

**BIRMINGHAM CITY COUNCIL****PUBLIC REPORT**

<b>Report to:</b>	<b>CABINET COMMITTEE – GROUP COMPANY GOVERNANCE</b>
<b>Report of:</b>	<b>Corporate Director – Finance &amp; Governance</b>
<b>Date of Decision:</b>	<b>12 December 2018</b>
<b>Subject:</b>	<b>Group Company Governance - Section 24 Recommendations</b>
<b>Wards affected: All</b>	
<b>1 Purpose</b>	
1.1	At its meeting on 13 November 2018, this committee considered the first progress report on the delivery of actions to mitigate the recommendations made by the External Auditor in his Audit Findings Report published on 30 July 2018.
1.2	This report provides a further update on actions taken to date.
<b>2 Decisions recommended:</b>	
	Members are recommended to:
2.1	Note the proposed actions to mitigate the concerns of the External Auditor
2.2	Note the progress in delivering the proposed actions to date.

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### **3 Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:  
The Council operates and delivers services through a number of different vehicles. The Council needs to consider the risks of delivering through arms-length arrangements so that Council policies can continue to be implemented.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:  
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):  
The Section 151 Officer has a duty to ensure the proper administration of the Council's affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.
- 3.4 Will decisions be carried out within existing finances and resources?  
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):  
This report considers the delivery of the proposed actions to mitigate the concerns raised by the External Auditor in his Audit Findings Report following the audit of the Council's Financial Statements 2017/18.

### **4 Relevant background/chronology of key events:**

- 4.1 The External Auditor issued his Audit Findings Report (AFR), which was considered by Audit Committee at its meeting on 30 July 2018. Contained within the report were a number of recommendations made under Section 24 of The Local Audit and Accountability Act 2014. Recommendations made under Section 24 had to be considered by full Council, which took place on 11 September 2018.
- 4.2 The External Auditor identified within one of his Section 24 recommendations that the financial position of companies and the Council's liability for their liabilities has not been well understood or reported by the Council. The external auditor went on further to state that the Council had not always had sufficient accurate information upon which to make decisions relating to the companies created in order to mitigate risk and that governance arrangements had not been adequate to enable companies' activities to be monitored. The auditor's specific recommendation in respect of companies was that the Council needs to:
- “ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and Council representation on subsidiary body boards, to ensure that emerging risks are

monitored, reported and managed promptly.”

- 4.3 The Council needs to monitor its response to the recommendation to ensure that the proposed action to mitigate the weaknesses identified is being progressed. The first progress report was considered by this committee at its meeting on 13 November. Attached at Appendix 1 is the second progress report for members to consider.

**Signature:**

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Clive Heaphy, Corporate Director – Finance & Governance

**Appendix**

Appendix 1 – Progress report on Section 24 recommendation