used to help with this and is included in appendix 2 for reference.

4.25 The role of the Audit Committee in this AGS review should be:

4.25.1 To prepare their 'annual' report for the Full Council and feed this into the AGS assessment. This is to be compiled following a facilitated reflection workshop in March utilising the scheduled training session prior to the meeting.

4.25.2 To support the CGG in assessing the AGS and effectiveness of Corporate Governance at Birmingham City Council through the discussion of a draft AGS in April 2024 and providing critical Audit Committee perspectives.

- 4.25.3 To approve the final AGS in June 2024 for inclusion in the final accounts.
- 4.25.4 To monitor the significant issues action plan implementation arising from the AGS.
- 4.26 This methodology will ensure that a current and 'living' version of the AGS and Local Code of Corporate Governance is in place and that BCC continues to improve its governance.

### ***Reporting to/from the Audit Committee Timeline***

- 4.27 Internal Audit will produce a focused risk based internal audit plan for the March Audit Committee
- 4.28 The Audit Committee will produce an annual report to inform the AGS for April. The Audit Committee annual report will also be presented to Full Council.
- 4.29 The CGG will generate an initial draft of the AGS for the April Audit Committee that captures the latest position of the Local Code of Corporate Governance
- 4.30 The draft Annual Governance Statement will then be presented to and agreed with the Corporate Leadership Team
- 4.31 The CGG will produce a final AGS report and significant issues action plan for the June Audit Committee. This will then be signed off by the Leader and CEO for BCC and reported to Full Council.

## **5 Legal Implications**

- 5.1 The AGS is a requirement of The Accounts and Audit Regulations 2015, Regulation 6(1)(a), which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts and, Regulation 6(1)(b), which requires all relevant bodies to prepare an AGS.

## **6 Financial Implications**

- 6.1 There are no direct financial implications from the subject of this report.

## **7 Public Sector Equality Duty**

- 7.1 N/A

## **8 Other Implications**

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

8.2 This process helps to deliver the AGS and aligns with the priorities, plans and strategies as it aids in the improvement of the governance framework that delivers these aspects. It recognises:

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

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

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

## **9 Background Papers**

9.1 N/A

## **10 Appendices**

- 1. CIPFA/SOLACE – Delivering Good Governance in Local Government – for reference only.**
- 2. CIPFA Audit Committee Self-Assessment 2022 – for reference only**



## DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

6.1 The diagram below, taken from the *International Framework: Good Governance in the Public Sector* (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how they relate to each other.

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

*Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.*

# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>Audit committee purpose and governance</b>					
1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply		Partially complies and extent of improvement needed		Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>8</b> Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>					
<b>9</b> Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including: <ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>10</b> Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11</b> Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12</b> Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>Membership and support</b>					
13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• A size that is not unwieldy and avoids use of substitutes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Effectiveness of the committee</b>					
20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Partially complies and extent of improvement needed					Fully complies
	Does not comply	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5	
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Subtotal score</b>						
<b>Total score</b>						
<b>Maximum possible score</b>						<b>200**</b>



# Birmingham City Council Audit Committee

21 February 2024



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**Subject:** Stabilisation Plan Monitoring Arrangements Report

## Commissioner Review

The response and actions to the CFGS report are a fundamental element of the Improvement and Recovery Plan required by the Directions. Regular updates will need to be reported to both the Improvement and Recovery Board and Full Council.





# Birmingham City Council Audit Committee

21<sup>st</sup> February 2024



**Subject:** Stabilisation Plan Monitoring Arrangements

**Report of:** Marie Rosenthal, Interim Monitoring Officer

**Report author:** Amerdip Kaur, Head of Special Projects, Improvement and Delivery Unit

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 the monitoring arrangements for the Stabilisation Plan.
- 1.2 A joint Birmingham City Council (BCC) and Centre for Governance and Scrutiny (CfGS) Stabilisation Plan was produced following a review of governance conducted by CfGS and accepted at Cabinet on the 12<sup>th</sup> December 2023. The Stabilisation Plan contains recommendations and immediate actions to support the short-term stabilisation of governance at the Council over the next 6 months. Actions for longer-term improvement will be incorporated into the overall Improvement and Recovery Plan.
- 1.3 Arrangements have been set up to monitor progress on the recommendations and activities set out in the Stabilisation Plan. The monitoring and oversight arrangements will be overseen by the Interim Monitoring Officer, Marie Rosenthal supported by the Special Projects, Improvement & Delivery Unit.
- 1.4 Reports will be regularly reviewed by the Improvement and Recovery Board and the Co-Ordinating Overview and Scrutiny Committee.

## 2 Recommendation(s)

- 2.1 That the Audit Committee notes the arrangements in place to monitor the delivery of the Stabilisation Plan.

### **3 Background**

- 3.1 The Centre for Governance and Scrutiny (CfGS) undertook an independent review of governance at Birmingham City Council from July to November 2023. The purpose of the review was to assess key governance issues identified in various external reviews and judgements, the Council's response to them, and to recommend actions to further improve governance at the Council.
- 3.2 On the 12<sup>th</sup> December Cabinet agreed to accept the findings of the CfGS review, and the recommendations and actions contained within the Stabilisation Plan developed jointly by CfGS and Birmingham City Council.
- 3.3 The CfGS report identified a number of governance and cultural issues within the Council which need to be addressed. The Stabilisation Plan contains recommendations and immediate actions to support the short-term stabilisation of governance at the Council over the next 6 months. Actions for longer-term improvement will be incorporated into the overall Improvement and Recovery Plan.

#### **Monitoring & Oversight Arrangements:**

- 3.4 The monitoring and oversight arrangements will be overseen by the Interim Monitoring Officer, Marie Rosenthal acting as Senior Accountable Officer (SAO), supported by the Special Projects, Improvement & Delivery Unit. The Deputy Leader is the lead portfolio holder with political accountability for this area.
- 3.5 The Stabilisation Plan contains 13 recommendations consisting of several activities and key deliverables. Monthly milestones are being developed against each activity.
- 3.6 Lead Officers for each activity will provide monthly updates on progress against their respective milestones. Monthly Stabilisation Plan Board meetings will take place to review progress and Accountable Officers for each activity will attend to give updates where necessary.
- 3.7 A progress report will be reviewed at Corporate Leadership Team each month to provide assurance on the progress against actions in the Stabilisation Plan. This will include escalation of any risks, off track activity or matters for concern by exception.
- 3.8 There will be regular updates to the Leader & Deputy Leader and Portfolio holders. The Deputy Leader will also receive individual updates as lead portfolio holder for this area.
- 3.9 The Co-Ordinating Overview and Scrutiny Committee chaired by Councillor Sir Albert Bore will also monitor the progress of the Stabilisation Plan.
- 3.10 An introductory update on arrangements was provided to the Improvement and Recovery Board on the 17<sup>th</sup> January. A mid-point report will subsequently be provided on 13<sup>th</sup> March 2024 and final report on 17<sup>th</sup> July 2024.

