

## BIRMINGHAM CITY COUNCIL

### PUBLIC REPORT

<b>Report to:</b>	<b>Audit Committee</b>
<b>Report of:</b>	<b>Rebecca Hellard - Director of Council Management</b>
<b>Date of Meeting:</b>	<b>20<sup>th</sup> May 2022</b>
<b>Subject:</b>	<b>2020/21 Auditor's Annual Report</b>
<b>Wards Affected:</b>	<b>All</b>
<b>1. Purpose of Report</b>	
1.1	To update members of the Audit Committee on the findings from the External Auditors (Grant Thornton) 2020/21 Auditors Annual Report and the Value for Money Audit.
<b>2. Recommendation</b>	
2.1	That the Audit Committee: <ul style="list-style-type: none"><li>i) Note the Value for Money findings in the attached Draft Auditors Annual Report at appendix 1 to this report.</li><li>ii) Note the Council's action plan, at appendix 2 to this report.</li><li>iii) Agree that the action plan and progress on implementing the recommendations made by the Auditor is presented back to Audit Committee on a quarterly basis.</li></ul>
<b>3. Background</b>	
3.1	On the 1 <sup>st</sup> April 2020 the National Audit Office (NAO) introduced a new Code of Audit Practice for the audit year 2020/21.
3.2	This contained a new set of reporting criteria to assess how Local Authorities were delivering Value for Money (VFM). The new criteria covered Financial Sustainability, Governance and Economy, Efficiency and Effectiveness, known as the 3E's.
3.3	The code also allowed auditors to undertake specific reviews of areas the auditor considered to be of potential VFM weakness.
3.4	The Code required more extensive reporting in the form of the Auditors Annual Report (AAR) – this is contained at Appendix 1 to this report.
3.5	The previous VFM judgements of qualified and unqualified conclusions has been replaced with more sophisticated judgements on

performance, as well as three possible Audit Recommendations as follows :-

- **Statutory Recommendation** – this is a written recommendation under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. This recommendation requires the Council to discuss and respond publicly.
- **Key Recommendation** – where Auditors identify significant weaknesses in arrangements to secure VFM they should make recommendations, setting out the action to be taken by the Council.
- **Improvement Recommendation** – these recommendations should improve the arrangements in place at the Council but are not made as a result of identifying significant weaknesses.

#### **4. Birmingham City Council 2020/21 VFM audit report**

4.1 The 2020/21 findings for Birmingham City Council are listed below and full details along with the Council's management response can be found in the AAR attached at Appendix 1 to this report.

4.2 The Auditors have not made any Statutory Recommendations.

4.3 Four Key Recommendations / Significant Weaknesses were identified in the Council's arrangements to secure VFM. These relate to :-

- Home To Schools Transport – Improving Economy, Efficiency and Effectiveness – The Council needs to continue to prioritise the recommendations made in the Independent inquiry the Council commissioned.
- Home To School Transport – Governance – The Council needs to continue to prioritise the implementation of the recommendations to address the underlying issues identified in the independent report commissioned in early 2020.
- SEND services – Governance and Improving Economy, Efficiency and Effectiveness – The Council needs to work with the Commissioner to deliver the recommendations in the Commissioners report, to ensure an adequate SEND service is provided.
- IT – Governance – The Council needs to ensure it has capability to manage user roles and segregation of duty requirements.

4.4 The Auditors also identified 21 Improvement recommendations, 3 of which were completed in August 2021. These relate to :-

- Financial Sustainability x 1
- Governance x 4
- Improving Economy Efficiency and effectiveness x 4, and
- A further 12 relating to specific key risk areas as listed in paragraph 4.3 of this report.

- 4.5 The specific risks reviews are as follows, again with full details in the AAR at Appendix 1 of this report: -
- IT and planned changes to the Council's general ledger x1. With a further 3 recommendations having already been actioned in August 2021.
  - Highways PFI arrangements x5
  - Potential impact of lack of stable leadership due to significant level of key staff turnover x 2
  - Waste service continuity and industrial relations x1

## **5. Action Plan**

- 5.1 An action plan has been created to manage and the track progress of all the recommendations arising from the AAR. With named responsible officers and oversight from relevant Directors.
- 5.2 CLT and EMT have been briefed on the findings of the report and the action plan.
- 5.3 Progress on the implementation of the actions will be reported to Assurance CLT and this committee on a quarterly basis. And progress will be reviewed by the Auditors when they undertake the 2021/22 Audit.

**Appendix 1 – Draft 2020/21 Auditors Annual Report**

**Appendix 2 – Action Plan**

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