

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 27 APRIL 2021
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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 27 APRIL 2021 AT 1400 HOURS - ONLINE MEETING

PRESENT:-

Councillor Grindrod in the Chair;

Councillors Akhtar, Bridle, Jenkins, Morrall, Quinnen and Tilsley

NOTICE OF RECORDING/WEBCAST

- 312 The Chair advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's Internet site (www.civico.net/birmingham) and members of the press/public could record and take photographs except where there were 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.

DECLARATIONS OF INTEREST

- 313 Members were reminded that they must declare all relevant pecuniary and non-pecuniary interests relating to any items of business to be discussed at this meeting. If a pecuniary interest was declared a Member must not speak or take part in that agenda item. Any declarations would be recorded in the minutes of the meeting.

Councillors Quinnen, Tilsley, Bridle and Jenkins declared they had a pecuniary interest with the West Midlands Pensions Fund however, Councillor Jenkins highlighted City Council had previously decided there was no need for Councillors to declare this interest during Council meetings.

At this juncture, the Chair sought guidance from the Interim Chief Finance Officer and from the Legal Services representative.

The Interim Chief Finance Officer informed members, the Audit Committee do not make decisions around pension matters therefore, declaring a pecuniary interest was not required.

The Assistant Director, Legal Services confirmed the explanation given by the Interim Chief Finance Officer was correct. He reminded members recent

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guidance had been provided to all Councillors around this area via the Interim City Solicitor & Monitoring Officer. Any interests around pensions should be stated on the declaration of interest form.

APOLOGIES

314 There were no apologies submitted.

EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

Members agreed there were no items on the agenda that contained exempt information.

315 **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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316 **RESOLVED:-**

That the public minutes of the last meeting having been circulated, were agreed by the Committee.

MATTERS ARISING

The Assistant Director Audit and Risk Management referred to minute 301 (Assurance session - discussion on Highways PFI) and minute 308 (External Auditors Informing the Audit Risk Assessment update). The minutes noted there was a difference in opinion with regards to the recommendation made by Grant Thornton on Highways PFI. The Assistant Director Audit and Risk Management provided context around the comments made during the discussions. She highlighted there would be debate and challenge around recommendations made via internal or external audits however, this would take place before the recommendations were accepted and ratified before the Committee. She assured the Committee and the External Auditors that the Highways PFI recommendation had been accepted and implemented.

The Key Auditor Partner, External Auditor welcomed the update and assured the Committee Grant Thornton stood by their report and relevant consultation took place during the draft stages. He noted, though the conclusion may not have been agreed upon, the facts within the conclusion were based upon a true

position at that time. Members were informed as part of this year's value for money audit, the External Auditors would be engaging with officers at an early stage. In addition, specialists would be overlooking the work in this area in conjunction with Grant Thornton.

No comments were made by members.

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RESOLVED:-

The Committee noted the statements made by the Assistant Director Audit and Risk Management and the Key Auditor Partner, External Auditor.

RISK MANAGEMENT UPDATE

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

(See document No.1)

The Assistant Director, Audit and Risk Management informed members this report would be presented to the Audit Committee in; April, July, October and January. She added regular meetings with the Directorate representatives and the Deputy Leader were taking place and all the feedback on the risks was incorporated. The Corporate Leadership Team (CLT) reviewed and challenge the risks on a monthly basis and the Directorate Risk representatives reviewed and updated the Strategic Risks on a monthly basis. Members were notified risk 7.1 (Service Improvement) had been reinstated and a revised action plan had been established.

Members commented on the report and the Assistant Director, Audit and Risk Management responded thereto.

