BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

**WEDNESDAY, 28 JUNE 2023 AT 14:00 HOURS
IN COMMITTEE ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE,
BIRMINGHAM, B1 1BB**

A G E N D A

1 **NOTICE OF RECORDING/WEBCAST**

The Chair to advise/meeting to note that this meeting will be webcast for live or subsequent broadcast via the Council's Public-I microsite (please click this link) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

2 **APPOINTMENT OF THE AUDIT COMMITTEE, MEMBERS, CHAIR AND DEPUTY CHAIR**

(i) To note that the Council at its meeting on 23 May 2023 appointed the Audit Committee, Chair and Members to serve on the Committee for the period ending with the Annual Meeting of the City Council in 2024.

Labour Group (5):-

Councillors Fred Grindrod (Chair), Shabrana Hussain, Kirsten Kurt-Elli, Miranda Perks and Shafique Shah.

Conservative Group (2):-

Councillors Meirion Jenkins and Bruce Lines.

Liberal Democrat Group (1):-
Councillor Paul Tilsley.

(ii) To elect a Deputy Chair, for the purpose of substitution for the Chair if absent, for the period ending with the Annual Meeting of the City Council in 2024.

3   **DECLARATIONS OF INTERESTS**

Members are reminded they must declare all relevant pecuniary and other registerable interests arising from any business to be discussed at this meeting.

If a disclosable pecuniary interest is declared a Member must not participate in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation.

If other registerable interests are declared a Member may speak on the matter only if members of the public are allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation.

If it is a 'sensitive interest', Members do not have to disclose the nature of the interest, just that they have an interest.

Information on the Local Government Association's Model Councillor Code of Conduct is set out via http://bit.ly/3WtGQnN. This includes, at Appendix 1, an interests flowchart which provides a simple guide to declaring interests at meetings.

4   **APOLOGIES**

To receive any apologies.

5   **EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC**

a) To consider whether any matter on the agenda contains exempt information within the meaning of Section 100I of the Local Government Act 1972, and where it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.

Item 10 - Private Discussion - Update on Oracle since the last meeting on 16th May 2023 : Schedule 12A s3 Local Government Act 1972

b) If so, to formally pass the following resolution:-

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.

To approve the schedule of dates for the Committee's meetings during 2023/24 at 1400 hours.

2023	**2024**
Wednesday 28 June	Wednesday 31 January
Wednesday 19 July	Wednesday 21 February
Wednesday 27 September	Wednesday 20 March
Wednesday 18 October	Wednesday 24 April
Wednesday 29 November	

14   **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.

15   **AUTHORITY TO CHAIR AND OFFICERS**

Chair to move:-

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

BIRMINGHAM CITY COUNCIL

> ### AUDIT COMMITTEE
> ### 14 FEBRUARY 2023

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 14 FEBRUARY 2023 AT 1400 HOURS IN COMMITTEE ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB

PRESENT:-

Councillor Fred Grindrod in the Chair;

Councillors Shabrana Hussain, Meirion Jenkins, Amar Khan, Miranda Perks, Shafique Shah and Paul Tilsley

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NOTICE OF RECORDING/WEBCAST

554   The Chair advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's You Tube site (www.youtube.com/channel/UCT2kT7ZRPFCXq6_5dnVnYlw) and that members of the press/public may record and take photographs except where there are 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.

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APOLOGIES

555   Apologies were submitted on behalf of Councillor Bruce Lines for his inability to attend the meeting.

At this juncture, Councillor Jenkins raised concerns on the time allocated to the Ombudsman report. The Ombudsman report was a risk management concern for the Council therefore, he felt this should have more time allocated.

The Chair agreed with the request and slightly reduced the Leader's Assurance Session to 45 minutes to allow more time for discussions on the Local Government and Social Care Ombudsman and the Housing Ombudsman Annual Review 2021/22.

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DECLARATIONS OF INTEREST

556   At this juncture, Councillor Tilsley declared a non-pecuniary interest as the non-executive director for Birmingham Airport.

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EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

The Chair informed he had not been informed of any items under this section.

Upon consideration, it was:

557   **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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MINUTES – AUDIT COMMITTEE – 31 JANUARY 2023 AND MATTERS ARISING

558   The minutes would be shared at the next meeting as the Committee had only met recently in January 2023.

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ASSURANCE SESSION - THE LEADER'S PORTFOLIO

The Leader of the Council attended the meeting accompanied by Deborah Cadman, the Chief Executive.

A verbal update was provided on the following:

The Leader highlighted two key Strategic Risks:-

1)   **Supply of Affordable Housing –** A combination of sales of housing (through right to buy) combined by levels of demolition and poor-quality homes resulted in a constant loss of affordable housing. Much of the Council housing stock was 70 years old. At present the figure was moving in the wrong direction which was creating pressure on temporary accommodation.

Currently, there were 21,000 citizens on the waiting list therefore, this was a priority and some action on this area was needed. Actions were in place to manage this risk. Currently, this risk was rated 'red' within the Corporate Risk Register.

In December 2022, Cabinet adopted a new Housing Strategy which covered the period up to 2028. This provided the Council with a framework of how it

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would deliver housing over the coming years. The various elements of the framework and various strands of delivery was shared with the members.

The Birmingham Development Plan was currently under review and it was envisaged that the requirement for affordable housing would increase.

Members of the Committee commented and asked questions, to which the Leader of the Council responded.

Councillor Khan referred to the points raised around the possible increase of housing and private sector. She queried if there was the possibility of having a contract agreement between West Midlands Combined Authority manufacturers to provide supplies within the area to build houses faster. This infrastructure within West Midlands would encourage growth within the economy.

Councillor Tilsley queried the following areas: i) he referred to the current waiting lists and Ukrainian an Afghanistan refugees and if the 21,000 people were included on the waiting list or on top of this figure ii) If there could be a cross border agreement with Black Country Authorities iii) Environmental issue – Providing decent standard of homes i.e. better standard of insulation etc.

Councillor Perks queried on how to increase the percentage of affordable housing schemes; BCC's housing stock and ensuring the repair works was being maintained and of standard. In addition, she queried what was currently being done to check the correct housing needs were being allocated i.e., single person living in a 2-bedroom flat, audit to move people around.

Councillor Jenkins questioned if the 'Right to buy' was a good scheme.

The Chair referred to point SR2.2 on the Risk Register, which was ranked 'red' on the risk map. He queried if the Leader felt confident the Council were mitigating well against the risk and if the rating would move out of 'red' or not.

Key points made in response:

- Two opportunities were outlined by the Leader to create businesses and industries in Birmingham and West Midlands;

  a) Modular build
  b) Retrofit builds

  Birmingham was currently in partnership with Wolverhampton and Coventry (known as the Three Cities Retrofit Programme). A Business Case was currently being placed together.
  The ambition across the Cities was for 165,000 Council and social housing homes to be retrofit. This would be the largest retro – fit in the Country. As a result, this would create an industry within the West Midlands which would create employment. Once up and running this would drive down the costs.

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- Current waiting lists on Ukrainian and Afghanistan refugees - this figure was on top of the 21,000 people. It was highlighted Afghan refugees require large houses.

- Under the duty to cooperate, there was the requirement to accommodate several citizens from outside of the cites boundary. This was currently being reviewed by Government. There were opportunities within the Black Country to provide housing on certain sites.

- Retrofit & decent homes standard – A Retrofit programme consisting of 300 homes was being piloted in the east of Birmingham.

- Percentage of increasing Affordable Housing Schemes – This would be undertaken through Planning application process. Process of planning included a viability assessment which was independent. BCC Planning Committee would be guided by the viability assessment. There was a risk of developers of not investing in the City therefore, this had to be balanced. Going forward there would be a different approach to affordable housing.

- Housing stock repair – A Housing, Revenue Account Business Plan had been produced which indicted the approach. The Budget report indicated housing rents would increase by 7%. Following consultation, Government had concluded 7% was the correct percentage increase.

- BCC Housing stock was very old and this was a challenge in itself.

- Housing Allocation – Housing Department offers an opportunity for citizens to downsize to release large properties for families. It was recognised there was a high level of overcrowding across the Council Houses. Many of the larger properties had been bought under the 'Right to Buy' scheme.

- In the past, many citizens had benefited from right to buy scheme as this was an aspiration people had. However, it was noted the scheme was currently not fair on the outcomes and there was a struggle to replace the number of units through new build. There was a requirement to explore different models.

- SR2.2 on the Risk Register – In December 2022, the Housing Strategy was adopted and this was referred to. The initiative was to approve affordable housing and the intention was to move the rating from 'red' to 'amber' and then into 'green' in due course i.e., BCC to be in a position to meet the need for affordable homes (supply for affordable housing) however the 'right to buys' scheme remained a risk to achieve this.

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2) Delivery of the Commonwealth Games Legacy (Strategic Risk - SR7.5)

Cabinet had agreed the Business Case for the Legacy Programme. An overview of the Cabinet Report was shared with members.

Details of the Commonwealth underspend was shared (25% was returned to the City). 75% had been given to the West Midlands Combined Authority with the view of some of the money remaining with Commonwealth Congregation. Further discussions took place on this area. Members were informed Capital works were taking place on Alexander Stadium to deliver the legacy.

A Director for the Commonwealth Games had been appointed. The legacy was the real prize for hosting this event i.e. infrastructure that could be gained and drive amongst the communities. Spent £184 million on CWG and now levered £800 million pounds in infrastructure investment in the City which would increase over the years.

The Chair recognised Birmingham delivered a successful CWG event. This was a huge success however, he queried what had been learnt from the process to apply to other areas of BCC.

Key points made:

- CWG was a huge success for Birmingham. It was delivered on time and within budget. Discussions had taken place with Manchester (2002), Glasgow (2014) and Gold Coast (2018) and the learnings had been reflected.

- One of the drivers for the underspend on the CWG was around recruitment i.e., the full complement of people was not recruited and led to savings.

Update on the JNC Panel

The Chair gave a summary around the interest the Committee had around the interactions with the JNC Panel.