### **4 Options considered and Recommended Proposal**

- 4.1 This report is for information purposes.

## **5 Legal Implications**

5.1 There are no legal implications.

## **6 Financial Implications**

6.1 The activities described in this report are covered under approved existing budgets. No further funding to specifically support the monitoring arrangements is being requested at this stage.

## **7 Public Sector Equality Duty**

7.1 There was no identified significant impacts on any group or protected characteristic.

## **8 Other Implications**

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

**8.1.1** The CfGS report and 6 month Stabilisation Plan has been accepted and endorsed and Cabinet and is considered an urgent priority to stabilise the Council.

**8.1.2** The monitoring arrangements for the Stabilisation Plan as set out in this report are key to ensure the agreed recommendations in the Stabilisation Plan are achieved.

**8.1.3** The successful completion of the Stabilisation Plan will ensure a smooth transition to longer term actions being mapped out as part of the IRP.

## **9 Background Papers**

9.1 Centre for Governance and Scrutiny Independent Review of Governance, Cabinet paper 12<sup>th</sup> December

9.2 BCC and Centre for Governance and Scrutiny Stabilisation Plan

## **10 Appendices**

10.1 None



# Birmingham City Council Audit Committee

21 February 2024



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**Subject:** Management response to External Audit Value for Money report in relation to the implementation of Oracle

## Commissioner Review

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



**Public Report**  
**Birmingham City Council**  
**Report to Audit Committee**  
**21<sup>st</sup> February 2024**



**Subject:** Management response to External Audit Value for Money report in relation to the implementation of Oracle

**Report of:** Fiona Greenway, Director of Finance and Section 151 Officer

**Report author:** Philip Macpherson, Oracle Programme Director

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 On Wednesday 31<sup>st</sup> January 2024, the Council's External Auditors Grant Thornton presented a report that outlined the findings from a value for money (VFM) review of the Oracle Fusion implementation, and the plans for resolving the challenges encountered since go-live.
- 1.2 The Director of Finance has recently been appointed as the Senior Responsible Officer (SRO) for the Oracle Finance and HR systems programme. The findings and recommendations of the External Auditor's review are insightful and will be used as a basis to support the Council to move forward with the many challenges that resulted from the implementation of Oracle Fusion in April 2022 and the steps that are being taken to resolve them.
- 1.3 Appendix 1 (BCC Management Response to Value for Money Findings for Oracle) provides a full acceptance of all the recommendations and an individual management response to each recommendation.
- 1.4 Further updates will be provided to Audit Committee on a regular basis.

## 2 Recommendations

- 2.1 Audit Committee is recommended to:
- 2.2 Note the appendix including the management responses to each of the recommendations

### **3 Appendices –**

Appendix 1 (BCC Management Response to Value for Money Findings for Oracle)



## BCC Management Response to Value for Money Findings for Oracle

Executive Summary - Principle Recommendations			
Theme	Ref	Recommendations	Management response
<b>Interim Resilience</b>	FinOp 1,2,4 S&C 6,9	The Council need to put in place arrangements to secure resources and improve resilience in delivery of business as usual services and ongoing work to manage the manual remediation of implementation issues	Agreed. Resourcing and resilience is a key focus of the Oracle delivery plans. An overall table of future resource requirements is being produced across all aspects of the programme, including gaps which need to be filled for re-implementation as well as backfill and cover for manual workarounds. Total resource and cost projections across all workstreams will be included for approval in the cabinet report.
<b>Statutory Recommendations</b>	FinOp 3	The Council and the programme need to agree a plan to complete actions requires to enable the fulfilment of Statutory Recommendations	Agreed. A Consolidated Action Plan in response to the External Audit report dated Friday 29th September 2023 to enable the fulfilment of Statutory Recommendations has been produced. An update on progress in each area of the plan was presented to Audit Committee on 31st January 2024.
<b>Finance Operations</b>	FinOp 3	The Council needs to establish an adequate financial control environment by April 24, or have clear plan in place to address all outstanding issues	Agreed. A Financial Monitoring and Controls Framework has been designed for the implementation of a full suite of controls. Due to the extent of the work involved, this will be a phased approach and therefore there is a plan in place to capture all issues relating to the financial control environment. Critical controls are being focussed upon first (those highlighted by the external auditors) and for areas where it is known that it will not be possible or feasible to implement prior to April 2024, mitigating controls will be implemented in the short-term.
<b>Issue/Backlog prioritisation</b>	FinOp 5 S&C 1,8,11,15	The programme need to review the process for management of new issues and ongoing prioritisation of Safe and Compliant issues, This should identify where tactical actions, in the short and medium term, are required to support Statutory and Regulatory obligations and can be delivered in advance of the Future Optimisation programme	Agreed. A process is in place for the management of new issues and ongoing prioritisation of Safe and Compliant issues (business critical defects, reports and changes). New issues are identified by business and technical staff and investigated by a multidisciplinary team. Findings and any subsequent request to add them to the programme are reviewed and where appropriate approved by the Design Authority, which also considers relevant tactical actions in the context of the wider programme. The Oracle Programme Board oversees delivery of the Essential Fixes / Safe and Compliant Plan.
<b>Programme Planning</b>	S&C 2,3,4,12,14	The Council need to complete an overarching plan for the Safe and Compliant phase and transition to Future Optimisation. This needs to establish detailed gateway review processes to support decision making, transparency and reporting of progress against milestones	Agreed. A plan is in place to deliver the Essential Fixes / Safe and Compliant (business critical defects, reports and changes) and this is being monitored closely by the programme board. Detailed plans are being developed for all other workstreams including the Income Management System, Oracle Re-Implementation as well as other operational changes, e.g. Oracle quarterly updates/upgrades. There will an overarching Integrated Assurance and approvals plan across the programme which identifies key dependencies, assumptions and mitigates conflicts and shows progress against key milestones. The Integrated Assurance and Approvals plan will define the gated stages of delivery including acceptance criteria and assurance ( internal and external) This will form a key part of delivery governance.
<b>Oracle Expertise</b>	S&C 5,7,10	The Council need to ensure Oracle expertise is engaged and developed to support the programme and embed capability into business as usual operations	Agreed. The Council has recognised there are significant gaps in Oracle expertise within the organisation, to support Essential Fixes, Re-implementation and for ongoing business and usual support. These gaps are in the process of being filled as part of a programme recruitment exercise, and this is being designed in a way to support ongoing Oracle skills building and retention within the organisation, e.g. through updating team structures, building in knowledge transfer to the programme, training, certifications and career paths.
<b>Outcomes for Future Optimisation</b>	Fu Op 1	The Council needs to establish a clear vision for transformation and the outcomes delivered or enabled by the future optimisation of Oracle	Agreed. The Re-implementation of Oracle will be closely tied into the transformation of the finance, HR and procurement functions and be defined, managed and assessed on a business outcomes basis.
<b>Detailed Design/Optional Analysis</b>	Fu Op 3,5,6	As an outcome from High Level Design and to inform detailed design the Council needs to undertake a full analysis of the options for future optimisation and related costs and benefits	Agreed. The programme documentation being compiled and approved includes an options appraisal for how to best deliver optimisation, and the Council is currently in the processes of rebuilding an updated business case to re-confirm the costs, benefits and ongoing viability of the programme.