Key points noted from discussions;

- It was important to have a culture of promoting risk management throughout the Council. In order to embed this, it was essential to; i) ensure the correct risks were indicated ii) deep dive into the risks.
- Various risk management was taking place throughout the Council on a strategic level, operational level, Covid related risks, programmes etc therefore, the culture of risk management was embedded throughout the organisation where there was proactive maintenance of the various risk registers.
- The Assistant Director, Audit and Risk Management to explore how the culture of risk management could be demonstrated to the Committee.
- Level of risk attached to Commonwealth Games (CWG) – The risk had been positioned according to the council without the complexity of all the interrelationships of funding. There were concerns around the risk rating on the CWG and this would be escalated back to Corporate Leadership Team as Members felt this should be rated as severe (high) as there was a commitment to finance this upfront.
- The Interim Chief Finance Officer noted comments around the CWG. She highlighted the CWG had their own governance in place which signposted to

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a comprehensive CWG risk register and it was regularly monitored. In addition, she was a part of the Finance Directors Group that managed the risks and potential funding gaps. She assured the Committee that the governance, strategic and operational management was in place. Furthermore, she sat on the CWG Audit Committee and suggested for the Chair of the CWG Audit Committee be invited to a future committee to discuss the Birmingham City Council elements of the CWG. This was welcomed by the Chair.

The Chair requested for a formal statement to the Committee in order for members to understand the reasoning to the rating of the risks related to the CWG.

Upon consideration, it was:

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RESOLVED:-

Audit Committee Members:

- i) Noted the progress in implementing the Risk Management Framework and the assurance and oversight provided by the Council Leadership Team (CLT).
- ii) Reviewed the strategic risks and assessed whether further explanation / information is required from risk owners in order to satisfy itself that the Risk Management Framework has been consistently applied.
- iii) A formal statement to be provided to the Audit Committee around the reason to the rating of the risks related to the Commonwealth Games.
- iv) The Chair of the Commonwealth Games (CWG) Audit Committee to be invited at a future meeting to discuss Birmingham City Council elements of the CWG.

BCC APPROACH TO SIGNIFICANT ESTIMATES IN THE 2020/21 STATEMENT OF ACCOUNTS

The following report of the Interim Chief Finance Officer was submitted: -

(See document No.2)

The Interim Chief Finance Officer informed members this report was presented to the Committee on an annual basis and it set out the approach planned for significant accounting estimates in the 2020/21 Statement of Accounts.

The Finance Reporting Council had issued a revised International Standard for Accounting (ISA) 540 “Auditing accounting estimates and related disclosures”, which contained a significant change to the audit risk assessment process for accounting estimates. The External Auditors were required to undertake more work around the controls in place with accounting estimates. In addition, they would focus on the detailed areas where significant judgement was required.

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The Interim Head of Financial Strategy gave an overview to the six key areas that were deemed as material estimates which would be included in Birmingham's statement of accounts. He added, appendix 1 of the report contained information provided to the External Auditors (as part of their audit planning) relating to significant estimates. This would outline the processes and internal controls that would take place.

The Chair requested for briefings on the accounts to be made available for members. The Interim Head of Financial Strategy agreed to host any additional support in this area to enhance members understanding around the detail contained within the accounts.

No comments were made by the members.

Upon consideration, it was:

319

RESOLVED:-

That Audit Committee

- i) Considered and noted the approach to accounting for significant estimates as set out in the paper and the offer of further briefings and training.
- ii) Noted the implication on audit work, and the audit timetable as a result of the change in international standards on auditing.

EXTERNAL AUDITORS PROGRESS UPDATE

The Engagement Lead, Grant Thornton gave a verbal update on the following two areas;

1) Development on the value for money work

A broader reporting would replace the exception reporting approach from previous years. The audit opinion would no longer be rated via a binary conclusion but replaced by a holistic narrative report (Auditors Annual Report). This would require further detailed work where experts would support the Audit Team (where appropriate). Due to the impact of Covid, the audit work had started later than previous years. As a result, the National Audit Office had permitted auditors to have flexibility to report the Annual Auditors report.

2) Fees

The Redman Review recognised Audits were very complex, and the right level of fees were required. The External Auditors had written the Interim Chief Finance Officer setting out the fee variations this year. He highlighted, some of the fee variations would be a similar reoccurrence to previous years i.e. if they were related to factors that continue like increased regulatory focus (continuing feature). The fee variations would need to apply to the new value for money work and any additional work for audit standards.