The Leader was content with providing regular updates on the work around the JNC Committee however, he highlighted that in some instances the time taken for certain employees to leave the organisation had been considerable. This process was currently under review with the view to speed the process in the future.
Members of the Committee commented and asked questions which the Leader of the Council responded to.

Councillor Jenkins queried if this related to the case where a purchasing framework was announced and made public before it was a decision had been taken by Cabinet.

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At this juncture, the Director of Council Management highlighted this query was referenced in Cabinet on 14 February (Home to School Transport). She confirmed, a prior interest notice was the only item which was shared and was not dependant on any decision being made.

In addition, the City Solicitor and Monitoring Officer confirmed this was standard practice to place a prior notice for procurement.

Key points made in response:

- There was confidence that the risk management was improving however, more had to be factored in this area in the future.
- It was positive to seek assurances from portfolio holders via the Assurance Sessions that took place at Audit Committee.
- External Independent advice should be given.
- The partnership arrangement suggested all portfolio holders should report to City Council and queried if this should be reinstated.
- West Midlands Combined Authority relationship with the Three Cities Retrofit had worked well. This was moving in the right direction.

Upon consideration, it was:

559   **RESOLVED**:-

That the Audit Committee noted the updates received on the Leaders Portfolio.
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THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN AND THE HOUSING OMBUDSMAN ANNUAL REVIEW 2021/22

The following report of the City Solicitor and Monitoring Officer was submitted: -

(See document No.1)

Introductory comments were made by the City Solicitor and Monitoring Officer. It was noted, the report compared Birmingham's performance against the performance of Councils across England on the Local Government and Social Care Ombudsman's (LGSCO) and Housing Ombudsman's (HO) findings.

It was suggested that in future years, the reports for each of the Ombudsman reports should be split as they were published at different times in the year.

The Chief Executive noted it was unacceptable for the Council to have Ombudsman reports. Birmingham City Council were now taking this seriously and improvements had to be made. Ombudsman reports had ramifications to the Councils reputation, confidence in the organisation with residents and Central Government. The Corporate Leadership Team recognised the importance of this area.

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A presentation was tabled and shared at the meeting by Dawanna Campbell, the Acting Assistant Practice Manager.

(See document No.2)

The presentation gave an overview to both Ombudsman Reports. These were around;

   i)   **The Ombudsman Annual Review 2021/22**; LGSCO Annual Review – Areas of Concern; Remedy Compliance; Volumes of complaints; Subject of Complaints Nationally; Subject of Complaints about Birmingham City Council and Outcomes of reports including settlements.

   ii)   **The Housing Ombudsman Performance report for the Council** – including Order compliance; The total amount of compensation ordered in determinations made between 1 April 2021 to 31 March 2022 was £10,756.00; Learning from Complaints as a route to Service Improvement and Engagement with the Ombudsman and Engagement with the Ombudsman.

The LGSCO report was published in July and the HO report in September/October each year. Due to the time lapse between receipt of the reports and presentation to the Committee, it was proposed to present the reports separately in future years. This would allow for our reports to be more succinct, highlighting concerns and attaching reports as appendices, which would be more digestible.

Members of the Committee commented and asked questions which the Chief Executive and the City Solicitor & Monitoring Officer responded to.

Councillor Perks referred to the 2022/23, and if there was a tracking system of the complaints made. This would assist the learning process and managing the complaints to avoid future Ombudsman reports. She queried if there was an increase in number of complaints for 2022/23.

Councillor Tilsley highlighted he would want to see the financial settlement and apologies to be stopped in the future. It was important to get the system right first time to ensure that all the systems in place met the needs of the citizens.

The Chair reflected on the conclusion of the report and read this out. It was recognised this was systemic failures which had happened over time. Reference was made to the issues within Housing Department and sought assurances to solve the issues.

The Committee to understand the role of the Ombudsman and invite a representative from both Ombudsman's to give a briefing to Audit Committee.

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Councillor Jenkins recognised the Council had to fulfil a reasonable expectation from the citizens. As a large organisation, it is difficult to achieve customer satisfaction because it was harder to empower staff due to procedures and controls. Examples of incidents were shared with the Committee and why complaints and Ombudsman reports were issued.

Key points made in response:

- The Chief Executive noted the significant findings from the public interest reports. These had been converted to action plans to mitigate and address issues. Furthermore, they had been incorporated into Directors Action plans and one-to-one's. There was regular monitoring an oversight to delivering the action plans on systemic failures across the whole organisation.
- The Social Housing Regulator would become more active.
- A record for every Directorate was managed Corporately. Details around the process of complaints management was shared with members. Corporate Leadership Team had oversight of the complaints
- Members requested for details of the number of complaints for 2022-23 across the organisation.
- Details around 'effective triage' was shared by the Chief Executive.
- An update was provided around complaints and how they were recorded and monitored for Directorates.
- The profile and statutory footing for the Ombudsman reports had been raised and the level of assurance and response rates of complaints had been improved. A review had taken place for each Directorate and Council Management had raised the profile around complaints and Ombudsman reports.
- The escalation factors around complaints had been improved.
- The Chief Executive referred to the requirement for a cultural shift and this would take time to change in order to be 'Best in Class'.
- Housing Awayday conference had taken place to emphasise the importance of the Ombudsman reports.
- Systemic failures would take longer time to deliver.
- It was the Council's duty to deliver the best to the residents of the City.

The Chair recognised these reports were important to keep sight of. Furthermore, it was important to understand the role of the Ombudsman.

It was agreed for the Chief Executive, together with the Leader and relevant Cabinet Member to attend the Audit Committee for Ombudsman reports in future.

Upon consideration, it was:

560   **RESOLVED**:

That the Audit Committee:

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(i)   Received the report concerning the Local Government and Social Care Ombudsman's Annual Report and the Housing Ombudsman performance review for 2021/22.

(ii)   Accepted the Professional Standards Team's proposal to separate the LGSCO/HO reports in future years.

(iii)   Agreed for a representative from both the Local Government and Social Care Ombudsman's (LGSCO) and Housing Ombudsman's (HO) to provide a briefing session to Audit Committee Members to understand the role of the Ombudsman.

(iv)   Details of the number of complaints for 2022-23 across the organisation to be shared with Committee Members.

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ASSURANCE SESSION – CABINET MEMBER ENVIROMENT PORTFOLIO

The Cabinet member for Environment attended the meeting accompanied by Mark Wiltshire, Interim Director City Operations and Darren Share, the Assistant Director Street Scene.

Following introductions by the Chair and Cabinet Member, the Director for Council Management reminded the Committee, this session was looking at the risks associated with the portfolio and gaining assurances on how these were being managed.

A verbal update was provided on the following:

(i)   **Waste Collection** – There was now a full complement of staff which had allowed services to improve. The performance had improved; from 116 properties per hour on 9.1 hour per day (in 2017) to 180 properties per hour (in 2022). Waste Services had moved from the bottom quartile to the top quartile of safe working practice measured across all of the Core Cities.

(ii)   **Waste Management** – In 2016/17, the budget overspend was £11.9milion which resulted in Service Improvements. The forecast for this year (2022/23) was to break even due to increase in electricity income from Tyseley Plant.

(iii)   **Wood report** – Identified improvements that were implemented immediately. In 2020, as a result of the pandemic, the measures were relaxed however, these were now back on track. A new ways of working were introduced when the Cabinet Member was appointed, and improvements had been made.

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(iv)   **Missed Collections** – This was on a downward trend movement. The collection rates had improved dramatically. Further figures were shared with the Committee.

(v)   **Council Enquires** – These had reduced significantly since the appointment of the Cabinet Member. Council enquires went from 469 (June 2022) to 193 (November 2022) and were now on a downward spiral. Investment had taken place on technology and details around this was shared with the Committee. Further changes would be introduced to the 'InCap' system resulting in more positive data collection. Detailed work was taking place across the City on Assisted Collection. Depot visits were being arranged for elected members.

(vi)   **Recycling** – Further work was taking place around recycling as the levels expected were not being reached. Areas like Small Heath and Alum Rock required further work as they were working at only 22% of recycling levels. All residents were being offered the opportunity to dispose to the House Recycling Service.

(vii)   **Love your Environment** had been introduced.

(viii)   **Graffiti** – Work was taking place with the Chair of Licensing and Public Protection Committee and the Cabinet Member for Community Safety to have joined up work.

(ix)   **Fleet** – 74 collection vehicles had been purchased. Officers were in the process of identifying alternative fuel systems. It was noted, Perry Barr depot was going through a refurbishment.

Members of the Committee commented and asked questions which the Cabinet Member for Environment responded to.

Councillor Jenkins referred to the variations in the roads being serviced as some were well serviced than others. He questioned the consistency of the roads being serviced and have explore a system that works for all.

Councillor Perks referred to the LGSCO (Ombudsman Report) (2021/22), which raised concerns on waste collection. It highlighted ongoing systematic issues during 2021/22 and noted this did not capture 2022/23 data. However, she questioned i) how many complaints were in progress and was this reducing, ii) who else had access to the up to date data; iii) how confident was the Cabinet Member only 9 dropped rounds was the actual figure; were people reporting this correctly and iv) what were the route cause in the system for missed collections.

Councillor Tilsley highlighted the risk around zero carbon targets (recycling), and some of the inner-city ward's rates were low. He referred to recycling pods being placed into specific areas where it would work. It was suggested to consider recycling pods to be made available in such areas. However,

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these would need to be monitored daily. Historically, this had assisted the recycling rates in areas where there was reluctance.

Councillor Hussain referred to recycling in inner city wards. Points she raised were around; i) trade waste should be factored into recycling; ii) mobile centre – works in most wards but not all wards, what were the options in the wards it did not work in?; iii) street cleaning – some area have never been cleaned; iv) missed collection data – is this shared with ward members? v) contaminated bins – more education required to citizens; vi) Incap technology – members to watch this being delivered in the city.

Councillor Khan shared details on missed collections within his ward that required addressing. The Chair requested for these matter to be resolved outside of the meeting.

Councillor Shah queried if there was any funding to clean private alleyways.

