

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 27 MARCH 2018
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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY, 27 MARCH 2018 AT 1400 HOURS IN COMMITTEE ROOM 6,
COUNCIL HOUSE, BIRMINGHAM**

PRESENT:-

Councillor Claire Spencer in the Chair;

Councillors Jenkins, Robinson and Tilsley.

NOTICE OF RECORDING/WEBCAST

- 15 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 that members of the press/public could record and take photographs except where there were confidential or exempt items.

APOLOGIES

- 16 Apologies were submitted on behalf of Councillor Mariam Khan due to illness and Councillors Quinnen, Rice and Shah for their inability to attend the meeting.

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

MINUTES

- 17 **RESOLVED:-**

That the public part of the Minutes of the last meeting held on 30 January 2018 be noted.

MATTER ARISING

- 18 In response to a comment from Councillor Robinson regarding the use of reserves to balance the City budget, the Chair suggested that it be considered as a potential item preferably earlier on in the new Municipal Year.
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BIRMINGHAM INDEPENDENT IMPROVEMENT PANEL

- 19 Councillor Ian Ward, Leader of Birmingham City Council submitted apologies for lateness and for having to leave the meeting prematurely.

Councillor Ward reported that after entering into his present role almost immediately, together with the Chief Executive had met with Birmingham Independent Improvement Panel to discuss a different way of working.

He confirmed that it had taken some time to determine how it would work which was why the letter to the Secretary of State for Housing, Communities and Government was sent on 8 March 2018. He added during that time period, they had been looking at how the mechanics of working in a more collaborative way would work, and also with the setting of a new base line of where the City Council was at and where it needed to be.

At this juncture, Councillor Ward circulated to the committee, a plan which detailed the critical issues that needed to be tackled and progressed over the next four year period. Whilst providing a comprehensive explanation of each of the issues, it was anticipated that over the next twelve months, progress would be demonstrated by the City Council, and that it would be in a position where the panel would have greater confidence in the City Council moving forward.

He made reference that in moving forward, the City Council should be open to accepting constructive advice on how further operational improvements could be made. He stated that at some time this year, he would like a corporate peer review and to invite the LGA to come and look at the City Council as it was operating as a whole, taking into consideration the work being undertaken with the Improvement Panel, the plan that was in place, and to provide further advice and guidance on progression.

He added that the vision for the future, was for the City Council to be a high performing council that was delivering for the people of the City and also, highlighted the opportunities that were there to grow the City in going forward, and that it was important, that the City Council stepped up to play a leadership role in ensuring it maximised on the benefits that were available.

Steve Robinson, Birmingham Independent Improvement Panel made reference to the more collaborative working approach that had been mentioned, and for elected members and officers to be seen demonstrating higher levels of transparency and self-awareness in valuation, and in reporting on the way the City Council was operating. He highlighted that the panel only now felt confident that the City Council was accepting the improvement challenge and due to the scale of the task it would take some years to achieve given the

underlying cultural issues. He further highlighted the serious financial budgetary position and associated issues, emphasising the enormous challenge that was there to be met.

He referred to the leadership of the City Council both managerially and professionally that was in place, and believed that as a result of this, was confident that it was up for the challenge. He made reference to the various items that had been identified for discussion with Cabinet which included; using the findings from surveys, feedback and studies, peer reviews and following up and actually delivering on what those studies and peer reviews were illustrating.

He made reference to the need, to see decision making that was supported by evidence, insight, intelligence and the quality of reports to members that demonstrated consistency within the decision making process. He highlighted the importance of the City Council working to a 'one council approach' and consistently displaying the features of a learning organisation, tackling corporate disobedience and the root causes.

He made reference to the Local Government Association (LGA) and their outlined checklist of what a good effective council should be demonstrating, and subsequently detailed the various ways in which it should be working, in order to deliver the agreed priorities for the council, supported by the relevant organisational and workforce development.

He made reference to a financial plan and the need for long-term viability and successful implementation of this, and also the corporate governance plan which was being currently worked on with the Leader and the Deputy Leader.

He made reference to the recent review of scrutiny, and whilst welcoming most of the recommendations within the report, stated that there needed more discussion with the author of the report which would be taking place shortly. He highlighted the importance of proper senior management support being given to scrutiny, and the need to develop the culture around transparency and the consistency of challenge within the scrutiny process.

He was of the opinion that the Scrutiny Management Board was a welcome idea and that there was a need for consistency across the scrutiny function throughout the City Council. Further reference was made regarding the possible addition of a finance sub-committee which would be considered over the next few months.

He reported on what they were trying to achieve as an improvement panel regarding the City Council and how Birmingham needed to be world driven by a leading 21st Century Council, and that it sets an example for local government across the country. He referred to the clear strategy and the resources required to support this, as well as the excellent leadership and significant change in culture taking place. He highlighted the importance of the public, private and voluntary sectors all working as one family for the citizens of Birmingham.