## BCC Management Response to Value for Money Findings for Oracle

<b>Business Change</b>	Fu Op 2,4,7,8	The Council need to ensure adequate planning and management of business change is built into the future optimisation programme. Consideration needs to be given to the impact of change on all stakeholder groups and the communication and other interventions required to prepare the organisation	Agreed. Effectively managing business change is a key success factor for successful re-implementation, and the Council recognises business change was not optimally delivered in the first implementation. Business change will be a core activity stream in the re-implementation, led by experienced and ringfenced resources. This will include consideration of all stakeholder groups and the wider communication, engagement and change leadership activities required.
<b>Finance Operations</b>			
<b>Theme</b>	<b>Ref</b>	<b>Recommendations</b>	<b>Management response</b>
<b>BRS</b>	1	We note that the new short term finance processes that have been developed are highly reliant on the accumulates knowledge of key finance personnel, many of whom are interim/temporary appointments. The Council should prioritise and the codification and documentation of the new processes to mitigate the risk that key knowledge could be lost	<p>The Cashbooks team have identified and developed a number of priority Standard Operating Procedures (SOPs) for the key interfaces with BRS. In addition there are a further list of processes that have been identified for documenting, of which a number have already been drafted. Work will continue, focussing on those deemed highest priority in order to document and embed.</p> <p>The team has also created a 'Glossary/Look-Up Code List' which is a live document capturing learning for ongoing reference to support daily processing, improvements and greater control.</p> <p>Approval has now been obtained to commence recruitment to the current budgeted posts within the Cashbooks structure and this is underway. Ideally a number of these will be filled from current temporary resources to ensure the learning is retained.</p>
<b>BRS</b>	2	Until such time as the issues with Oracle are resolved, the Council must ensure that the Finance team is provided with the ongoing financial support needed to maintain the labour-intensive manual processes which it is now dependent on, in the context of cost savings measures as a result of the S114 notice	<p>The Cashbooks team consists entirely of temporary resources. Approval has been granted to retain these resources until the end of the 2023/24 financial year. A further paper is being drafted for approval to extend for the new financial year (April 2024).</p> <p>Procurement of the new income system is progressing, with a view to going live in late 2024/25. The time limited resource requirement to deal with historic transactions in 2025/26 will be assessed as part of the programme.</p> <p>The cost of the existing Cashbooks team has been built into the Council's 2024/25 budget process.</p>
<b>BRS</b>	3	The Council need to ensure that an adequate control environment, including BRS and cash by 1 April 24, otherwise it will not have appropriate financial reports and its accounts may be qualified	Agreed. A Financial Monitoring and Controls Framework has been designed for the implementation of a full suite of controls. Due to the extent of the work involved, this will be a phased approach and therefore there is a plan in place to capture all issues relating to the financial control environment. Critical controls are being focussed upon first (those highlighted by the external auditors) and for areas where it is known that it will not be possible or feasible to implement prior to April 2024, mitigating controls will be implemented in the short-term. Control issues in relation to cash allocation and bank reconciliation will addressed by the implementation of a new Income system in 2024/25. Legacy controls issues leading up to the implementation will be dealt with by mitigating actions within the Cashbooks team.
<b>Budget management and monitoring</b>		The Council should obtain independent confirmation over the forecasted financial outturns for 2022/23 and 2023/34. To obtain assurance over the reported balances	The Finance Team has engaged KPMG to support in the delivery of the final accounts process. This provides independent confirmation of the work of the Council's finance team and assurance that the proposed outturn positions are accurate. This assurance includes support to clean up issues in the finance system and delivering the final accounts. This arrangement is in place for the 2022/23 accounts and will be in place for the 2023/24 accounts.
<b>Budget management and monitoring</b>		The Council should report its outturn for 2022/23 by January 2024 as per their plan. Given the delayed completion of the outturn position the Council should target to complete their 2022/23 financial statements by 31 March 2024	The Council's outturn report has been delayed until March 2024 in recognition of the significant work required the finalise the budget for 2024/25 particularly the savings programme. Both tasks are important, but the Council would be in breach of it's legal duty to set a budget by 11th March 2024 if this had not been prioritised.