The Ministry of Housing, Communities and Local Government (MHCLG) had recognised the additional costs of audit were necessary therefore, funded £15

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million pounds across local government to be allocated to support extra costs. MHCLG were currently in consultation on how the additional funding would be distributed.

Members commented on the report and the Engagement Lead, Grant Thornton responded thereto.

Key points noted from the debate were around;

- Comparative information – Explore other local authorities' approach on value for money work to gain a benchmark.
- The External Auditors advisory team had designed the methodology to support the repository of best practise.
- Annual Governance Statement (AGS) – Noted there was a CIPFA requirement for Senior Leadership Team of the Council to provide the Audit Committee information around key risks, governance developments arising from Covid arrangements. It was highlighted by Councillor Bridle the Audit Committee had to explore how effective the Covid arrangements had been via AGS.
- Internal Audit would support the production of the AGS and the External Auditors would check if the statement complies with the disclosure requirements.
- Total proposed fee from the External Auditors was £366k.

The Senior Manager, Grant Thornton provided a verbal summary on the progress of the audit to date. Regular conversations were taking place with Birmingham's Finance Team and a detailed timetable was in process of being agreed. There were no issues or concerns raised by the External Auditors at this update.

Upon consideration, it was:

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RESOLVED:-

That Audit Committee noted the content of the External Auditors, progress update.

ASSURANCE SESSION – CABINET MEMBER FOR HEALTH & SOCIAL CARE PORTFOLIO

The Chair welcomed the Cabinet Member for Health and Social Care to the Assurance Session of the Committee.

Part 1: Portfolio overview

The Cabinet Member for Health and Social Care shared a short presentation via her screen and gave an overview to the portfolio. The portfolio covered the following key areas Adult Social Care & Health; Public Health; Health Communities and Domestic Violence (taking the lead on the health implications of domestic violence).

Part 2: Responding to National Emergency

Covid – 19 Pandemic – The last year had been a challenging year for businesses and citizens of Birmingham where support was required from the Local Authority and Public Health Service. Protecting and supporting Birmingham's most vulnerable citizens was a priority. The pandemic highlighted capacity issues within Adult Social Care and partner agencies however, this allowed an opportunity to create innovative ideas around digital platforms to ensure there was contact with citizens.

A major national emergency plan was put into place from 23 March 2020 where a Strategic Cell (Gold Command) was supported by a Tactical Cell and several thematic cells to manage the Council's emergency response. In February 2021, this structure was replaced by a single co-ordinated response group as new legislation enabled democratic decision-making to resume remotely, with meetings webcast on a priority basis. The Council were operating under its Emergency Plan, with decisions being made on a 'command and control' basis. It was highlighted the pandemic posed unprecedented public health and operational challenges across the council services.

Part 3: Directorate Assurance Statement (DAS) & Strategic Risk Register

The impact of the pandemic was highlighted in the DAS and covered the following areas; Engagement with Service Users and Carers; Day Opportunities; Acute hospital and Community social Work; Support with employment (PURE); Third Sector Prevention and support providers; neighbourhood Networks and Commissioning support to Care Sector.

A comprehensive overview of the strategic risks associated with portfolio was shared. These were around; engagement with citizens; inability to fully meet social care need; view of BCC by Regulator CQC for Care Centres and home care enablement and rising demand for services negatively impacts in the Council's priority outcomes. Examples of mitigations and actions to the risks were presented to the Committee.

Members were informed staff retention was another key area where a close oversight was taken by the Cabinet Member. Social Workers in Birmingham were paid lower rates compared to other neighbouring authorities therefore, work was taking place on retention of Social Workers and reduce the reliance on agency staff.

