

## Audit Findings Report Recommendations

## Appendix 2

Rec No.	Recommendation	Priority	Management Response	Implementation Date & Responsibility
	<b>Accounts</b>			
1	Narrative Report – the draft report did not include sufficient commentary on the two major material disposals that had taken place during the year. For future years it is important to ensure that there is sufficient narrative about redevelopment schemes such as the Paradise project	Medium	<p>Comments noted. Care had to be taken regarding the commercial sensitivities of the deals and the potential future implications that they may have had on joint working.</p> <p>In future, earlier discussions will be entered into with partners to consider the form of financial reporting.</p>	<p>Head of City Finance – Final Accounts</p> <p>March 2017</p>
2	Major schemes, supporting information – during our audit we became aware that key information relating to the NEC and Grand Central disposals had not been shared with the Final Accounts Team when they were preparing the accounts. Key information relating to the Paradise project and other major schemes needs to be provided to the Financial Accounts Team to enable them ensure that the accounting treatment adopted is appropriate.	High	<p>Regular meetings are held with finance colleagues as part of the preparation for the closure of accounts. These meetings include those finance staff supporting project managers.</p> <p>The guidance for the closure of accounts will be strengthened in respect information to be provided on activities undertaken in collaboration with external bodies so that an assessment of the financial implications can be determined.</p>	<p>Head of City Finance – Final Accounts</p> <p>March 2017</p>

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3	Annual Governance Statement – we noted that group governance arrangements were not included in the AGS. In future the AGS should include narrative on group governance arrangements.	Medium	A Group Executive Committee was approved by Cabinet in July 2016. It is a sub-committee of Cabinet and has been formed to oversee the Council's engagement with companies in which it has a financial interest. The Constitution was revised in September 2016 to reflect the change in the Council's committee structure. This change, along with the group governance arrangements will be included within the 2016/17 Annual Governance Statement.	Head of City Finance – Final Accounts  March 2017
4	IT internal controls – a control weakness relating to the automation of leaver notification was reported to IT management. Management need to ensure that our recommendation is implemented by Service Birmingham.	Medium	HR do provide lists of leavers, however the current lack of a single record for all employees regarding what IT they hold means that it has not previously been possible to automate this. Closing the Active Directory Domain Management (ADDM) account does mean that the individual employee would not have access to wider systems. There is currently a review of the end to end Starters, Leavers and Movers (SLAM) processes for IT underway and a single record for all employees is being proposed and a business case	Intelligent Client Function  Interim Review of progress – March 2017

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			developed. Once this is in place, a more automated process will be possible.	
5	Group accounts, entity accounts – group accounts are drafted using unaudited financial information provided by group entities. In future the Audit Committee need assurance that group entities provide sufficient information by the end of May to ensure materially accurate group accounts can be produced and that audited accounts are received before the completion of the Council's audit.	Medium	<p>The group entities provided information for the preparation of the 2015/16 accounts in a more timely manner than in previous years. There is regular dialogue with group entities to ensure that they are aware of the shortening timescale within which the financial statements have to be produced.</p> <p>The Council has set up a sub-committee of Cabinet, Group Company Governance that has included, in its terms of reference, responsibility for:</p> <ul style="list-style-type: none"> <li>• Holding entity boards to account</li> <li>• Oversight of compliance</li> <li>• Receiving and reviewing entity performance reports.</li> </ul> <p>The first meeting of the sub-committee was held on 9 November 2016.</p>	<p>Assistant Director – Financial Services</p> <p>March 2017</p>

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	<b>Value for Money Conclusion</b>			
6	Savings challenge – effective plans need to be put in place to respond to the under delivery of savings plans and emergent budget pressures, particularly in the People Directorate. These need to include a realistic assessment of the use of reserves to enable sufficient lead time for savings plans to be implemented.	High	The Mid-Year Review included a realistic assessment of the deliverability of the savings programme. This was always considered to be challenging, and the Council had established the Organisational Transition Reserve as an explicit risk management contingency. The on-going implications of the Mid-Year Review are being taken into account in the financial planning process for 2017/18 onwards. This will include the preparation of robust implementation and consultation plans. Account will be taken of the lead times in delivery the necessary service changes.	Assistant Director (Financial Strategy)  December 2016
7	Services for vulnerable children – the Council needs to demonstrate how the plans for services to vulnerable children, including the options for setting up a Children's Trust, will deliver specific and measureable improvements promptly.	High	Early Help and Children's Social Care (EHCS) are focused on improving practice for children and families in need. A number of issues have been addressed over the last 2 years including stabilising the workforce through an improved HR offer, investing to fill funding deficits, and putting in place a clear operational	Executive Director for Children's Services  March 2018

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			<p>model so that children and families receive the right proportionate response dependent on their needs. The building blocks are now in place and progress is being made (see Ofsted inspection October 16) but there is still a long way to go to ensure good consistent practice with no undue delay and strong management oversight. The Children's Trust would give EHCSC operational independence to be a more fleet of foot and less bureaucratic organisation, more focused on delivering good outcomes for children within available resources.</p>	
8	<p>Management of schools – the implementation of the Birmingham Education Delivery and Improvement Plan needs to demonstrate that the issues raised by Ofsted, including children missing from education, are being addressed promptly and effectively.</p>	High	<p>The Schools, Children and Families Overview and Scrutiny Committee on the 12th October 2016, received a briefing paper on the significant actions taken to address issues identified by HMI in June 2016. The improvements have been achieved through a new management structure, amended policies, a robust dataset, improved practice informed by data analysis and multi-agency working. It is now possible to provide</p>	<p>Assistant Director – Education and Skills</p> <p>January 2017</p>

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			an accurate overview of the number of Children Missing Education and the systems undertaken to identify their whereabouts.	
9	Improvement Panel – the Council needs to demonstrate to the Improvement Panel that the pace of change and the impact of new political and corporate leadership arrangements are sufficient to address the concerns previously raised by the Panel.	High	<p>In its most recent letter to the Secretary of State, published on 9 November 2016, the Birmingham Independent Improvement Panel recognised that the Council has made progress in addressing many of its own improvement priorities and handled effectively some unexpected external events and challenges. The Panel also noted that focused activity has enabled the Council to further address some of the outstanding recommendations from Lord Kerslake’s review.</p> <p>In the progress report that the Council prepared to assist the Panel to make its assessment, the Council identified the development of a robust medium-term financial strategy as its top priority. The Panel’s letter notes the extremely challenging circumstances facing the council as it seeks to do so and observes that the Leader,</p>	Chief Executive March 2017

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			Cabinet Members and Chief Executive have demonstrated that they are actively engaged in joint working to understand and grip the full challenge. The Panel and the council are co-commissioning an independent review of the 2017/18 budget and long term financial plan with a particular focus on the quality and robustness of its delivery plans for 2017/18 across all areas of expenditure.	
10	Health and social care – the Council and its health partners need to either reinstitute the joint commissioning board for the learning disabilities and mental health services pooled budget, or agree alternative arrangements.	High	A process is underway to develop alternative boards to oversee the Section 75 agreements. We are developing separate agreements for Learning Disabilities service users and Mental Health services users so that we can concentrate on the specific requirements of the different client groups. The process will be complete and in place during the 16/17 financial year.	Assistant Director – Commissioning  March 2017