### BCC Management Response to Value for Money Findings for Oracle

<b>Budget management and monitoring</b>		The Council should provide an updated budget for 2023/24 that takes account for the 2022/23 outturn, its current financial position for 2023/24, its progress on delivering savings plans in 2023/24 and the other financial pressures impacting on the council	The Council will produce a period 9 monitoring report for the 2023/24 financial year. This will be alongside the 2022/23 outturn.
<b>Accounts Payable</b>		To be updated on completion of audit team review	Not yet applicable - to be updated on completion of audit team review
<b>Accounts Receivable/Revenues and Benefits</b>	4	Credit control and debt management processes require increased development and prioritisation. Additional resources should be considered in this area to strengthen income collection. The longer-term income management solution will need to consider how it can be implemented consistently across the individual services and Revenues and Benefits, in addition to transaction services within Finance	<p>There are currently a number of additional supernumerary resources deployed within the Accounts Receivable service and approval has been granted to retain these resources until the end of the financial year. A further paper is being drafted for approval to extend from the new financial year (April 2024).</p> <p>The cost of these supernumerary resources has been built into the Council’s 2024/25 budget process and the requirements will continue to be reviewed as we progress to ensure the level of resource meets these requirements and demonstrates value for money.</p> <p>The procurement and implementation of the new income management solution will factor in linkages and interdependencies across all related service credit control and debt management activities as relevant.</p>
<b>Other areas - School Finance</b>	5	Issues with Schools payroll need to be added to the priority list and a solution reached	Agreed. Payroll issues related to both schools and BCC have been added to the list of Essential Fixes and will be delivered as a priority. In addition, an additional deep dive review of technical payroll configuration will be performed by an experienced Oracle payroll architect.

#### Safe and Compliant Phase

Theme	Ref	Recommendations	Management response
<b>Define</b>	1	In advance of transition from current S&C governance arrangements the programme needs to agree with stakeholders, how ongoing or newly arising issues will be managed and reported. E.g. where previously untested transaction rules in BRS fail, or data integrity issues in HMC.	Agreed. As part of the current governance arrangements there is a defect or issue notification / triage system to record, investigate and resolve problems as they arise, including new matters which could be identified in the future. DTS operate a single point of tracking for all Oracle related problems through tickets raised in ServiceNow, and depending on the nature of the problems the matter could be escalated to third party technical support, programme management, service management or all of the above. There are programme management and service management meetings to support the resolution of any issues, and cross workstream business sponsor meetings to track, pick up and resolve outstanding problems which sit across multiple functions or teams.
<b>Define</b>	2	<p>Decision gateways should be formalised for both the governance arrangements, and this phase of the programme. Decisions should be based upon objective assessment of progress against clearly defined exit criteria, which have specific and measurable targets.</p> <ul style="list-style-type: none"> <li>- Roles and responsibilities in the decision gateways need to include all relevant stakeholders, Given the sensitivity around the programme independent evaluation should also be considered</li> <li>- Decisions and their basis, against exit criteria, and any related actions should also be considered</li> </ul>	Agreed. The Council is committed to agreeing to and delivering under an integrated programme assurance plan and approvals plan which covers all key stakeholders and both internal and external review processes. This will include the use of formal documented gateway reviews, with pre-agreed exit criteria and review by an independent third party.

## BCC Management Response to Value for Money Findings for Oracle

<b>Define</b>	3	<p>As part of any transition from the S&amp;C governance arrangements</p> <ul style="list-style-type: none"> <li>- all implemented fixes should be documented</li> <li>- all unresolved issues should be documented and prioritised, with clear ownership within the new governance model</li> <li>- a plan and budget need to be agreed covering all manual interventions, required to fulfil an S&amp;C requirement or maintain business as usual operations, until they can be fully resolved</li> </ul>	<p>Agreed. The Council has a tracking system in place for both all issues raised as well as for all potential fixes proposed, regardless of whether these fixes are resolved, approved as an Essential Fix / Safe &amp; Compliant item, or unapproved and held on a backlog (if no longer required or where there is no sufficient business case to deliver the fix before re-implementation). The tracking system logs ownership of each item.</p> <p>A resource plan and budget is in place for each approved Essential Fix / Safe &amp; Compliant item, and also for every known manual workaround which will require resources until delivery of the relevant fix or re-implementation.</p>
<b>Setup</b>	4	<p>An overarching plan for the S&amp;C phase should be developed to support transparency and management of programme performance, providing greater visibility of</p> <ul style="list-style-type: none"> <li>- progress in support of milestones for the Council's safe and compliant status, e.g. Close of FY 22/23</li> <li>- dependencies between the multiple initiatives in flight</li> <li>- planned deployment of fixes or improved functionality</li> <li>- the demands being placed on Council staff in delivery of the programme and business as usual services</li> </ul>	<p>Agreed. A plan is in place to deliver the Essential Fixes / Safe and Compliant workstream and this is being monitored closely by the programme board. In time, detailed plans are being created for all other workstreams including the Income Management System, Oracle Re-Implementation as well as other operational changes, e.g. Oracle quarterly updates/upgrades. There will be an overarching plan which sits over all the individual workstream plans which identifies key dependencies and mitigates conflicts and shows progress against key milestones. The Council will create an assurance plan which defines the detailed gateway review processes and internal and external assurance which will form a core part of delivery governance.</p> <p>An overall table of future resource requirements is being produced across all aspects of the programme, including gaps which need to be filled for re-implementation as well as backfill and cover for manual workarounds. Total resource and cost projections across all workstreams will be included for approval in the cabinet report.</p>
<b>Setup</b>	5	<p>The programme must seek to strengthen the input of Oracle expertise at programme and functional level</p> <ul style="list-style-type: none"> <li>- the lack of understanding by the current team around the existing design and why it was configured this way makes resolution harder and higher risk</li> <li>- control of configuration changes and deployment has been significantly improved during the S&amp;C phase. However, the programme needs a true solution/enterprise architect and process champions to build corporate understanding and limit the risk of point solutions being deployed</li> <li>- the demands being placed on Council staff in delivery of the programme and business as usual services</li> </ul>	<p>Agreed. The Council has recognised there are significant gaps in Oracle expertise within the organisation, to support Essential Fixes, Re-implementation and for ongoing business and usual support. These gaps are in the process of being filled as part of a programme recruitment exercise, and this includes technical, programme and business functional roles. Specifically the Council is recruiting two new solution architects, one for finance ERP and one for People Services HCM to support the existing enterprise architect to ensure we are designing and deploying corporate and consistent solutions across the organisation.</p> <p>Staff workloads and wellbeing is a key imperative in the programme, these demands are being tracked through a programme wide resource tracker and additional staff support mechanisms are in place.</p>
<b>Setup</b>	6	<p>The level of additional resources, both the interim staff and excess hours needs to be identified to ensure programme costs are fully transparent</p>	<p>Agreed. A detailed resource tracker is being created which shows every resource required by individual role, percentage load and cost by each month of the programme over the next two years.</p>
<b>Setup</b>	7	<p>The Council need to develop routes to embed Oracle skills and expertise within its own resources, taking opportunities through knowledge sharing and training from third parties, focused development of existing staff and recruitment</p>	<p>Agreed. The Council has recognised there are significant gaps in Oracle expertise within the organisation, to support Essential Fixes, Re-implementation and for ongoing business and usual support. These gaps are in the process of being filled as part of a programme recruitment exercise, and re-implementation will take place in a way to support ongoing Oracle skills building and retention within the organisation, e.g. through updating team structures, building in knowledge transfer to the programme, training, certifications and career paths. Sustainable knowledge and capacity within the organisation around Oracle will be a key success criteria in re-implementation.</p>