Following questions and comments from members the following points were made:-

Councillor Ward stated that there were currently 5 scrutiny committees in place at the moment and whilst trying to cover a variety of topics, there had not been the capacity to investigate to a more in depth level.

He highlighted that one of those areas that this applied to was finance, and was of the opinion, that there was the need to have a constituted scrutiny committee where their sole task was to look at the finance of the local authority and how it was working, in order that it could do justice to a key area of the City Council.

He made reference to a meeting taking place on 9 April 2018 with the Labour Group regarding the new scrutiny arrangement and suggested that if members wished to offer any discussion regarding this, they would be welcome to do so, prior to the meeting.

He confirmed that once they had established a dedicated finance scrutiny committee, he would like for them to discuss with the LGA where finance scrutiny was best carried out in the country, and then meet with that particular local authority and learn from them on how that may be replicated.

He expressed keenness in moving forward with an improved working relationship between executive and scrutiny, with executive having the confidence to request that scrutiny investigate more of the complex issues that the City Council faced, and that a more mature approach be adopted by members when working in scrutiny on a cross party basis.

At this juncture, Councillor Ward apologised for having to leave the meeting but confirmed that he would watch the feedback later this week.

The Chair thanked Councillor Ward for attending the meeting.

Steve Robinson reported that the approach of the panel was very much tailored to this local authority. He confirmed they had regular meetings with both the political and managerial leadership of the council and would have expected them, to have reported back to members as they felt appropriate, on the developments that had taken place.

With regard to public accountability, he confirmed was happy to discuss with the leadership of the City Council. He added that quarterly, they had written to the Secretary of State, regarding the progress of the City Council whereupon these documents had been clear and transparent of where they had seen the City Council at any given time. He referred to the withdrawal and return of the panel in 2016 and 2017 and explained the reasons for this which related to the budgetary and refuse service issues.

He made reference to the importance of effective governance and decision making arrangements, the capacity and resources to focus in the correct areas in order to deliver the agreed priorities which all had to be supported by the relevant organisation and workforce development. He alluded to the financial

plan, and highlighted the positivity from political and managerial leadership of the acceptance of the changes and improvements that needed to be made, and to the work relating to the Corporate Governance Plan with the Deputy Leader.

He confirmed that all of this was not a short fix, and that it would take a number of years with lots of incremental steps to achieve where it needs to be. He added, that the panel would like to see demonstrated by the City Council, the ambition to be an exemplar for the very best in local government.

The Chair concluded by thanking representatives from Birmingham Independent Improvement Panel for their attendance.

At this juncture, the Chair agreed to vary the order of the agenda.

GRANT THORNTON – EXTERNAL AUDIT PLAN

The following report of the External Auditor was submitted:-

(See document No. 1)

Phil Jones, Grant Thornton, provided a comprehensive breakdown of the report.

He highlighted that they would be looking particularly hard this year at the use of reserves. He added that the savings the City Council were required to deliver in a couple years' time were quite substantial and the use of reserves as a strategy for this delivery would not work.

20

RESOLVED:-

That the report be noted.

GRANT THORNTON – AUDIT PROGRESS REPORT AND SECTOR UPDATE

The following report of the External Auditor was submitted:-

(See document No. 2)

Phil Jones, Grant Thornton, introduced the report and responded to Members' comments.

He referred to the deferral of costs into the future, explaining that it was phased over a long period of time, the value of the additional amount was not likely to be anything material. He confirmed that in this regard, it was the decision taken by the City Council and that they had been in dialogue with officers regarding this area of work.

The Chair made reference to the treasury management briefing that had been recently offered to members and suggested, that it might be something that was rolled back into the new municipal year, in order that the implications were understood by all.

Phil confirmed that there were a number of guarantees that were looked at annually and at present they were still in a position, where discussion needed to take place with officers, regarding the nature and size of them.

Phil made reference to Carillion and confirmed that the Select Committee was looking into the conduct of the audit.

21 **RESOLVED:-**

That the report be noted.

GRANT THORNTON – INFORMING THE AUDIT RISK ASSESSMENT

The following report of the External Auditor was submitted:-

(See document No. 3)

Phil Jones, Grant Thornton, introduced the report.

22 **RESOLVED:-**

That the report be noted.

CORPORATE RISK REGISTER UPDATE

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

(See document No. 4)

Sarah Dunlavy, Assistant Director, introduced the report and subsequently provided a comprehensive breakdown. She highlighted the various changes within the body of the report and confirmed that the list of retired risks had been reduced to the last 5 years, as it became less relevant as time progressed.

She made reference to the Commonwealth Games and while it would be considered in the future, highlighted that when the register was being compiled it had not been articulated exactly what the risk was to the City Council.