Key points made in response:

- Work had been taking place on consistent system failures. Reports had been developed around missed collections to identify common problems and long-term solutions in order to get to the route cause of the problem.
- Perry Barr Depot - due to the amount of recycling that had been produced, an additional crew had been put into place. Re-routes had taken place around Sutton and there had been one or two failures due to the crew not being familiar with the roads or due to readjustment to the rounds. The main roads which were being missed were roads with access issues.

At 1546 hours, Councillor Jenkins left the meeting.

- Ombudsman Report – The Cabinet Member reassured the Committee that the level of complaints had significantly reduced and there was a better working relationship with the crew. Service Improvement Board meetings were taking place once a month to work through improvements collectively.
- InCap technology had improved the services dramatically. Details around the technology was shared. It was noted, vehicles were being tracked.
- The New Ways of Working were allowing employees to access information. Assisted Collection Reports were being produced and forwarded to the depots.
- Every depot produced a daily report to Local Service Management who discuss this with the Principal Operations Managers on a weekly task meeting.
- Contaminated bins would not be collected and feedback would be given to residents as to the reason why.
- In 2024, a review would be taking pace to look at organic materials and recycling. Birmingham would want to be the first Council to trial this out so that they can set an example.

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- Conversations were taking place with Mosques to give advice on recycling.
- The Cabinet Member was confident with the direction of travel for the service area.
- Recycling pods were being reintroduced in large mosques by access their carparks. In addition, work was taking place with manufacturers around better recycling trucks.
- Work was taking place with disposable partners to bring in large containers for mobile house recycling sites. In addition, they had identified ways of recycling paint and mattresses.
- Aston University were undertaking work around recycling plastics.
- Deposit Schemes will also be placed into private areas and into large institutions.

At 1600 hours, Councillor Tilsley left the meeting.

- Depot demonstrations and visit would be available for Members however, Health & safety training may be required to access some of the machinery.
- Data sharing on missed roads was available for elected members however, this would have to be requested for.
- Education Programmes were being developed across Overview & Scrutiny as well as through schools via the relevant Cabinet Member.
- Street cleaning – Love your Environment was encouraged across the City. The example of Bordesley Green was shared with members.
- Flats and HMO's wastage was being reviewed.
- This year there was £830k specifically allocated for public alleyways to clean them. Private alleyways did not have funding therefore the, Cabinet Member was supportive to arrange assistance in cleaning these.

At 1605 hours, Councillor Tilsley returned to the meeting.

At 1615 hours, Councillor Khan left the meeting.

Upon consideration, it was:

561   **RESOLVED**:-

That the Audit Committee noted the updates received on the Cabinet Member for Environments Portfolio.
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RISK MANAGEMENT UPDATE

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

(See document No.3)

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The Assistant Director Audit and Risk Management explained that the report was the same as the one submitted at the January meeting. An overview of the report and the effectiveness of Risk Management was provided.

Changes to the Risk Register was shared with the Committee. These were noted as:

- SR3.4 – Counter Terrorism / emergency planning restated as two separate risks:
- SR3.4a - Business Continuity - Failure to maintain critical services;
- SR3.4b - Business Continuity - Failure to respond to emergency / terrorism.

Both risks were being allocated a residual likelihood and impact rating of medium / significant.

- SR4.1 – Loss of personal / sensitive data, residual risk reduced from a likelihood and impact rating of significant / medium to medium / medium.
- SR4.3 – Cyber attacks, residual risk reduced from a likelihood and impact rating of high / high to medium / significant.
- SR7.4 – Commonwealth Games delivery, closed and deleted.

Further details around the report was shared with the Committee.

Members of the Committee commented and asked questions which the Assistant Director Audit and Risk Management responded to.

Key points noted:

- SR5.6- Safeguarding Children – Internal Audits confidence and processes which are in place. Impact would probably always be high rating.

  The City Solicitor and Monitoring Officer informed the Committee, all Councils have the ratings for Safeguarding Children, as 'high' – there are always children that were not known. There was a duty of care to that 'unknown' child too i.e. Did the child fall though the front door services; child in need; did they not get escalated correctly etc therefore the rating was always high and in place.

- The 'red' risks were inherent risks, and gradually these would move to 'residual' risks.

- Councillor Tilsley referred to media attention on a custodial sentence and requested for report on this for the next meeting.

- The Chair referred to risks which were outside of the BCC's control and external Ombudsman reports. He questioned if it was possible to have a different lens on the heat map to include risks which were in our

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control. He questioned if the Operational risk register should be explored in order for the Committee to challenge the Cabinet Member on the risks.

- It was important for the Committee to stay focused on the risks and assurances rather that move to the Scrutiny area. More focussed discussion with the Cabinet Member and Director – move to a refocussed session.

Upon consideration, it was:

562   **RESOLVED**:-

That the Audit Committee;

(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 assess whether further explanation / information is required from risk owners in order to satisfy itself that the Risk Management Framework has been consistently applied. In addition, have more of a focus on operational risks.

(iii)   A report to be discussed at the next meeting on an audit investigation in the media that resulted in a custodial sentence.

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SCHEDULE OF OUTSTANDING MINUTES

The following Schedule of Outstanding Minutes was submitted:-

(See document No.4)

563   **RESOLVED**:-

That the Schedule of Outstanding minutes be deferred to the next meeting.
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DATE OF THE NEXT MEETING

564   The next meeting is scheduled to take place on Tuesday, 28 March 2023 at 1400 hours in the Committee Room 6, Council House, Birmingham.
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OTHER URGENT BUSINESS

565   The Chair noted that the Committee's Annual Report went to City Council on 7th February 2023. Following discussions, the Conservative Group Leader challenged how to expand on the report.

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AUTHORITY TO CHAIRMAN AND OFFICERS

566   **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.

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The meeting ended at 1631 hours.

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CHAIR

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BIRMINGHAM CITY COUNCIL

**AUDIT COMMITTEE
28 MARCH 2023**

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY, 28 MARCH 2023 AT 1400 HOURS IN COMMITTEE
ROOM 3&4, COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB

PRESENT:-

Councillor Fred Grindrod in the Chair;

Councillors Amar Khan, Miranda Perks, Shafique Shah and Paul Tilsley

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NOTICE OF RECORDING/WEBCAST

567   The Chair advised and the meeting noted that this meeting would be webcast
for live or subsequent broadcast via the Council's You Tube site
(www.youtube.com/channel/UCT2kT7ZRPFCXq6_5dnVnYlw) and that
members of the press/public may record and take photographs except where
there are confidential or exempt items.

This meeting was recorded via MS Teams due to a room change issue and
would be uploaded onto the You tube site.

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

568   Apologies were submitted on behalf of Councillors Shabrana Hussain and
Meirion Jenkins for their inability to attend the meeting.

The Deputy Leader, Councillor Brigid Jones submitted her apologies for her in
ability to attend for the Assurance Session.

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DECLARATIONS OF INTEREST

569   At this juncture, Councillor Tilsley declared a non-pecuniary interest as the Non-
Executive Director for Birmingham Airport (page 67 of the document pack).

In addition, Councillor Tilsley was a beneficiary to the West Midlands Pension
Fund (page 90 of the document pack).

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EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

The Chair checked with the Committee if there were any matters that Members would like to raise on the exempt appendices for item 9 that may affect the decision to be made in public. He further checked if members required any clarification on a point on the exempt appendices contained within item 9 - Private Report - Informing the Audit Risk 2022-23 & Group Company Governance Risk Assurance (Appendix 1).

At this stage, the Committee noted if there were no issues that required a private session, the meeting would continue in a public session and consider the recommendations accordingly.

Upon consideration, it was:

570   **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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At 1402, Councillor Amar Khan entered the meeting.

MINUTES – AUDIT COMMITTEE – 31 JANUARY 2023 & 14 FEBRUARY 2023 AND MATTERS ARISING

571   That the public minutes of the meeting, 31 January 2023 having been circulated, were agreed by the Committee.

The 14 February 2023 minutes would be shared at the next meeting.

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ASSURANCE SESSION - THE DEPUTY LEADER'S PORTFOLIO

The Chair advised the Committee that due to the Deputy Leader feeling unwell, she was unable to join the meeting for the Assurance Session. The Deputy Leader would be invited to the next meeting.

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Upon consideration, it was:

572   **RESOLVED**:-

That the Audit Committee agreed for the Deputy Leader to be invited to the next meeting to deliver her Assurance Session.

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At this juncture, the Chair noted the timings for the agenda would be re-distributed to other agenda items, in particular to item 11 (at least an additional 15 minutes).

Councillor Tilsley referred to the next meeting, 25 April where another Cabinet Member was due to attend. It was recognised Assurance Sessions took a lot of time and Audit Committee should be focussing on Audit issues. On this basis, it was preferred to hold one Assurance Session at a time. Only one Assurance Session to take place per meeting and the cycle to restart following May 2023.

The Head of Financial Strategy clarified the extra 15 mins was required for item 10 on the agenda not item 11. It was agreed to add extra time for item 10 – Audit Findings Report – 2020/21 & 2021/22.

BIRMINGHAM AUDIT - INTERNAL AUDIT PLAN 2023/24

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

(See document No.1)

The Assistant Director for Audit & Risk Management gave an overview of the report. This report was presented to the Committee annually.

Members were reminded the Peer Review report presented at the January meeting, a number of recommendations were indicated. One of the recommendations involved a better explanation as to why Internal Audit were auditing in certain areas.

The Principal Group Auditor highlighted the methodology had been reviewed to strengthen the links i.e. to give clearer link to risk, assurance, and Council's priorities. The methodology required Internal Audit to identify auditable areas across the whole Council and then consider first and second line of control defence, sources of assurance across the Councils' priorities. Further details were provided on the methodology and areas contained within the report.

Councillor Tilsley queried the 20 days allocated for Cyber Risk (page 32 of the document pack) and 40 days for IT/ Digital projects. It was questioned if 20 days would be enough for cyber risks. In addition, it was questioned if the

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External Auditors had sight of the Internal Audit Plan. Members noted there was a skills shortage within this area.

Councillor Perks queried the process for identifying new risks. Questions were raised on appendix B and what was used during the process to measure effectiveness. This was explained in detail by the Principal Group Auditor.