## BCC Management Response to Value for Money Findings for Oracle

<b>Implementation</b>	8	Given the significance of the issues caused by the failure of the BRS solution and the ongoing costs and risks of the current manual process, specific action should be taken to identify and implement a more robust and sustainable solution in the short to medium term	Agreed. The existing BRS customisation is considered the largest pain point with the current implementation and a major driver of manual workarounds and increased costs. As a consequence, the decision has been made to implement a new robust income management solution to replace BRS, and to do this in advance of the Oracle re-implementation by deploying it into the existing solution. This will be performed as soon as is practical, but also recognising that this element of the solution is business critical, and therefore will require the appropriate level of attention to design, build, testing and business change to ensure it is deployed successfully.
<b>Implementation</b>	9	The programme needs to catalogue any interim fixes which require extra personnel and or are supported by off system workarounds and establish plans to sustain these solutions beyond the immediate term	Agreed. Additional resources have been deployed in the areas impacted by manual workarounds, for example in cash receipting/posting and in payroll. These resources are included in the resourcing model and aligned with the project plan so that the additional resources will be available until the point that the related fix is deployed, including managing the transition.
<b>Implementation</b>	10	The underlying lack of understanding of how and why the original configuration was built and why the extensions or customisations were needed has not been mitigated. The reliance on Version one to fix issues and the lack of the BCC Oracle expertise is an ongoing concern. The unresolved issues around BRS need to be addressed and cannot wait for a re-implementation.	Agreed. These concerns are valid and will be addressed in re-implementation. We are already reviewing each extension / customisation in detail to make sure we understand any relevant business challenges which need to be met. We are recruiting to address the lack of Oracle expertise and planning to build a sustainable ongoing Oracle skills capability within the Council moving forward. This will reduce the reliance on Version One. We agree the unresolved issues around the BRS customisation are urgent and cannot wait for re-implementation, and therefore we will deploy a new off the shelf income management system into the existing solution as soon as is practical and safe to do so.
<b>Implementation</b>	11	ORMC has been implemented to test a range of basic controls. The impact of not being able to analyse transactions through customisation/PAAS extensions needs to be understood and a rectification plan put in place, as BCC expect this to mitigate additional audit concerns moving forward	Agreed. The Oracle Risk Management Cloud product is designed to test a range of basic controls in 'standard' Oracle, and cannot analyse the impact of customisations/PaaS extensions. We expect to be retiring these customisations and PaaS extensions as part of re-implementation, but we do acknowledge that we will need to understand the audit impact of these limitations in the intervening period. We are setting up a security workstream within the project to rectify and resolve the outputs of the ORMC review, particularly focussing on segregation of duties and key control reports. It may not be possible to rectify all ORMC findings without re-implementation, in this case the work will consider the alternative or mitigating actions which can be put in place in the meantime.
<b>Implementation</b>	12	An overarching plan for the S&C phase, with actions aligned to specific objectives/S&C goals, should be prepared and used to support more transparent reporting and management of the programme	Agreed. The delivery approach for Safe & Compliant / Essential Fixes has been revised to provide a wider set of information on progress to key stakeholders. The delivery team maintain a detailed tracker of the 65 fixes, which includes background, history, timescale, status of the fix, relevant Business Owner, approach to fix, cost to fix etc. This list is reviewed on a regular basis and any blockers are identified and discussed with the relevant Business area. In addition standard reporting metrics now include reports showing fixes in each delivery stage and a 'burndown' chart which compares the number of fixes delivered with the planned schedule. Progress is informally reviewed at the Weekly Workstream meeting and formally managed through the Programme Board.
<b>Implementation</b>	13	A gateway review process, with agreed criteria and mechanisms for decisions related to the governance and ultimately exit from this phase of the programme needs to be documented and approved	Agreed. The Council is committed to agreeing to and delivering under a programme assurance plan which covers all key stakeholders and both internal and external review processes. This will include the use of formal documented gateway reviews, with pre-agreed exit criteria and review by an independent third party.
<b>Implementation</b>	14	A robust review of the extensions/customisations and if they can be replaced or reworked needs to be actions as a key input into the decision on how to resolve the issues	Agreed. We are already reviewing each extension / customisation in detail to make sure we understand any relevant business challenges which need to be met, and this will be a key input into the detailed design process which forms part of re-implementation.