At this juncture, Craig Price, Principal Group Auditor explained the differences between the current data protection legislation and the general data protection regulations (GDPR) which was to be implemented by May 2018.

He highlighted that the GDPR increased the rights of data protection and data subjects, whereupon they could put in rights for information to be removed where it had been processed under their consent. He stated that GDPR placed additional responsibility in terms of the data subject users, and in order to be able to delete these, there was ongoing audit work in looking at the GDPR response the City Council had put in place.

The Chair suggested that it may be good timing at the beginning of the new municipal year to ensure all had an understanding of the implications of the new legislation. She further suggested that with regard to Risk No. 1 – management of equal pay claim, that information be submitted to Audit Committee and also shared if there were new financial scrutiny arrangements introduced, for members to be updated on a more regular basis.

In response to Councillor Tilsley referring to the need of unpaid business rates being featured in the register given the risk element to the City Council, the Chair suggested that this type of information could prove most useful to members.

23

RESOLVED:-

That the Committee agreed 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 has reduced for the following risks:-

- 2.1 Risk No 1 (Equal Pay Claims) has been reworded and re-risked, with risk 4 and 5 amalgamated into it.
 - 2.2 The deletion of the following risks:
 - No 4 & No 5 Equal Pay (as above)
 - No 14 – Insufficient in-house IT expertise within directorates & inadequate or ineffective corporate control of non-core IT spend – due to the transition from Service Birmingham
 - No 19 – Delivery of the Localisation Agenda and commitments made in the Council's Improvement Plan and Leader's Policy Statement – due to the majority of work having substantially progressed.
 - No 20 Allowance Payments – due to update provided.
 - 2.3 The inclusion of the following 3 new risks:
 - No 35 – GDPR Implementation by May 2018
 - No 36 – Failure to respond positively and effectively to the required outcomes of the Grenfell Tower enquiry once known.
 - No 37 – Homeless Reduction Act – Insufficient council resources to meet the requirements of the Act fully.
 - 2.4 Risk No 10 – Kerslake Report – has been reworded to reflect the latest letter from the Birmingham Independent Improvement Panel.
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BIRMINGHAM AUDIT – DEVELOPMENT OF THE 2018/19 INTERNAL AUDIT PLAN

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

(See document No. 5)

Sarah Dunlavey, Strategic Director, introduced the plan and provided a comprehensive breakdown of how it was compiled.

Sarah confirmed the numbers of days relating to school visits were decreasing, due to the expectation that all of the schools would have been visited at least once by September 2018. She highlighted they were looking at a themed audit on HR practices in schools with 50 days allocated for themed work.

She referred to the areas of work they were involved with supporting which included school governors and the education establishment on both the traded and non-traded offer, and subsequently agreed to feed specifically into the training element.

24

RESOLVED:-

That members of the Audit Committee:

- (i) Noted progress made in developing the 2018/19 internal audit plan;
- (ii) considered the proposed audit coverage and identified any areas they wished to suggest for inclusion in the risking process; and
- (iii) subject to any agreed adjustments, approved the proposed plan.

ADOPTION OF ACCOUNTING POLICIES FOR 2017/18

The following report of the Corporate Director – Finance and Governance was submitted:-

(See document No. 6)

Martin Stevens, Head of City Finance Accounts, introduced the report and highlighted that the accounting policies for this year were similar to last year due to very few changes.

25

RESOLVED:-

That Audit Committee:

- (i) That the accounting policies for the determination of the Council's accounts for 2017/18 be adopted;

- (ii) that the implications for future years' accounts arising from the changes in accounting standards be noted.
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OTHER URGENT BUSINESS

- 26 At this juncture, Councillor Jenkins requested to move a motion which was refused by the Chair as notice had not been given and therefore suggested that the content of the comment be noted.

Councillor Jenkins expressed a complete lack of confidence in the Labour administration.

The Chair referred to Councillors Khan and Shah and explained their reasons for non-attendance.

Councillor Robinson brought to the Committee's attention that it was his last meeting and subsequently thanked members and officers for their support, and hoped, that as many current members as possible remained on the committee in order to provide continuity of service.

The Chair thanked Councillor Robinson for his years of service on Audit Committee and wished him well for the future and subsequently thanked all the officers for their support.

AUTHORITY TO CHAIRMAN AND OFFICERS

- 27 **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

- 28 **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:-

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

Minutes 3 and 4

PRIVATE

MINUTES

29 **RESOLVED:-**

That the private section of the Minutes of the last meeting held on 30 January 2018 be noted and the Minutes as a whole be confirmed and signed by the Chair.

OTHER URGENT BUSINESS

30 No other urgent business was raised.

The meeting ended at 1615 hours.

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CHAIR