The Chair referred to appendix B of the report and recognised this should be readily accessible and updated to ensure Members of the Committee understood the document. The process of tracking progress on appendix B was queried. There were further comments made on the challenges within IT areas, culture, and security and if the right conversations with Directors was taking place. It was queried if the learning from previous years had been improved upon in the upcoming years.

Comments were made around the contingency of risks and the ability and flexibility to move to other areas.

In response to Members queries, the Principal Group Auditor made the following points:

- 20 days allocated to Cyber Risk - This was sufficient time allocated in accordance with Corporate Cyber Security Planning and allowed sufficient time for control testing, assessing their effectiveness, and ensuring the Cyber Security Framework was in place. This included all areas of defence.
- The Internal Audit Plan was dynamic. It was noted, changes to the methodology were still being captured. The overview of the process for identifying new risks were shared. There was a degree of flexibility with the contingency days. The Auditors identify the risks via speaking to Directors and gathering intelligence across the whole Council.
- Appendix B – Within the progress report, updates on the Audit would be shared as well as any changes that had been made to the audit plan.
- The timescales on the audits varied – where risks were greater, they would require more time. There were difficulties to train auditors specifically to IT however this was being reviewed.
- There was an increased awareness on this area across the Council. Cyber risks were always emerging and changing.

At this juncture, the External Auditors attendees notified the Committee that Grant Thornton liaised with the Internal Auditors on a regular basis.

Additional points made by the Principal Group Auditor:

- Learning from previous years - Individual leads would review the work in specific areas and look at the contingency work. National trends would also be considered.
- Fraud - There was an increase in whistleblowing within this areas which were being investigated.

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- Every review consisted of a Terms of Reference, an agreed scope of the work, methodology and testing. A process to achieve these would be agreed in advance.
- A benchmarking group was set up by the Core Cities where the planning process would be agreed. A comparison of the planning processes took place to capture any lessons that had to be learnt from others.

Upon consideration, it was:

573   **RESOLVED**:-

That the Audit Committee;

(i)   Noted the methodology and assumptions applied in developing the 2023/24 baseline internal audit plan;

(ii)   Considered the proposed audit coverage and there were no additional areas identified for inclusion in the ongoing risking process; and

(iii)   Approved the proposed baseline plan.
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BCC ADOPTION OF ACCOUNTING POLICIES 2022/23

The following report of Report of the Director of Council Management was submitted: -

(See document No.2)

The Director of Council Management gave an overview of the report which was presented to the Committee every year. This Accounting Policy would be used to produce the Statement of Accounts.

Further details around the Accounting Policies were provided by the Interim Head of Financial Strategy. It was noted, most of the policies were the standard accounting policies that most Council's used.

No comments were made by Members of the Committee.

Upon consideration, it was:

574   **RESOLVED**:-

That the Audit Committee;

(i)   Adopted the accounting policies for the determination of the Council's accounts for 2022/23, and noted the changes to infrastructure assets accounting in 2021/22

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(ii)   Noted the implications for future years' accounts arising from the changes in Accounting Standards.

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GROUP COMPNY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT

The following report of Report of the Director of Council Management was submitted: -

(See document No.3)

The Director of Group & Capital Finance (Deputy S151 Officer) gave an overview of the report which was presented to the Committee on an annual basis. The report gave an outline to the responses from the Council's group companies questionnaire on their Audit Risk Assessment. The report had been considered by Cabinet Committee Group Company Governance at their meeting on 21st March 2023 and their observations were included within the report.

The Committee agreed not to move into a private session therefore, the meeting remained in public.

The Chair requested for a briefing session to take place on Cabinet Committee Group Company Governance for Members of the Committee.

Upon consideration, it was:

575   **RESOLVED**:-

That the Audit Committee Members;

(i)   Considered the responses from the Council's group companies, the issues raised by Cabinet Committee Group Company Governance (CC-GCG) and noted the process for group risk assessment.

(ii)   An offline briefing session to be arranged for Committee Members to understand the work undertaken by Cabinet Committee Group Company Governance.

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AUDIT FINDINGS REPORT 2020/21 AND 2021/22

The following report of Report of the External Auditors was submitted: -

(See document No.4)

The Partner was in attendance with the previous Senior Manager (2020/21) and current Senior Manager (2021/22 Audit).

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An overview of the two reports was shared with the Members. The 2020/21 Audit report had been shared with the Committee on two previous occasions.

The update provided to the Committee was split into 3 areas:

1) Status of the Audit;
   - Both Audits are close enough to report now and the External Auditors are very close to issuing opinions with items remaining that should not affect the opinion
   - 2020/21 Audit was virtually complete than the year after. Final checks on the updated Annual Governance Statement were to be made before sign off. This had been delayed due to the national issue on infrastructure assets.
   - There are some outstanding issues with 2021/22, however both audits will be signed off in the near future.

2) Common issues in both reports;
   - Highways Infrastructure: CIPFA - updated the code – Auditors had to check the useful economic lives and the council made some changes to its practice. This had no bottom-line impact.
   - IT was a feature for both Audit reporting years as well as value for money audit. IT Security Access controls here are more broadly applied than they would expect. It was noted, the journals procedures allowed senior officers to undertake work which was not allowed in other places. As a result, the External Auditors had incorporated additional testing.
   - It was suggested the engagement on the IT access could be clearer i.e., accountability flows within the Council and how the Audit Committee was assured of accountability flows. This would allow confidence going forward for all and management of expectations from all sides.
   - Further assurances on subsidiary companies was required as BCT auditing ethical standard was different (but permitted) to the Council and could not be relied upon. The External Auditors had to compensate this with additional testing.
   - Cut-off work on expenditure – This was a greater challenge at BCC than other councils and is driven by the sheer scale of BCC where a minor audit fail leads to a large extrapolation. It was important to check the transactions were reported in the correct accounting period. It was suggested the Council should try to eliminate small errors.
   - Pension Fund – adjustments had been made in both audit years in relation to this which were outside the Council's control and are common across the West Midlands

3) Differences in both reports;
   - 2020/21 – Property Valuation findings such as DCF valuation. This led to adjustments. However, as a result of the work done by auditors and Council officers 2021/22 were much better

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- 2021/22: IT Transition – Oracle system implementation – Still in transition and recognised this was a complex area and is still being worked through. This would be an area that would be revisited with the Committee if it cannot be completed satisfactorily.

Councillor Tilsley referred to page 140 and concerns around the Oracle implementation and cost overruns, staff dissatisfaction etc. Reference was made to a particular paragraph within the report where further requests were made by the External Auditors. This highlighted the delays in responding and engaging with the Council's IT staff which would be commented upon further in The External Auditors Annual Auditors Report. In addition, there were noticeable problems within recruitment across all sectors.

In response to Members queries, the External Auditors and Director of Council Management made the following points:

- External Auditors – There was good and effective engagement from BCC Finance Team however, this was not felt with the IT department. A separate specialist IT Audit Team was in place. The External Auditors felt the Oracle Implementation and audit around this was not where it needed to be, and constructive engagement was required in the future. The External Auditors requested for details of who was best to engage with from the Council for IT matters.

- Further details around the completeness testing were shared with Committee Members. The 2021/2022, value for money work would be concluded by April 2023.

The Chair recognised there were difficulties with engagement between BCC IT department and the External Auditors. This would be raised and discussed as part of the Assurance Session for Cabinet Member/ portfolio holder (Councillor Francis) as this was an urgent resourcing / recruitment issue to be addressed. The recruitment issue had to be addressed. It was suggested to seek assurances on recruitment, a dashboard should be devised for the Committee indicating targets for workforce planning.

- Director of Council Management referred to September 2022, Security cyber systems, KPMG were Commissioned to undertake some comprehensive work around security. This was being fed into implementation plans. This should have been submitted to the External Auditors however, apologies were expressed by the Director of Council Management for any delays. It was felt the reason for the delay was due to the IT being busy rather than reluctance. Although this was no excuse and hopefully all information has now been shared.

  It was noted there was a resourcing issue hence some delays in responding to External Auditors. Recruitment was an issue across services as the there was a difference between private and public sectors. There was a general supply and demand issue with finance,

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accountants. Finance had 15 apprentices which were being trained within the organisation.

- It was noted, 12 months ago, a piece of work took place on adult social Care to ensure Birmingham was competitive. It was recognised Birmingham was not competitive as the pay, retention, golden intros were not consistent. Permanent staff had now been recruited which had further spread across to Children Services. More work had to be done across the organisation as there was a need for more retention and consistency.

It was recognised there was good work undertaken 2021/22 Audit. There were only two recommendations in the Audit Report. This was a testament to colleagues involved in this work. This was echoed by the External Auditors as there was high level of engagement and a constructive positive relationship. The Chair thanked all those involved in the work.

Upon consideration, it was:

576   **RESOLVED**:-

That the Audit Committee;

(i)   Noted and agreed the updates provided by the External Auditors for Audit Findings Report 2020/21 and 2021/22.

(ii)   Suggested for officers to compile a dashboard indicating recruitment across the organisation indicating targets, workforce planning across service areas.

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APPROVAL OF THE STATEMENT OF ACCOUNTS 2020/21 AND 2021/22

The following report of Report of the Director of Council Management was submitted: -

(See document No.5)

The Director of Council Management and the Interim Head of Financial Strategy gave an overview and summary of the report. Any significant changes indicated by the External Auditors would be brought back to the Committee.

Councillor Tilsley requested for the External Auditors thoughts on the level of borrowing the City Council had in 2021/22 Audit. Comments were made around the increase in Council Tax and interest charged. The External Auditor indicated this would be covered in the value for money work where key reassurances would be sought on financial sustainability. As interest rates rises, it was important to hit savings targets.

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The Director of Council Management stated that Birmingham was the largest Local Authority and it was always the intention to reduce borrowing where possible.

The Chair requested for a briefing to be arranged to explain what had been happening in other areas of Local Government and for the Committee to gain better understanding. The Interim Head of Financial Strategy confirmed a report had been presented to Resources Overview & Scrutiny in September 2022 on why the Council borrows, safeguarding and reasons for affordable borrowing. The Council's Treasury Advisor to deliver an offline briefing to the Committee.