### Future Optimisation

## BCC Management Response to Value for Money Findings for Oracle

Theme	Ref	Recommendations	Management response
Define	1	<p>A vision for the Council's future state and supporting target operating model should be created</p> <ul style="list-style-type: none"> <li>- the operating model review should be approached holistically. This should involve assessing all elements of the operating model from capability and processes through to management information and organisational structures alongside the systems review to avoid siloed decisions being made</li> <li>- the outputs of the operating model review should be stress tested with the relevant areas to ensure that those closest to the work are engaged and non-documented practices can be flagged to inform the next steps</li> <li>- a detailed gap analysis should be performed to identify the level of change required to move from the current operating model to the target To Be state</li> <li>- a transition road map, from As Is to To Be, with any interim states should be prepared</li> </ul>	<p>Agreed. Aligning and integrating the required business changes as part of the technical re-implementation will be a critical success factor. A new target operating model (team structure, ways of working, key handover points etc) will be agreed across all impacted services (Finance, HR and Commercial/Procurement) prior to the detailed design phase of technical re-implementation. Business process owners and subject matter experts from each service will be heavily involved in developing and stress testing the new target operating model.</p> <p>Business change activities will include gap analysis as part of change impact assessments, as well as transition planning including any interim states which are required. At a more detailed level, we recognise that current procedures may not be sufficiently documented and team members may not have the right skills and we will plan the change activities (and the roles of the change leads and service based change champions) to reflect this.</p>
Define	2	<p>It has been referenced that Process Owners will be put in place for the end-to-end processes. Process Owners should be identified and involved in the design processes to create ownership and accountability up front</p> <ul style="list-style-type: none"> <li>- From our understanding from interviewees, moving to Process Ownership will be a significant shift to how the processes are managed today and so this should form part of the change impact assessment</li> <li>- appropriate upskilling for the process owners on their accountabilities should be provided, as well as clear communication to the organisation on what these changes mean for how people work and the governance processes. The embedding of the Process Owner model should be closely monitored to ensure this new approach is embedded and supported to be sustainable.</li> </ul>	<p>Agreed. Process owners are in the process of being identified &amp; recruited (where not already in post) and this includes a detailed definition and communication of their roles. We recognise that this represents a significant jump in process maturity for our current organisation. As a result we will carefully monitor the approach as recommended, and if necessary consider interim states, i.e. allowing the organisation additional time to understand new roles before making changes.</p>
Define	3	<p>In advance of moving into detailed design a detailed review of options e.g. Reimplementation or retention of modules (e.g. Payroll), adopt or adapt processes and use of supporting best of breed told needs to be undertaken, taking full account of the costs and benefits</p>	<p>Agreed. This work has already been completed, and has been used to guide the approach being taken by the programme, i.e. fix the broken essentials, replace BRS with a new off the shelf income management system and then transition to an optimised Oracle Cloud re-implementation.</p>
Define	4	<p>The Council need to understand all inflight programmes and identify dependencies and any common resources, e.g. Oracle and the middleware programme</p>	<p>Agreed. The Oracle Programme Management Office (PMO) has developed a Dependency matrix and log, which includes dependencies between elements of the programme and is working closely with the CPMO to understand the inflight programmes outside of the Oracle programme and any dependencies. This dependency log is regularly monitored and the process includes triggers to flag when a dependency is impacted and the subsequent impact. This is picked up by the PMO and escalated to programme board where appropriate.</p>

## BCC Management Response to Value for Money Findings for Oracle

<b>Setup</b>	5	<p>The high-level design scope appears to focus on the functional design. We would expect to see a clear strategy and costing in addition for integrations, extensions, data migration, reporting, testing, training, cutover and support beyond go-live. The key area that overran on cost time and money first time time should be the focus as a minimum in addition to a new functional design.</p> <p>- BCC also needs to challenge all of the areas where PaaS extensions were built and understand if this was to make it work like SAP or was needed to deliver an effective and efficient solution for BCC. BRS is a case in point. We would also see all of the areas listed above including as a pre-requisite for a design phase</p>	<p>Agreed. The high level design focuses on the functional scope, but other documentation will be developed covering integrations, extensions, data migration, reporting, testing, training, cutover and support prior to initiating re-implementation. We are also reviewing each extension / customisation in detail to make sure we understand any relevant business challenges which need to be met. At this point we believe the vast majority of customisations can be retired without the requirement to build a new equivalent customisation, instead replacing the extensions with core functionality from either Oracle or the new off the shelf Income Management System. We agree the areas listed are a pre-requisite for the design phase of re-implementation.</p>
<b>Setup</b>	6	<p>Our current understanding is the focus is on a new Oracle high level design but we are not clear on how, when and by whom the other areas are being considered before the sign off for a low level design. The key risk is BCC cannot afford to adopt Oracle processes out of the box</p>	<p>Agreed. We recognise that the definition of the required journey to re-implementation has not been as clear as it needs to be, so we are performing additional activities to clarify the design and approval processes - so these can be agreed before the Council commits to moving into re-implementation.</p>
<b>Setup</b>	7	<p>Resource should be introduced at programme level that is accountable for end to end change management across the Oracle programme for the optimisation as soon as possible</p>	<p>Agreed. These key roles have been identified in the resource matrix and will be recruited as soon as possible.</p>
<b>Setup</b>	8	<p>A change management approach for the programme should be established and agreement on what will be led at programme level and what will be led at work stream/Directorate level set out</p> <p>- A full change management plan should be created and implemented covering the case for change, change impact assessments by stakeholder group, employee engagement approach, user testing, back office and end user training plans and metrics to measure adoption</p> <p>- within the training elements, a full skills gap analysis should be carried out by area to ensure the required skill level to implement successfully is outlined and an understanding of the current skill level is obtained to inform the training approach</p> <p>- the change management approach and plan should be aligned to the communications plan to ensure these are cohesive</p>	<p>Agreed. We understand effective change management will be essential for success and a full change management approach and plan will be produced.</p>

## BCC Management Response to Value for Money Findings for Oracle

<b>Setting up for success</b>	<p>A strategy should be developed to build resilience into support functions delivering day to day business services and ongoing activities required to meet the Council's statutory and regulatory obligations</p> <ul style="list-style-type: none"> <li>- a resource strategy should be developed, identifying staff key to Council operations and the future optimisation, and identifying options to secure those staff to plan for succession/build resilience where there are ongoing risks</li> <li>- a specific plan is required to ensure adequate resources are maintained within finance operations until issues are fully resolved</li> <li>- action is being taken to document Standard Operating Procedures (SOPs) in finance operations. Resource should be made available to accelerate this activity and improve resilience</li> </ul>	<p>Agreed. An overall table of future resource requirements is being produced across all aspects of the programme, including gaps which need to be filled for re-implementation as well as backfill and cover for manual workarounds. Total resource and cost projections across all workstreams will be included for approval in the cabinet report. We recognise that succession planning and resilience planning will be essential to safe delivery of the required outcomes of the programme, and hence will be considered in resource planning and also in internal capacity building.</p> <p>We recognise that not all processes are adequately documented in the current solution and we will build resource support into the programme to help support this rectification activity.</p>
<b>Setting up for success</b>	<p>The Council should agree a TOM for support functions which supports the delivery of their Corporate Plan and for which Oracle is a key enabler</p>	<p>Agreed. Agreement of a new target operating model for support functions, which aligns with both transformation and Oracle re-implementation is a required activity.</p>
<b>Setting up for success</b>	<p>Design principles should be based upon optimal use of Oracle functionality in the delivery of business processes which are optimised for the Council's requirements</p>	<p>Agreed. This is one of the programme's agreed design principles.</p>
<b>Setting up for success</b>	<p>Design options need to be fully evaluated based on a set of agreed criteria, These criteria may include, though not exclusively</p> <ul style="list-style-type: none"> <li>- alignment to business functional and non-functional requirements</li> <li>- security and compliance, aligned the Councils obligations</li> <li>- scalability and performance, the solutions ability to support current and forecast future demand</li> <li>- integration with existing systems and data sources, internal and external</li> <li>- costs and benefits, total cost of ownership and related benefits against alternatives</li> </ul>	<p>Agreed. The programme has a set of design principles which cover the items suggested, and these are used at a number of different levels from technical design authority decisions through to strategic decisions taken at the Business Transformation Board.</p>
<b>Setting up for success</b>	<p>The Council's senior leaders, Leader of the Council and Chief Executive, need to own and be accountable for the solution delivered through this phase of the programme</p>	<p>Agreed. This has been reflected in the programme governance structure. The Section 151 Officer is the programme SRO; key governance boards are chaired by the Chief Executive, and there is regular liaison with the Leader of the Council, the Lead Cabinet Members for DTS and Finance &amp; Resources, and the Corporate Leadership Team.</p>
<b>Setting up for success</b>	<p>The Council's senior leaders must take a role in the governance process which enables them to adequately own the solution delivered</p>	<p>Agreed. The revised governance framework has 4 levels, which include the Chief Executive, Finance Director / S151 Officer and the Oracle Commissioner.</p>
<b>Setting up for success</b>	<p>A Senior responsible Officer (SRO) for the delivery of the programme needs to be appointed. Particular consideration needs to be given to the capability and experience of the SRO in terms of the scale, complexity and profile of the programme</p>	<p>Agreed. In addition to a Senior Responsible Officer (SRO) being appointed, Business Sponsors for each of the services have also been identified. The Programme Director will work closely with the SRO and the Business Sponsors and there will be a monthly governance meeting to review progress</p>
<b>Setting up for success</b>	<p>Governance arrangements must include appropriate input and oversight from senior officer and members, as well as functional and technical leads</p>	<p>Agreed. The revised governance framework has 4 levels, which include the Chief Executive, Finance Director / S151 Officer and the Oracle Commissioner, followed by Business Sponsors, Product Owners and Technical SMEs at the subsequent levels, which provide functional and technical oversight. There is also regular liaison with the Leader of the Council and Members' Oversight Board.</p>