The Cabinet Member for Health and Social Care was able to keep a strong oversight over the portfolio during the pandemic as there were regular meetings with the Directors and interim Directors of Adult Social Care and Public Health. In addition, weekly Cabinet Member Briefings and fortnightly Public Health Cabinet briefings took place to keep updates on Health and Wellbeing. The Health and Wellbeing Board continued to ensure there was oversight of key areas around Covid, e.g. vaccine take up. Close work with partners locally and nationally was taking place in response to the pandemic.

The main concerns highlighted by the Cabinet Member for Health & Social Care were around;

- Funding of Adult Social Care going forward
- The present system of funding for Mental Health Services

- Public health – Health Inequalities

Members response

The Committee then asked questions of the Cabinet Member for Health and Social Care. These were around; ensuring not to lose sight of the right services whilst working at pace; safeguarding vulnerable adults; implementation of the Suicide Prevention Strategy; concerns around the Integrated Care Systems and staff retention.

In response to Members questions, the Cabinet Member for Health and Social Care and the Interim Chief Executive made the following points;

Risk Register – The Cabinet Member had oversight of any concerns within the Department and this was monitored regular via Performance Management. The Interim Chief Executive information and updates were communicated to members and citizens through various channels e.g. letters, emails and through partners within the sector and the Cabinet Member was briefed routinely on all issues around the pandemic.

Safeguarding – The Adult Social Care service kept regular contact with the residents via ‘safe and well’ checks. Residents were notified of updates via text messages and written communications. The Cabinet Member commended social workers and senior management within the service as any safeguarding concerns were addressed promptly. The Interim Chief Executive added all staff within the council were trained on safeguarding. In addition, a dedicated Safeguarding Team undertook investigations and the Birmingham Safeguarding Adults Board reviewed serious situations.

Mental Health – Suicide Prevention Strategy – The strategy had been applied throughout the pandemic. The view was for regular reporting around suicide prevention and mental health to be shared though various Committees.

Adult Social Care – Integrated Care System (ICS) - the Cabinet Member for Health and Social Care assured the Committee that Adult Social Care would not disappear within the Integrated Care System. She had been involved in this work with the Leader, Interim Chief Executive, various senior officers. In addition, the Cabinet Member sat on the Board of the ICS and there was no intention for Social Care to disappear. However, she highlighted there was a national issue of funding for social care as currently, social care was delivered via grants and pots of funding. As a result, making any long-term decisions was difficult. The ICS was developed to ensure a strong governance system was in place to ensure this was a seamless system across the partners. Social Care and Public Health within the council would have a strong voice within the ICS.

The Interim Chief Executive added the pandemic highlighted how important adult social care was. He had been invited by the Chair of the ICS to develop a proposal on ‘Place’ which was at the heart of the ICS. It was important to engage with communities, neighbourhood network services and third sector groups to ensure the service was sustainable for the future. Furthermore, Birmingham was leading on prevention and early intervention within ‘Place.’

Staff Retention – Social Workers pay was highlighted at the Star Chamber. The Interim Chief Finance Officer notified members a new pay and grading structure for local authority was under review. The aim was to deliver this in 2022 – 2023 and an in-depth consultation would take place. This would be an opportunity explore career development and incentivise staff development. Currently, work was taking place to retain staff via various routes e.g. Clean Air Zone – support employees via car leasing to avoid additional charges. The Interim Chief Executive added there was a differential within Adult Social Care across local authorities therefore the review must be undertaken council wide. In the meantime, other areas were being developed to make Birmingham attractive place and maximise staff retention. The view was to reduce Adult Social Care agency staff and ensure there was a stable inhouse workforce.

At this juncture, the Chair noted Councillor Jenkins additional questions around pay for social workers. He suggested any further questions to be placed in writing to the Chair.

The Cabinet Member for Health and Social Care recognised staff were an asset to the organisation and there were concerns around pay which would be reviewed citywide.

At this juncture, the Chair thanked the Cabinet Member for Health and Social Care and the Interim Chief Executive for their attendance.

Upon consideration, it was:

321

RESOLVED:-

That the Committee noted the updates received on the Cabinet Member for Health and Social Care Portfolio.