Upon consideration, it was:

577   **RESOLVED**:-

That the Audit Committee;

(i)   Noted the Audit Findings Report from Grant Thornton and accepted the recommendations of that report;

(ii)   Approved the Letter of Representation for the year ending 31 March 2021 from the Chief Finance Officer;

(iii)   Approved the Letter of Representation for the year ending 31 March 2022 from the Chief Finance Officer;

(iv)   Approved the Statement of Accounts for 2020/21 subject to external audit clearance of any outstanding issues and any resultant changes; and

(v)   Approved the Statement of Accounts for 2021/22 subject to external audit clearance of any outstanding issues and any resultant changes.

(vi)   Officers to arrange an offline briefing via the Treasury Advisor for committee members to gain a better understanding on affordable borrowing.

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OMBUDSMAN PUBLIC INTEREST REPORT CONCERNING A COMPLAINT IN RELATION TO RESPITE SUPPORT FOR DISABLED CHILDREN

The following report of Report of the Chief Executive of the Birmingham Children's Trust (BCT) was submitted: -

(See document No.6)

The Chair read an introductory statement regarding the Ombudsman public interest report.

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The following points were made by attendees from the Birmingham Children's Trust. The attendees were noted as; the Director of Practice; the Non-Executive Director Performance & Quality Assurance Board and the Complaints and Information Manager;

- The recommendations and findings from the Ombudsman were accepted.
- All the recommendations and findings had been responded too.
- This was the only area within BCT where following a decision this went directly to the Ombudsman. There was no opportunity to follow the complaints process, to have a conversation, to come to a resolution etc.
- All the actions from the Ombudsman had been followed and the learning from the workforce and complaints process had been noted.
- The Performance and Quality Committee of BCT looked at the complaints procedures and receive annual reports. They would seek that all actions had been completed and oversee the work.

The Chair thanked attendees from BCT for their attendance. He was interested exploring the relationship between BCT Performance & Quality Committee and the Audit Committee. It was noted, a similar dialogue had taken place with the Chair of Audit for the Commonwealth Games hence he felt the relationships with certain Committees linked to Audit Committee should be looked at.

Councillor Perks noted the process and statutory complaints procedures however, queried what changes had been done i.e. providing parents with the reasons for the decisions in a letter. It was questioned if this had changed, or a different template had been used. Appeals in 2021 and the take up around this was referred to.

Additional comments were made by BCT colleagues:
- The whole complaints process had been amended. It was not usual practice not to speak with families following a decision. The professionals involved in the child's life would be aware of the decisions made.
- It was hoped that conversations and communications would take place prior to reaching a complaints process.
- Appeals 2021 – It was anticipated the level of appeals would be low as there were less people who were dissatisfied.
- All the recommendations had been responded too.

It was suggested that an invite to be extended to BCT colleagues when the Cabinet Member for Children, Young People and Families Assurance Session is scheduled to take place.

Upon consideration, it was:

578   **RESOLVED**:-
That the Audit Committee noted the Chief Executive of Birmingham Children's Trust response to the Local Government and Social Care Ombudsman's recommendations.

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SCHEDULE OF OUTSTANDING MINUTES

The following Schedule of Outstanding Minutes was submitted:-

(See document No.7)

Minute 529: 25/11/2022 – Update was provided by the City Solicitor and Monitoring Officer. In relation to the Ukraine response, the City Solicitor and Monitoring Officer advised that work was currently taking place for scrutiny and that for ease and to avoid duplication it would be helpful for the link to the scrutiny meeting to she shared with Audit Committee Members to read the report.
Update: The report for the Task and Finish Group going to Co-ordinating Overview & Scrutiny Committee on 14 April 2023 will be shared with the Committee.

579   **RESOLVED**:-

That the updates to the Schedule of Outstanding minutes be noted.
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DATE OF THE NEXT MEETING

580   The next meeting is scheduled to take place on Tuesday, 25 April 2023 at 1400 hours in the Committee Room 6, Council House, Birmingham.
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OTHER URGENT BUSINESS

581   None
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AUTHORITY TO CHAIRMAN AND OFFICERS

582   **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.
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The meeting ended at 1532 hours.

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CHAIR

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BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**AUDIT COMMITTEE**
Report of:	**Interim Director of Finance (s151 Officer)**
Date of Decision:	**28 June 2023**
Subject:	**IMPROVING THE EFFECTIVENESS OF THE AUDIT COMMITTEE – INITIAL ACTIONS**

Wards affected: All

1   Purpose

1.1   To provide a high-level brief on the role of the Committee and the immediate actions that are planned to help the Committee's effectiveness in carrying out those roles. There will be subsequent reports setting out the longer term and continuous agenda shaping and development plans for the Audit Committee.

2   Decisions recommended:

Members are recommended to:

2.1   Note the high-level roles and functions of an Audit Committee

2.2   Approve the proposed immediate action of quarterly reviews of the internal audit plan and the training and development for Audit Committee described in Section 8.

Contact Officer:	Fiona Greenway
Telephone No:	0121 303 2950
E-mail address:	Fiona.greenway@birmingham.gov.uk

Contact Officer:	Mohammed Sajid
Telephone No:	0121 303 3313
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3 Compliance Issues:

3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?
Yes, Good Governance, Value for Money, approval of the Statement of Accounts and Annual Governance Statement are key requirements of all Councils.

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 statutory requirements for local authority accounting are set out in the Local Audit and Accountability Act 2014, supported by the Accounts and Audit Regulations 2015 (SI 2015 No 234, amended by SI 2021 No 263) or 'the 2015 Regulations'.

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):
None.

4 The role of the Audit Committee

4.1 Audit committees are a key component of a Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk, and control arrangements. The committee also has oversight of both internal and external audit together with the financial statements and Annual Governance Statement (AGS), to ensure that there are adequate arrangements in place for both internal challenge and public accountability. (The Audit Committee Member in a Local Authority, CIPFA, 2022)

4.2 CIPFA's Position Statement on Audit Committees categorises the responsibilities of the committee into three broad areas:

1. Supporting the establishment and maintenance of good governance, risk management and control arrangements.

2. Supporting the establishment and maintenance of good arrangements for internal audit and external audit.

3. Supporting accountability and public reporting, in particular the financial statements and the Annual Governance Statement, and other statements that accompany the financial statements.

This report will briefly describe each of these three areas. Further deep dives and detailed discussions of these areas will take place in due course.

5   Good Governance, Risk Management and Control

5.1   This area can at this stage be broken down into five headings:

<u>Good Governance</u>

5.2   This answers the question of whether the Council is being run in a way that allows it to achieve its desired sustainable outcomes. Audit Committee's role and Key Lines of Enquiry (KLOE) can be summarised as:

Role / Objective	Indicators	Audit Committee KLOE
Is the Council maintaining and monitoring Good Governance Arrangements	- resources are directed in accordance with agreed policy and according to priorities - there is sound and inclusive decision making - there is appropriate stewardship of public assets and resources - there is transparency and clear accountability for the use of resources to achieve desired outcomes for service users and communities.	- Over the course of the year, receive reports and assurances over the application of the governance arrangements in practice - Ensure that a framework of assurance underpins the AGS - Monitor implementation of recommendations or action plans to improve governance arrangements. - identify, escalate, and oversee the improvement of any governance weaknesses

<u>Risk Management</u>

5.3   The Audit Committee needs to have a good understanding of the level of assurance the risk management arrangements provide when it reviews the risk-based internal audit plan or reviews other assurances on areas of risk.

Role / Objective	Indicators	Audit Committee KLOE
Establish what risk management arrangements are in place:	Governance of risk, including leadership, integration of risk management into wider governance arrangements and the ownership of and accountability for risk Strategies and policies are supported by adequate risk	Review Risk Management Policy and Strategy for effectiveness Following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process. Monitoring the effectiveness of risk management arrangements

| | assessments and that risks are being actively managed and monitored | Supporting the development and embedding of good practice in risk management |
| | Effective and up to date Risk Register | Reviewing evaluation, assurance and audit reports on risk management and monitoring progress on improvement plans. |

<u>Internal Control</u>

5.4   Internal Controls aim to balance the need and processes to 1) manage risks, whilst at the same time 2) enable the organisation to operate efficiently and effectively by allowing agreed policies and processes to be put into practice. This is called the internal control framework.

5.5   Controls may take different forms according to the risks that they are intended to manage and their purpose, e.g., access controls in IT, procurement rules, exception reports to pick up outliers, and data back-up data arrangements.

5.6   While a range of internal controls are essential, the Audit Committee should be conscious that too many controls could result in greater inefficiency or ineffectiveness in an operation.

Role / Objective	Indicators	Audit Committee KLOE
Establish if the Council has an appropriate level of internal control linked to the authority's attitude to risk	Need to consider how effective is the control framework – has it any weaknesses Controls may also become outdated or otherwise no longer fit for purpose. Introducing new controls may incur additional costs or other resources.	Review Internal and external audit reports on specific controls Monitor implementation of recommendations from the above through regular updates from Internal and external audit

<u>Value for Money arrangements</u>

5.7   The primary focus should be on the Council's arrangements for ensuring value for money rather than reviewing the actual performance achieved.

Role / Objective	Indicators	Audit Committee KLOE
Establish if the Council has the right mechanisms for and is actively pursuing better value for money.	The arrangements that are being put in place to achieve value for money and if these are being followed.	Review Internal and external audit reports (aswell as other reports) on how effectively those arrangements work in practice. Monitor implementation of recommendations from the above through regular updates from Internal and external audit

Countering Fraud & Corruption

5.8   The Council has responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption.

5.9   The Audit Committee's role in not simply investigating when fraud takes place, it is a lot before that, in ensuring the correct controls are in place to stop it happening.

Role / Objective	Indicators	Audit Committee KLOE
Oversight of the Council's arrangements for managing the risks from fraud and corruption, and providing assurance that they are fit for purpose	The arrangements that are being put in place to counter fraud and corruption e.g., Counter fraud strategy. Ensuring counter fraud work is in line with the strategy	Reviewing the counter fraud strategy and whether it meets recommended practices Reviewing the annual counter fraud plan of activity and resources Monitoring the overall performance of the counter fraud function Overseeing any major areas of fraud identified and monitoring action plans

6   Arrangements for Internal Audit and External Audit

6.1   The 'assurance framework' describes the various means through which the authority's leaders, managers and decision makers can trust that the policies and procedures they have approved are being implemented in practice and operating as intended. The Audit Committee should ensure that this assurance framework can be relied upon.