**BCC Management Response to Value for Money Findings for Oracle**

<p><b>Setting up for success</b></p>		<p>The Council should seek to strengthen its in house Oracle capabilities across all grades          - This may include independent Oracle expertise in a strategic advisor/critical friend capacity</p>	<p>Agreed. The Council has recognised there are significant gaps in Oracle expertise within the organisation, to support Essential Fixes, Re-implementation and for ongoing business and usual support. These gaps are in the process of being filled as part of a programme recruitment exercise, and this is being designed in a way to support ongoing Oracle skills building and retention within the organisation, e.g. through updating team structures, building in knowledge transfer to the programme, training, certifications and career paths.          It is intended to utilise independent Oracle expertise in a strategic advisor/critical friend capacity into our gateway review process.</p>
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**BIRMINGHAM CITY COUNCIL****AUDIT COMMITTEE****21 FEBRUARY 2024****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.**

	Completed & discharged
	Approaching 2 months
	2 months +
	Ongoing action

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

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
678 18/10/2023	<p><b><u>UPDATE FROM EXTERNAL AUDIT</u></b></p> <p><b><u>Additional Action:</u></b></p> <p>(ii) agreed for the section 151 officer to provide a high-level briefing or report on the Equal Pay Model.</p>	Fiona Greenway/ Mohammed Sajid
679 18/10/2023	<p><b><u>ASSURANCE SESSION – CABINET MEMBER CHILDREN, YOUNG PEOPLE &amp; FAMILIES PORTFOLIO</u></b></p> <p><b><u>Additional Action:</u></b></p> <p>(ii) Information on the actual costs for spend for Contracts to be provided;</p>	Outstanding (Mike Smith – Head of Category – Procurement)
679 18/10/2023	<p><b><u>ASSURANCE SESSION – CABINET MEMBER CHILDREN, YOUNG PEOPLE &amp; FAMILIES PORTFOLIO</u></b></p> <p><b><u>Additional Action:</u></b></p> <p>(iii) Noted risk &amp; hidden/missing children to be discussed at a future meeting; and</p> <p>(iv) Noted that value for money rather than compliance to be discussed at a future meeting.</p>	Outstanding  Outstanding
691 29/11/2023	<p><b><u>CORPORATE GOVERNANCE GROUP ASSURANCE REPORT</u></b></p> <p><b><u>Additional Actions</u></b></p> <p>That the Audit Committee;</p> <p>(i) Commented on the new terms of reference for the Corporate Governance Group and proposed the following amendments to be made by the Interim Director of Finance, Section 151 Officer and the Managing Director, Milford Research &amp; Consultancy Limited.</p> <p>a) The Membership of Corporate Governance Group (CGG) to include the Lead officer for legal;</p> <p>b) To include the option of inviting Audit Committee members to the CGG once the group stabilises to provide a member’s perspective;</p>	Marie Rosenthal/ Dr Milford  The first meeting of the new Corporate Governance Group took place 16/01/2024.  The agenda for the next meeting has been agreed and scheduled to take place 07 February 2024. The

