

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 22 NOVEMBER 2016

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY, 22 NOVEMBER 2016 AT 1400 HOURS IN COMMITTEE ROOM 6,
COUNCIL HOUSE, BIRMINGHAM**

PRESENT:-

Councillor Chatfield in the Chair;

Councillors Bore, Burden, M Jenkins, Shah, Spencer and Tilsley.

NOTICE OF RECORDING/WEBCAST

920 The Chairman advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's Internet site (www.birminghamnewsroom.com) and members of the press/public could record and take photographs. The whole of the meeting would be filmed except where there were confidential or exempt items.

APOLOGIES

921 Apologies were submitted on behalf of Councillor Robinson.

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

MINUTES

922 **RESOLVED:-**

That the Minutes of the last meeting be confirmed and signed.

USE OF DELEGATED AUTHORITY

The following report of the Chairman of the Audit Committee was submitted:-

(See document No 1)

Councillors Bore and Tilsley declared interests as former directors of the NEC Limited.

Councillor M Jenkins expressed concern, surprise and disagreed with the fact that delegated authority had been used for important amendments to the Council's financial statements. He considered that Members should have been informed of what was happening.

The Chairman, John Gregory and Richard Percival, Grant Thornton, and Jon Warlow, Strategic Director, Finance and Legal, explained the reasons for the use of delegated authority as set out in the report now submitted.

The Chairman suggested that the use of delegated authority be discussed at a future meeting.

923

RESOLVED:-

That the amendments to the Council's financial statements, additional audit findings report and the use of the Chairman's delegated authority to act between meetings be noted.

CORPORATE RISK REGISTER UPDATE

The following report of the Acting Assistant Director, Audit and Risk Management, was submitted:-

(See document No 2)

Cynthia Carran, Principal Business Auditor, and Jon Warlow, Strategic Director, Finance and Legal, introduced the report and responded to Members' comments.

Councillor Spencer suggested that Risk 28 regarding the Sustainability Transformation Plan (STP) be considered as a separate agenda item at a future meeting.

Jon Warlow pointed out that the Committee was due to consider the corporate risk register at its meeting scheduled to take place in March 2017 and that the risk ratings for all risks would be reviewed prior to the meeting.

924

RESOLVED:-

- (i) That the Committee agrees that the information provided by directorates and risk ratings are reasonable and the action being taken is effective, or if further explanation/information is required; further that the level of risk has remained static for most risks with the following reducing:-
- Risk 8 – Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme;
- (ii) that approval be given to the deletion of the following risk for the reasons set out in the report:-
- Risk 23 – Risk of enforcement action and fines of up to £500,000 by the Information Commissioner’s Office (ICO) for failure to comply with the 40 day timescale for responding to Subject Access Requests (SARS);
- (iii) that approval be given to the following new risks:-
- a) Risk 27 – Risk of claims for payback of search fees charged by the Council;
- b) Risk 28 – Risk that in its early stages of delivery the Sustainability Transformation Plan (STP) will not alleviate the financial position of social care;
- (iv) that approval be given to splitting Risk 10 to have a separate risk relating to setting/balancing the budget ie Risk 29 – Not developing sufficiently robust plans to support setting a balanced budget (including in the medium term) and not containing net spending within the approved budget.

ANNUAL AUDIT LETTER

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 3)

Jon Warlow, Strategic Director – Finance and Legal, and Richard Percival and John Gregory, Grant Thornton, introduced the report and responded to Members’ comments.

The Annual Audit Letter was due to be considered by Cabinet at its meeting on 13 December 2016. A written recommendation and response was due to be considered by City Council on 10 January 2017.

In response to Members’ comments, John Gregory advised that he did not consider that an additional meeting of the Audit Committee would be necessary prior to the City Council considering the written recommendation.

A discussion ensued and the Chairman agreed to write to the Chief Executive and Leader of the Council outlining the concerns raised by Members regarding the current budget position and savings plan.

925

RESOLVED:-

- (i) That the annual audit letter, set out in appendix 1 to the report, be received;
 - (ii) that the written recommendation, issued under section 24 of the Local Audit and Accountability Act 2014, contained within the Annual Audit Letter, be noted;
 - (iii) that the management responses to the recommendations set out in the audit findings report issued in September 2016, as outlined in appendix 2, be approved.
-

The Committee agreed to vary the agenda order and consider the report entitled 'Equal Pay Update' later in the meeting.

BIRMINGHAM AUDIT – HALF YEAR UPDATE REPORT 2016/17

The following report of the Acting Assistant Director, Audit and Risk Management was submitted:-

(See document No 4)

Cynthia Carran, Principal Business Auditor, introduced the report.

926

RESOLVED:-

That the report be noted.

ANNUAL GOVERNANCE STATEMENT – PROGRESS

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 5)

Sarah Dunlavey, Assistant Director – Financial Services, and Jon Warlow, Strategic Director, Finance and Legal, introduced the report and responded to Members' comments.

In referring to appendix 1 of the report concerning the governance arrangements background information from AGS, Councillor Spencer suggested and the Chairman agreed to a future agenda item regarding the

Future Council Programme, particularly the clear values, purpose and vision for the future Council, including the future operating model.

927 **RESOLVED:-**

That the report be noted and a further update be submitted to the meeting scheduled to take place in March 2017.

The Committee considered the report entitled 'Equal Pay Update' at this point.

EQUAL PAY UPDATE

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 6)

Alison Underwood, Senior Solicitor/Acting Head of Law (Employment), introduced the report.

928 **RESOLVED:-**

That the report be noted

WEST MIDLANDS PENSION FUND CONTRIBUTIONS UPDATE

929 Jon Warlow, Strategic Director – Finance and Legal, gave a verbal update referring to the deficit position and recovery plan.

He explained that KPMG had been appointed to assess the Council in relation to the West Midlands Pension Fund.

He advised that the next calculation was currently taking place and that new rates would be effective from April 2017.

In response to Members' comments Jon Warlow explained that work was ongoing and advised that the Council had been in dialogue with the West Midlands Pension Fund and other organisations, including the Personal Independence Payment (PIP), regarding investments and different funding solutions.

OTHER URGENT BUSINESS

930 No other urgent business was raised.

AUTHORITY TO CHAIRMAN AND OFFICERS

931 **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.

EXCLUSION OF THE PUBLIC

932 **RESOLVED:-**

That, in view of the nature of the business to be transacted, which includes the following exempt information, the public be now excluded from the meeting:-

Agenda Item etc

**Paragraph of Exempt Information
Under Revised Schedule 12A of the
Local Government Act 1972**

Equal Pay Update

3 and 4