6.2   Both internal and external audit are key partners of the Audit Committee to provide the means to check if policies and procedures are both fit for purpose and operating and implemented as intended.

External Audit

6.3   The Audit Committee's role in relation to the external audit process has three principal aspects (The Audit Committee Member in a Local Authority, CIPFA, 2022)

Role 1: To provide assurance that the external auditor team maintains independence   The independence of auditors is critical for confidence in the audit opinion and audit process.
How: Each year, the external auditor will disclose to the committee an assessment of whether it is independent   The Audit Committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised   Monitor the approval of non-audit work
Role 2: To receive and consider the work of external audit.
How: The Committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work. Where external audit makes recommendations, the Audit Committee should discuss the action to be taken with managers and monitor the agreed action plan. The Committee should contribute to the Council's response to the annual audit report.
Role 3: To support the quality and effectiveness of the external audit process
How: Act as an intelligent client – may need training and support to do this   Sets expectations for the auditor for the timely delivery of a high-quality audit.

Support better engagement and interaction between auditor, Committee, and management.

Internal Audit

6.4 This is a key resource for the Committee and can be a major source of assurance, providing coverage across many areas that the Audit Committee will want to be aware of.

6.5 Therefore it is important that the Committee actively engages with it and holds it to account but also supports and has oversight of the internal audit arrangements.

Role 1: Ensure its independence, objectivity, performance, and professionalism The independence of auditors is critical for confidence in the audit opinion and audit process.
How: review or approve the following: – the internal audit charter – the risk-based internal audit plan – the internal audit budget and resource plan determine if there are any inappropriate scope or resource limitations on internal audit receive the report on the external assessment of internal audit (at least once every five years), including its overall conclusion and any recommendations
Role 2: Support effective arrangements for internal audit It should help ensure that the authority's internal audit is effective
How: A service with access to sufficient and appropriate capacity and capability. Supporting the organisation's attitude to and understanding of internal audit A service that operates in accordance with Public Sector Internal Audit Standards
Role 3: Promote the effective use of internal audit within the assurance framework That the Internal audit workplan is sufficient to be able to produce an overall assurance opinion at the year end
How: Approving (but not directing) the risk-based plan, considering the use made of other sources of assurance Escalating internal audit recommendations where further action is needed. Ensuring the audit plan is reviewing the appropriate areas and that important areas are not being missed out.

7 Accountability and public reporting arrangements

Annual Governance Statement (AGS):

7.1   The AGS is the key annual public report that requires the authority to evaluate the effectiveness of its governance arrangements. The AGS is an evaluation - an assessment of how good those arrangements are in practice, leading to an opinion on whether they are fit for purpose.

7.2   The Audit Committee plays a key role in reviewing the AGS prior to its final approval. The key considerations for Audit Committee should include:

- whether the AGS is an accurate representation of arrangements, consistent with other information known to the Committee.
- Is the AGS an evaluation
- Does it conform to required codes
- Is there an appropriate action plan to implement the required improvements and if this is robust.
- Is it user friendly for a lay reader

Statement of Accounts:

7.3   The role of the Audit Committee is to review the financial statements prior to approval. The Statements are the responsibility of all those charged with governance – the full member body – but the Audit Committee is delegated the responsibility of a detailed review.

7.4   Audit Committee responsibilities are:

Accounts preparation – Monitoring the status of both completion of the statements and liaison with the auditors before publication will be important for the Audit Committee. The Audit Committee will want assurance that the finance team can deliver a set of financial statements of appropriate quality in accordance with the statutory deadlines.

Reviewing the statutory Statements of Accounts – The Audit Committee should review the accounts prior to the final publication. The Audit Committee approves the Accounting Policies used to prepare the Accounts

7.5   The complexity and length of the financial statements can make it challenging for Audit Committee members to conduct a detailed and informed review of the Accounts. Committee members are supported through appropriate training and briefings focussing on key parts of the Statements. In the past PowerPoint presentations have been made to Committee to highlight the Statement's key messages and trends aswell as deep dives into Property, Plant and Equipment disclosures, Valuations and Pension cost disclosures.

8   **Proposed Future Agenda and Training items:**

8.1   Quarterly review of the Internal Audit Plan: As stated above the Committee needs assurance that the Internal Audit Plan provides sufficient coverage of Risk Management, Good Governance and Control. A quarterly review will allow a continuous review of the Plan to ensure it remains appropriate as well

as early feedback of issues identified through the course of internal audit work.

8.2   <u>Risk Management and Governance Training</u> – Cipfa's 'The Audit Committee Member in a Local Authority' states 'To get the best out of internal audit, the Audit Committee's understanding of and support for effective risk management and wider assurance arrangements is helpful.' Risk Management training is to be organised to help the Committee better understand Risk Management, Good Governance and Assurance Framework.

8.3   <u>Treasury Management and Investment risk Training</u> – An externally led briefing / training session is being arranged to highlight these risks and lessons that can be learned from recent experiences in local government.

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Signature:

………………………………………
Fiona Greenway, Director of Finance (s151 Officer)

B14. AUDIT COMMITTEE

14.1 Purpose

i. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, risk management and governance.

14.2 Functions

a) To review the City Council's Annual Accounts and Annual Governance Statement (AGS). This will include advising on significant changes throughout the year to financial regulations and policies.

b) To monitor progress in addressing control or governance issues identified in the AGS.

c) To review and provide the Executive with assurance on the embedding and maintenance of an effective system of corporate governance, including the Council's Corporate Governance Code and Framework, risk management framework, and the associated control environment.

d) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

e) To review the adequacy of treasury risk management arrangements as set out in the Treasury Management Policy, Strategy and treasury management practices.

f) Responsibilities as set out in the terms of reference in relation to external audit including reviewing the planned programme of work, noting fees and terms of engagement of the external auditor, considering and advising the executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.

g) To review and make recommendations to the executive regarding the effectiveness of internal audit to include ensuring the internal audit function is adequately resourced, to review its strategy, receive, challenge and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.

h) To consider and make recommendations to the executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.

i) To consider reports from the Ombudsman and monitor management response in relation to these.

j) To consider, approve or make recommendations in respect of any other matters at the request of the Council.

Birmingham City Council Constitution Part B Roles, Functions and Rules of Procedure May 2023 B14 Audit Committee

14.3 Membership

i. Members of the Audit Committee, and its Chair, are appointed by Full Council. There are eight members of the committee, and the quorum is three.

ii.   The Chair of Audit Committee should not be appointed to serve as a Director on any of the City Council's wholly owned companies.

iii.   An Independent Technical Advisor should be appointed to support the Committee.

14.4 Conflicts of interest

iv.   If a Cabinet Adviser (or former Cabinet Adviser) is a member of the Audit Committee when it is considering matters to which their role relates, then that Councillor must withdraw from the meeting during the consideration of such matter.

v.   If the Audit Committee is considering items relating to the work of a relative of a member of the Committee, then that Councillor must withdraw from the meeting during the consideration of such matter.

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BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**AUDIT COMMITTEE**
Report of:	**Assistant Director, Audit & Risk Management**
Date of Meeting:	**28th June 2023**
Subject:	**Birmingham Audit Annual Report 2022/23**

Wards Affected: **All**

1. PURPOSE OF REPORT

1.1 This report is the culmination of the work completed during the course of the year and provides an objective opinion on the adequacy and effectiveness of the systems of internal control for the financial year ending March 2023. It summarises the internal audit work completed, the sources of assurance that are being relied upon, and highlights significant issues that have arisen. It provides Members with information on inputs, outputs and performance measures in relation to the provision of the internal audit service during 2022/23, and compliance with the requirements set out in the Public Sector Internal Audit Standards (PSIAS).

1.2 The report also provides members with an update on the 2023/24 audit plan.

1.3 It also sets out the Internal Audit Charter for 2023/24.

2. EXECUTIVE SUMMARY

2.1 The Council has faced ongoing challenges during the year, including the replacement of its corporate ERP solution, used to support key business processes, e.g., payroll, account payable, accounts receivable, general ledger etc, with Oracle. This was a significant undertaken, whilst it is not unusual for such large projects to encounter initially difficulties, the transition has introduced challenges across these key financial activities.

2.2 I am required to provide an opinion on the systems of internal control, this opinion is based on professional judgement and draws on the audit work completed and assurance provided from other parties and processes. For 2022/23 I can only provide limited assurance on the system of internal controls. Our review of financial processes was constrained by system access issues and incomplete financial records following the implementation of the new ERP system. The Council is aware of the issues and has established a stabilisation task force, escalation process, and governance structure.

2.3 During the year Birmingham Audit has complied with the requirements laid out within mandatory professional standards. The external review, completed in December 2022 confirmed that we 'conform' with the requirements.

2.4 The Internal Audit plan was agreed by members at the March meeting. The plan is dynamic and will be reviewed and updated throughout the year, based on discussions, feedback received, and emerging issues and risk to ensure our work is appropriately targeted.

2.5 The Internal Audit Charter is a key document that sets out the purpose, authority, and responsibility of the internal audit function.

3. RECOMMENDATIONS

3.1 Members accept this report and the annual assurance opinion for 2022/23.

3.2 Note the additional information provided with the 2023/24 internal audit plan and identify any additional risk for inclusion in the ongoing planning process.

3.3 Members approve the 2023/24 Internal Audit Charter.

4. LEGAL AND RESOURCE IMPLICATIONS

4.1 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations 2015.

4.2 The Internal Audit service has complied with the requirements laid out in the Public Sector Internal Audit Standards.

4.3 The work is carried out within the approved budget.

5. RISK MANAGEMENT & EQUALITY ANALYSIS ISSUES

5.1 Risk Management is an important part of the internal control framework and an assessment of risk is a key factor in the determination of the Internal Audit plan.