ASSURANCE SESSION – CABINET MEMBER FOR SOCIAL INCLUSION, COMMUNITY SAFETY & EQUALITIES PORTFOLIO

The Chair welcomed the Cabinet Member for Social Inclusion, Community Safety & Equalities to the Assurance Session of the Committee.

Part 1: Portfolio overview

The Cabinet Member for Social Inclusion, Community Safety & Equalities highlighted two observations to his portfolio. These were;

- i) The risks associated with this portfolio sat across the Directorates and Cabinet portfolio's i.e. equality representation or ineffective approach to inequalities – These touched various aspects of council activity and delivered Corporately as well as within individual Directorates and Portfolio's.
- ii) The risks associated with this portfolio were dependant on the strengths of the partnerships and the ability of partners to deliver alongside BCC. e.g. risk 3.6 – preventing crime agenda and risk 2.3 Financial insecurity and inequality this was wider work across partners.

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The Cabinet Member focussed on three specific areas within the portfolio and gave an overview of actions taken to mitigate the challenges. These were;

- 1) Community Safety – Birmingham Community Safety Partnership (BCSP) membership had been strengthened and there was a robust partnership between Birmingham City Council and West Midlands Police.

During the pandemic, fortnightly Core Group meetings took place to monitor and address emerging issues arising through the lockdown and from the changes to the regulations. A new Birmingham Community Safety Partnership Strategic Assessment had been published where various workstreams were focussing on key areas such as violence; reoffending, serious unorganised crime, victims and vulnerabilities, place and communities. Additional statutory duties would be taken onboard such as serious violence duty through the Domestic Abuse Bill (led by Domestic Abuse Partnership Board).

- 2) Equalities – Addressing issues around health inequalities had been a key focus for the Cabinet Member and there were two keynote responses to the pandemic. These were;
 - i) Publication of ‘Everyone’s battle, everyone’s business’ statement of intent.
 - ii) Workforce Race Equity Review & Action Plan – This would update on actions to eradicate the race pay gap and secure a representative workforce.

A report would be shared with Cabinet in May 2021.

- 3) Poverty
 - i) There was an immediate response to the pandemic which allowed mobilisation across the sectors to provide emergency food, accommodation, and support people during the height of the pandemic. This was now transitioning into a Community Recovery Framework and work would take place with partners such as BVSC to capture the response to the crisis.
 - ii) Partnership work on health inequalities was taking place around specific communities. A joint review of the African Caribbean community was taking place with the London Borough of Lewisham.
 - iii) Community Wealth Building work - The council was working with Birmingham University, Aston University, the Police and Crime Commissioners Office, Pioneer Group and Bournville Village Trust to explore how to spend locally and to see how to support businesses.

Part 2: Governance

The Cabinet Member for Social Inclusion, Community Safety & Equalities had direct oversight on all aspects of the work through weekly briefings and 1:1 with lead officers and Cabinet colleagues.

- Community Safety – A robust reporting and accountability arrangements were taking place through the CSP Executive Board.

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- Equalities – An internal Star Chamber had been established. The Equalities Cohesion Team support this area of work across the organisation.

Members response

The Committee then asked questions of the Cabinet Member for Social Inclusion, Community Safety & Equalities. These were around; how risk is managed through partnerships; resilience of the third and community sector; race and ethnic disparities; community safety; failures around governance; accountability in partnerships; concerns around opportunities for Black, Asian and Minority Ethnic (BAME) communities and what work would be undertaken for disadvantaged people.

In response to Members questions, the Cabinet Member for Social Inclusion, Community Safety & Equalities and the Assistant Chief Executive made the following points;

Partnerships - The community, voluntary sector supported citizens immediately in response to the pandemic and it was important to retain this ethos during the recovery stage from the pandemic and it was a part of the Community Recovery Framework as a lot of learning can be drawn from the emergency response. The Community Board were important to ensure there was a shared strategic understanding with the action plan and risks associated across partnerships. The work of the Community Recovery Framework could be shared at future committee.