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
	<p>(ii) Commented on the new work schedule for the Audit Committee and Corporate Governance Group and proposed the Annual Governance Statement to be programmed into the work schedule.</p> <p>(iii) Noted the new requirements for the Corporate Governance Group to report to this Audit Committee as set out in the schedule; and</p>	<p><b>Annual Governance Statement will be looked at this meeting.</b></p> <p><b>A report on the AGS plan is scheduled for Audit Committee on 21 February 2024.</b></p>
<p>691 29/11/2023</p>	<p><b><u>COPORATE GOVERNANCE GROUP ASSURANCE REPORT</u></b></p> <p>(iv) Guidance to be shared with Committee on information that was accessible to Audit Committee and Corporate Governance Group Members.</p>	<p><b>Marie Rosenthal/ Dr Milford</b></p> <p><b>Guidance on access to information will be shared at the 20 March 2024 meeting.</b></p>
<p>692 29/11/2023</p>	<p><b><u>INTERNAL AUDIT UPDATE</u></b></p> <p><b><u>Additional Actions:</u></b></p> <p>That the Audit Committee;</p> <p>(i) Noted the Internal Audit updates and commented for the following to be included in future updates:</p> <p>a) Temporary accommodation – Update on Purchase cards and spot checks to ensure there was no fraudulent activity.</p> <p>b) Proposed Internal Audit to advise Overview and Scrutiny Committees on monitor Internal Audit Reviews relevant to their areas.</p> <p>c) Requested for additional information around next steps; themes; improvement to work practices; actions taken on Oracle (ERP) and impact on resources within Internal Audit Team to be included in the Internal Audit Reviews and relevant sections of the Internal Audit Plan.</p>	<p><b>Sarah Dunlavey</b></p> <p><b>Updates will be provided as part of the report on 31 January 2024 agenda – Internal Audit Plan update.</b></p> <p><b>Updates will be provided as part of the report on the 21 February 2024 meeting – Audit Plan Methodology Report.</b></p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
	(ii) Noted the School Audit Reports and financial position to be included as a separate item for discussion on a future agenda. To include an update on the carry forward balances from the local authority.	
693 29/11/2023	<p><b><u>INTRODUCTION OF INTERNAL AUDIT RECOMMENDATION TRACKING</u></b></p> <p><b><u>Additional Action:</u></b></p> <p>That the Audit Committee;</p> <p>(i) Noted the steps taken to implement a replacement audit management system and the interim solution that was sought to support the consistent tracking of internal audit recommendations across the Council; and</p> <p>(ii) An update on the Central SharePoint repository and the initial recommendation progress monitoring report to be reported at the next Audit Committee meeting.</p>	<p><b>Sarah Dunlavey</b></p> <p><b>Updates will be provided as part of the report on 31 January 2024 – Internal Audit Plan update.</b></p>
694 29/11/2023	<p><b><u>ANNUAL COUNTERFRAUD REPORT 2022/23</u></b></p> <p><b><u>Additional Actions:</u></b></p> <p>That the Audit Committee;</p> <p>(i) Noted the Counter Fraud work undertaken during the year of 2022-23 and members drew assurances from the policies and procedures that were in place to prevent and detect fraud and error. The Committee agreed for further work to be undertaken on the impact and limitations of the ERP system.</p> <p>(ii) Agreed for the Counter Fraud report updates to include data from previous years as a comparative. In addition, to include information from other Core Cities including Manchester as a benchmark; common themes of fraud and details of the escalation process identified.</p>	<p><b>Sarah Dunlavey/ John Preston</b></p> <p><b>A report will be shared at the 21 February meeting – Audit Plan Methodology Report.</b></p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
	(iii) Agreed for further updates on how the Council responded to staff fraud and the processes involved to be shared at a future meeting.	
695 29/11/2023	<p><b><u>FINANCE UPDATE – NOVEMBER 2023</u></b></p> <p><b><u>Additional Actions:</u></b></p> <p>(i) Requested for an additional briefing session to take place on the financial position of the Council;</p> <p>(ii) A written response to be provided how was Birmingham going to respond to the Equal Pay Liability and how the £760 million calculation had been calculated; and</p> <p>(iii) Details on budget consequences on spend reviews for the last 6 years to be shared for Birmingham and other similar local authorities.</p>	<p>Fiona Greenway/ Mohammed Sajid</p> <p><b>Outstanding</b></p> <p><b>Outstanding</b></p> <p><b>Outstanding</b></p>
696 29/11/2023	<p><b><u>EXTERNAL AUDITORS UPDATE</u></b></p> <p>That the Audit Committee;</p> <p>(i) Noted the contents of the report as set out by the External Auditors; and</p> <p>(ii) Proposed for a report to be shared at the next meeting by Counter fraud and Internal Audit on the concerns on the number of issues that had been flagged on the Oracle Risk Cloud.</p>	<p>Fiona Greenway/ Mohammed Sajid</p> <p><b>A report will be shared at the 21 February meeting – Audit Plan Methodology Report.</b></p>
709 31/01/2024	<p><b><u>INTERNAL AUDIT PLAN UPDATE</u></b></p> <p><b><u>Additional action:</u></b></p> <p>(ii) Agreed for the S151 officer to report back to a future meeting of the Committee on the work that had been done to date and was planned to develop a risk based culture across the organisation</p>	
711 (Private) 31/01/2024	<p><b><u>UPDATE ON THE RISK MANAGEMENT PROGRAMME</u></b></p> <p><b>Refer to private minutes</b></p>	

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
714 31/01/2024	<p><b><u>UPDATE ON THE RISK MANAGEMENT PROGRAMME</u></b></p> <p><b><u>Additional action:</u></b></p> <p>(ii) Progress on delivery of the Stabilisation Plan required by the Governance Review carried out by the Centre for Governance and Scrutiny be reported at the next meeting and the author Ed Hammond be invited.</p>	<p><b>A report will be shared at the 21 February meeting</b></p>
715 31/01/2024	<p><b><u>FINANCE UPDATE – JANUARY 2024</u></b></p> <p><b><u>Additional actions:</u></b></p> <p>(ii) Noted the details on the budget savings and breakdown document which was shared with Scrutiny Committee would be shared with Members of the Audit Committee.</p> <p>(iii) An update is required on the outstanding action from the previous meeting (29 November 2023) on the comparison with other Core Cities in order to gain an understanding of the in year overspending to see where Birmingham was (pound per population). To see if Birmingham was in line with the current condition of local government.</p> <p>(iv) Noted the Committee to receive a corporate risk register at the next meeting ahead of the Budget setting meeting.</p> <p>(v) Noted a written response of the methodology and assumptions used for rebasing to be shared with the Committee.</p> <p>(vi) Noted a review of the savings from previous years and understanding of why these could not be met and details of this to be shared with the Committee in order to learn from previous years.</p> <p>(vii) Noted the risk element of the Delivery Plans to be shared with the Audit Committee.</p>	
716 31/01/2024	<p><b><u>EXTERNAL AUDITORS UPDATE</u></b></p> <p><b><u>Additional action:</u></b></p> <p>(ii) Requested the Chief Executive to investigate the challenges and issues the External Auditors faced from the Council and to provide an update in either a private briefing session or letter to the Committee.</p>	



<b>MINUTE NO./DATE</b>	<b>SUBJECT MATTER</b>	<b>COMMENTS</b>
717 31/01/2024	<p><b><u>FINAL REPORT ON ORACLE</u></b></p> <p><b><u>Additional actions:</u></b></p> <p>(ii)Noted an update to be provided to the Committee on DBS check, why safe and complaint with Oracle has not been achieved and reasons for the delay; and</p> <p>(iii)Noted a full response to the final report on Oracle from the External Auditors will be shared at the next meeting of the Committee.</p>	