5.2 Equality Analysis has been undertaken on all strategies, policies, functions, and services used within Birmingham Audit

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6. COMPLIANCE ISSUES

6.1 Council policies, plans, and strategies have been complied with.

Sarah Dunlavey
Assistant Director, Audit & Risk Management

Contact officer: Sarah Dunlavey, Assistant Director, Audit & Risk Management
E-mail address: sarah_dunlavey@birmingham.gov.uk

Birmingham Audit Annual Report 2022/23

28th June 2022

Contents

1. Background

1.1 The 2022/23 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). It also took account of responsibilities under section 151 of the Local Government Act 1972.

1.2 The Council has faced ongoing challenges, including:

- the city is growing rapidly, increasing the pressure on the housing supply, and the need for affordable housing;
- tackling the breadth of issues caused by the pandemic;
- the need to reform services;
- the ambition to tackle climate change, to improve air quality and the natural environment; and
- the replacement of its corporate ERP solution, used to support key business processes, e.g. payroll, accounts payable, accounts receivable, general ledger etc, with Oracle. This was a significant undertaking, whilst it is not unusual for such large projects to encounter initial difficulties, the transition has introduced a number of challenges across these key financial activities.

1.3 This has been against a backdrop of global Inflation and economic pressures. These pressures continue to drive the need to transform the Council and service improvement to ensure the successful delivery of services to the citizens of Birmingham.

2. Assurance Opinion

2.1 The audit plan is prepared and delivered to enable me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising of risk management, corporate governance, and financial control). My opinion forms part of the Annual Governance Statement (AGS), which the Council is legally required to produce.

2.2 As my opinion is based on professional judgement, backed up by sample testing, I can only ever provide, at best, reasonable assurance. No process can provide an absolute assurance that the systems of internal control are adequate and effective in managing risk and meeting the Council's objectives. If serious issues are identified in the course of our work that have, or could have, prevented objectives to be met, then my opinion may be qualified.

2.3   Our work is carried out to assist in improving control. Management is responsible for developing and maintaining an internal control framework. This framework is designed to ensure that the Council's resources are utilised efficiently and effectively; risks in meeting service objectives are identified and properly managed; and corporate policies, rules and procedures are adequate, effective and are being complied with.

2.4   The model used to formulate the end of year opinion places reliance on assurance provided from other parties and processes. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion. The model is an evolving one which changes from time to time as the intelligence we collect on sources of assurance develops.

2.5   For 2022/23 I can only provide limited assurance on the system of internal controls. Our review of financial processes was constrained by system access issues and incomplete financial records following the implementation of the new ERP system. The Council is aware of the issues and has established a stabilisation task force, escalation process, and governance structure.

2.6   Whilst our work across other areas did identify other issues these have been reported to the appropriate Director during the year. A summary of the significant findings from our work (including the main financial systems), is included as Appendix A.

2.7   The Statement of Accounts for the year ending 31st March 2021 and 31st March 2022 are still in draft, as the audit has not yet been completed by the Council's External Auditor, their work so far is indicating unqualified opinions.

2.8   Under the new National Audit Office Code of Audit Practice the external auditors are required to assess the delivery of Value for Money against criteria covering Financial Sustainability, Governance, and Economy, Efficiency and Effectiveness and produce a more extensive report in the form of the Auditors Annual Report (AAR). The Council's External Auditor has yet to issue their AAR for the year ending 31st March 2022.

3.   Added Value

3.1   Although my primary responsibility is to give an annual assurance opinion, I am also aware that for the Internal Audit service to be valued by the organisation it needs to do much more than that. There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the year include:

- Continuing to attend, chair, and contribute to schools working groups within the Children and Families Directorate.
- Working with Digital Technology Services (DTS) on the use of data and the revised technology platform.
- Working with Revenues to validate Single Person Discounts and liabilities.
- Working with Directorates to undertake external grant assurance and certification work.
- Working with the police to prevent and detect cross boundary crime.
- Working with the Children's Trust to deliver grant/funding certifications for Troubled Families and National Assessment and Accreditation Systems (NAAS).
- Contributing to the management of Cyber risks, through participation at the Cyber Security Programme Board.
- Contributing to the Information Assurance Boards
- Continuing to participation in the management of data breaches and ensuring that recommendations have been acted upon.

4.   Quality, Performance & Customer Feedback

4.1   Under the Accounts and Audit Regulations the Council must maintain an effective system of internal audit to evaluate its risk management, control, and governance processes. Internal Audit must comply with the requirements laid out in the Public Sector Internal Audit Standards (PSIAS).

4.2   The PSIAS sets out the fundamental requirements for the professional practice of internal auditing within the public sector. The Standards encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The standards seek to secure a professional, independent, and objective internal audit service. The Standards also require a compliance review to be completed by an independent, appropriately qualified, reviewer from outside of the organisation at least every 5 years.

4.3 **Quality Assurance**

4.3.1 The provision of a quality service continues to be important. In line with the requirements of the PSIAS a Quality Assurance and Improvement Programme (QAIP) has been developed. The programme requires both internal and external assessments of internal audit effectiveness to be undertaken to ensure compliance with PSIAS; internal quality standards; that the service is efficient, effective and continuously improving; and that the service adds value and assists the organisation in meeting its objectives.

4.3.2 Our external PSIAS review was completed in December 2022 and reported to Audit Committee. Overall, this independent assessment found that the self-assessment, evidence provided, and interviews with staff confirmed that Birmingham Audit 'conforms' with the standards. Compliance with the standards is considered to provide a strong platform on which our ambitions can be realised, and a strategy and structure developed that enables the service to be even more proactive, risk focused, influential, and effective in supporting the assurance arrangements for the Council. The review identified recommendations to help in driving the Internal Audit Service forward. As a result the Audit planning methodology has been updated, a project commenced to replace the existing audit management systems, and the Corporate Assurance Framework has recently been updated.

4.3.3 During the year, we retained our accreditation to the internationally recognised information security standard ISO27001:2013. Additional, internal quality audits on our ISO processes have been undertaken, most recently in April 2023. As in previous years, only minor issues were identified; actions have been taken to correct these.

4.4 **Inputs**

4.4.1 The 2022/23 internal audit plan contained 4416 productive days. During the year 4034 days were delivered. The variance between planned and actual days has mainly arisen due to a vacancy. Attempts to recruit to this vacancy have proven unsuccessful, with campaigns falling to attract applications from candidates with sufficient skills and experience.

4.4.2 The actual days delivered in 2022/23 compared to those planned is detailed in the table below:

	22/23				
	Planned		Actual		Variance
Number of Audit Days in the annual plan	**100%**	**4416**	**100%**	**4034**	**(382)**
Main financial systems	16%	705	14%	569	(136)
Business controls assurance	39%	1745	36%	1444	(301)
Investigations	19%	830	19%	757	(73)
Schools (Non-Visits)	1%	27	1%	20	(7)
Schools (Visits)	12%	540	12%	504	(36)
Follow up work	4%	175	6%	230	55
Ad-hoc work	6%	259	8%	323	64
Planning & reporting	3%	130	4%	187	57
City initiatives	0%	5	0%	0	(5)

4.5 **Outputs**

4.5.1 During the year we issued 202 final reports, containing 1218 recommendations. For comparison purposes, during 2021/22 we issued 192 final reports containing 1339 recommendations.

Reports by Type	21/22	22/23
Internal Audit Reviews	89	82
Follow-up Reviews	38	40
School Visits (including Follow-ups)	52	66
Investigations	13	14
Total	**192**	**202**

21/22 Reports by Type - %

22/23 Reports by Type - %
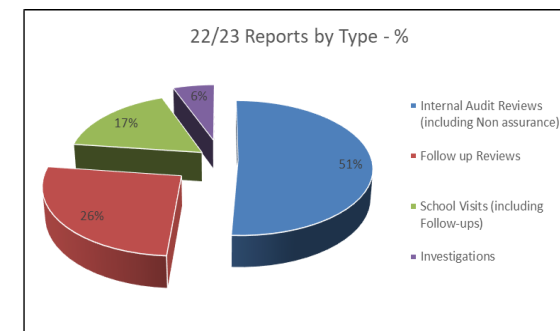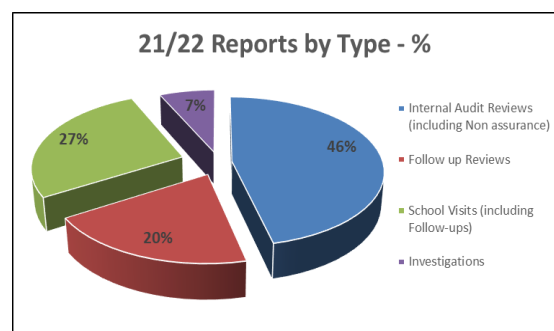
A full list of the audit reports issued, together with risk and assurance ratings, during the year is detailed in Appendix B.

4.5.2 Audit and follow up reports are given a risk rating of 1 - 3 to assist in the identification of the level of corporate importance. The key to the ratings given is:

1. Low (Green) - Non-material issues

2. Medium (Amber) - High importance to the business area the report relates to, requiring prompt management attention. Not of corporate significance

3. High (Red) - Matters which in our view are of high corporate importance, high financial materiality, significant reputation risk, likelihood of generating adverse media attention or of potential of interest to Members etc.

4.5.3 Of the 122 reports (82 Internal Audit and 40 Follow-up reviews) issued during the year, 5 were given a high-level rating, 50 had a medium level rating, 37 had a low rating, and 30 related to non-assurance / progress review work.
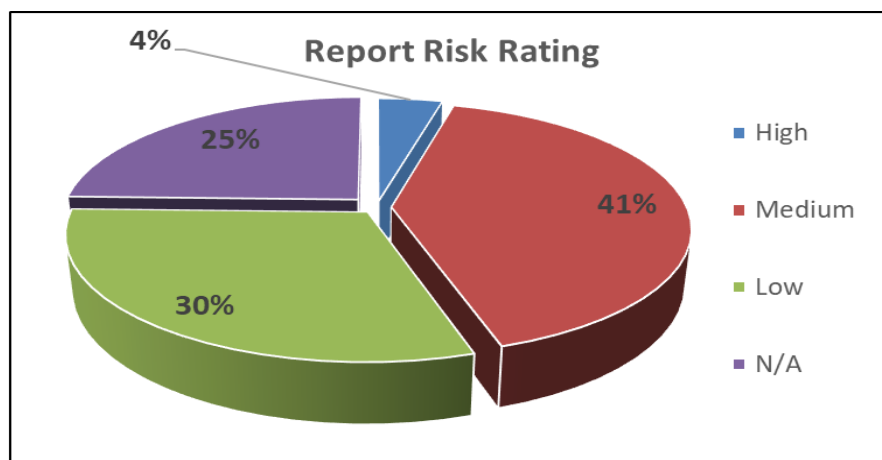
4.5.4 On a monthly basis a list of all final reports issued, together with their risk rating, is sent to Members of the Audit Committee, Cabinet and the Corporate Leadership Team. Under the agreed protocol, Members can request to see a copy of any report.