The Assistant Chief Executive added, historically, the Audit Commission provided a good piece of guidance for Local Authorities around managing risk with partners. This was applied when the work was mapped out i.e. the same level of rigor was placed on finance, legal and procurement and any decisions made in partnership would go through the same method as council decisions. He referred to the Assurance Statement and there was a delay of six months to the recruit staff to the Equalities Team however, this was now in place.

Race and ethnic disparities – The Cabinet Member was aware of the disparities affecting white working-class boys. It was important to ensure all inequalities were addressed across the board. An example of the living wage was referred to, as this would impact and change the quality of life for people from all communities as well as provide jobs opportunities.

Governance (Equalities, Community Safety) – The Cabinet Member for Social Inclusion, Community Safety & Equalities was accountable for equality matters and community safety issues as he was the political lead. However, the council were accountable for the equalities agenda hence the reason why tackling health inequality was at the centre of the revised delivery plan. The Equality Star Chamber was in place to improve the corporate equalities impact practice. In respect of the police, a different governance structure was in place and this was shared by the Cabinet Member. The Cabinet Member was currently exploring ways to strengthen accountability and engagement with local delivery partnerships.

Opportunities for Black, Asian and Minority Ethnic (BAME) – The inequalities around opportunities for BAME were there prior to the pandemic and this would be captured via the ‘Everyone’s battle, everyone’s business’ statement of intent for which an extensive consultation would take place with citizens of Birmingham. This would allow the council to see how the workforce represents the diversity of the city by extending opportunities to all communities. He highlighted the work around the living wage was very important.

At this juncture, the Chair thanked the Cabinet Member for Social Inclusion, Community Safety & Equalities and the Assistant Chief Executive for their attendance.

Upon consideration, it was:

322 **RESOLVED:-**

That the Committee noted the updates received on the Cabinet Member for Health and Social Care Portfolio.

SCHEDULE OF OUTSTANDING MINUTES

323 Members were provided with updates to the outstanding actions.

**Minute 260 25/11/2020 – Independent Advisor to Audit Committee
Additional Recommendation**

iii) Agreed to receive further updates on the progress of the work on the Independent Advisor role. This would be provided at a future Committee.

An update would be provided under other urgent business.

**Minute 279 26/01/2021 - Assurance Session – Cabinet Member for
Children’s Wellbeing Portfolio
Additional Recommendation:**

iv) The Council’s Transformation Programme to be shared at a future Committee.

To be shared at a future committee.

**Minute 305 30/03/2021 – Informing the Audit Risk Assessment – Group
Company Governance
Additional Recommendation:**

ii) Noted for an information briefing to be arranged on the Group Company Governance. Information on the scale of the BCC subsidiaries and any guarantees given to be provided to Members.

Awaiting steer from the Interim Chief Finance Officer.

Minute 307 30/03/21 – External Auditors – Audit Plan 2020 - 21

Additional Recommendation:

- ii) The External Auditors to provide the Audit Committee details of the fees charged to BCC for 2020-21.

An update was provided at this meeting as part of the External Auditors progress update, therefore, following the approval of the minutes of the meeting this action can be discharged.

324 **DATE AND TIME OF NEXT MEETING**

The next meeting is scheduled to take place Tuesday, 29 June 2021 at 1400 hours.

OTHER URGENT BUSINESS

Independent Advisor process

The Chair notified the Committee, he had received CV's and informal conversations would take place with the candidates selected. Formal interviews would take place within the next few weeks. He invited the opposition groups to nominate a member to participate in the interview process.

Councillor Tilsley confirmed he would be involved. Councillor Jenkins would discuss with his political group and feedback to the Chair.

325 **RESOLVED: -**

Members of opposition groups to nominate a member of their political group to participate in the independent advisor interviews.

AUTHORITY TO CHAIRMAN AND OFFICERS

326 **RESOLVED:-**

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

The meeting ended at 1604 hours.

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CHAIR