4.6 Performance and Customer Feedback

4.6.1 As at 31st March 2023 we had completed 95% of planned jobs to draft report stage, against an annual target of 95%.

4.6.2 Throughout the year we have sought feedback from our customers by attending management teams and capturing comments via our ISO processes.

4.6.3 Both internal and external customers continue to provide positive feedback on the services provided, examples include:

'....... wanted me to pass on his thanks to you all for your support with the latest round of suspected fraudulent applications.....'.

'Thank you both for your support, this is gratefully appreciated....'.

'..... you have been an absolute star to help us get through this, especially with the number of claims.....'.

4.6.4 During the year Post Audit Evaluation Questionnaires (AEQ) have been issued with final audit reports. 30 AEQ's have been returned for work completed during 2022/23, the results are summarised in the table below:

Question	Audit Reviews				School Audits				Investigations				Total	
	No. of Responses	Highest Score	Lowest Score	Avg. Score	No. of Responses	Highest Score	Lowest Score	Avg. Score	No. of Responses	Highest Score	Lowest Score	Avg. Score	No. of Responses	Avg. Score
The audit / investigation was undertaken professionally and objectively?	17	5	4	4.9	7	5	4	4.9	6	5	5	5	30	4.93
The final report was clear, concise and was issued in a timely manner?	17	5	3	4.7	7	5	4	4.9	6	5	5	5	30	4.86
Recommendations were constructive, insightful and support the management of risk / assist in resolving the issue?	17	5	4	4.6	7	5	4	4.9	6	5	4	4.7	30	4.73
Overall evaluation of the independent assurance provided / investigation and value to your business area?	17	5	4	4.7	7	5	4	4.7	6	5	4	4.8	30	4.73

Each question is scored: Strongly Agree/Very Good 5, Agree/Good 4, Satisfactory 3, Disagree/poor 2, Strongly Disagree/Very poor 1

4.6.5 The table demonstrates that everyone returning a questionnaire valued the audit or investigation and the support and insight provided.

5. **Corporate Fraud Team**

5.1 In common with other public bodies, the Council has a duty to protect the public purse. The Corporate Fraud Team (CFT) is responsible for the investigation of financial irregularities perpetrated against the Council, whether this is by employees, contractors or other third parties. The Team identify how fraud or other irregularity has been committed and make recommendations to management to address any issues of misconduct, as well as reporting on any weaknesses in controls to reduce the chance of recurrence in the future. A sub-team within CFT is established to specifically tackle 'application based' fraud, primarily related to Social Housing and Council Tax. The work of the Team is prioritised on a materiality basis, as well as putting greater emphasis on proactive work to try and identify and stop fraud and error. We are continually looking to enhance our counter fraud capability and develop new and innovative ways of identifying irregularities, whether this is the result of fraud, error, or procedural non-compliance. We are continuing to develop analytical tests designed to detect fraud and error.

5.2 The table below summarises the reactive investigations activity of the Team (excluding Application Fraud) during the year.

	2021/22	2022/23
Number of outstanding investigations at the beginning of the year	53	57
Number of fraud referrals received during the year	91	79
Number of cases concluded during the year	87	94
Number of investigations outstanding at the end of the year	57	42

5.3 All referrals are risk assessed to ensure that our limited resource is focused on the areas of greatest risk. We work in conjunction with managers to ensure that any referrals that are not formally investigated by us are appropriately actioned.

5.4   The team have carried out a number of proactive exercises utilising data analysis to identify potential anomalies as well as co-ordinating the processing of data matches derived from the National Fraud Initiative. The Team have delivered fraud awareness training and have issued various bulletins to raise awareness of fraud. During the year an on-line fraud awareness e-learning module targeted at schools was introduced. This supplements the existing fraud awareness e-learning module and shared across the Council.

5.5   During the year a successful prosecution was secured on a long-standing case, dating back to 2014, relating to contract bond payments. This was a complex case where we continued to work with the Police to secure an extradition order. Following extradition back to the UK the individual was charged and pleaded guilty to one count of fraud by abuse of position and another of money laundering. He was sentenced on 12th January 2023 at Birmingham Crown Court to four years and eight months imprisonment.

5.6   The Team have continued to work with directorate staff to implement the anti-fraud strategy for housing. This includes providing training and support to front line staff in the use of the data warehouse to verify details submitted on housing / homeless / Right to Buy applications. The results achieved by the Team are summarised below:

	2021/22	2022/23
Properties Recovered	22	30
Applications Cancelled	548	260
Council Tax Change	£336,703	£564,261
Housing Benefit Overpayment	£394,829	£384,019

5.7   This shows that, in addition to the obvious social benefits deriving from the work, there is also a real financial saving from preventing and / or terminating fraud.

5.8   Our annual fraud report will be presented to Committee Members at the September meeting.

6. The Internal Audit Charter

6.1 The Public Sector Internal Audit Standards requires the purpose, authority, and responsibility of the internal audit function to be formally defined in an Internal Audit Charter. On an annual basis Members are asked to approve the Internal Audit Charter. The Charter for 2023/24 is attached as Appendix C. It sets out the objectives; framework and services delivered by Birmingham Audit, and details the relationship with the Audit Committee, our business plan objectives, the statutory requirements around our service, together with the rationale behind the annual risk-based audit plan.

7. Internal Audit Plan 2023/24

7.1 The 2023/24 plan was developed following the completion of an audit risk assessment. The risk assessment involved identifying the potential auditable areas and mapping associated risks, including management opinions, first and second lines of defence where known, previous audit work, alternative sources of assurance, and the Council's strategic priorities. In undertaking this mapping exercise, we have used our knowledge and experience of the organisation as well as liaising with key stakeholders including Audit Contact Officers, Directorate Management Teams, and Directors / Assistant Directors.

7.2 The audit plan was approved by Members at the March Audit Committee meeting. The 2023/24 plan contains 3,990 days. The table below shows a summary split of audit days over the different categories of work we undertake, based on our initial risk assessment. The previous year information is given for comparison purposes.

	22/23		23/24	
	%	Days	%	Days
Number of Audit Days in Annual Plan	**100%**	**4416**	**100%**	**3990 [1]**
Main Financial Systems	16%	705	15%	600
Business Controls Assurance	39%	1745	28%	1115
Investigations (Fraud and Irregularity)	19%	830	9%	350 [2]
Fraud Awareness / Prevention			5%	200
Proactive / Compliance			4%	150
Schools (Non-Visits)	1%	27		
Schools (Visits)	12%	540	13%	540
Follow up Work	4%	175	4%	175
Ad-hoc Work / Contingency	6%	259		
Planning & Reporting	3%	130		
Partnering / Insight / Contingency			12%	470
Risk Management Facilitation			1%	50
City Initiatives / Information Requests	0%	5	1%	20
Data Analysis / Data Driven Assurance			5%	200
Chargeable/ Work for External Clients			3%	120

[1] Excludes vacancy

[2] Excludes application fraud

7.3   The audit plan is dynamic and will be reviewed and updated throughout the year, based on discussions, feedback received, and emerging issues and changing ris to ensure our work is appropriately targeted. Additionally the views of the Audit Committee remain important, any concerns flagged by Members will be fed into the planning process.

7.4   As additional planning work is undertaken we develop the scope of work to be undertaken. The audit plan has been updated to reflect this detail, Appendix D. Additionally, the reviews covering the business processes supported by Oracle have been flagged for Audit Committee Members to see the scope of proposed audit coverage.

8. Grant Certification

8.1 In addition to controls assurance reviews I am required to provide audit certificates, verifying the expenditure incurred, for a number of grants that have been awarded to the Council.

Grant Certificates
Troubled Families
Scambusters
Growth Hub
GBSLEP Peer Network Grant Funding
Operation Beorma Grant Certification
Public Health Grants
Local Transport Capital Grant
Children's Trust NAAS Grant

8.2 I have also been formally appointed as the First Level Controller for a number of European Grants.   The First Level Controller is a formally appointed independent role that is required to provide a certification that the expenditure incurred under the programme is eligible and correctly accounted for.

European Grants – First Level Controller
USE-IT Transfer Network
Urban M – Stimulating Innovation through Collaborative Maker Spaces

Summary of Significant Findings and our work on the Main Financial Systems

1.   **High Risk Reports**

During 2022/23 we issued 4 audit reports and 1 follow-up report where we identified a 'high' risk rating for the Council. Brief details of the issues highlighted in these reports are detailed below:

Procurement of Consultants / Interims (plus 1 high risk rated follow-up)   **Council Risk Rating:**   **High**   **Assurance: Level 4   RAG:**
Our work identified non-compliance with the procedures for engaging consultants/interims. There are a number of consultants/interims engaged that have not gone to the Commissioning Gateway Panel (CGP) for approval, procurement governance is not complied with, and key documentation was not always available. Management is developing an e-learning package, and this should help to improve compliance going forward. At the time of our follow-up review a Task and Finish Group had been established to review, streamline, and improve the process for engaging consultants and interims.

Day Centres   **Council Risk Rating:**   **High**   **Assurance: Level 3   RAG:**
Our work identified concerns on the overall effectiveness of financial controls and operational processes across the eight Council operated Day Centres reviewed. The majority of the issues identified are occurring, to varying degrees, at each Day Centre. The broader issues are occurring, in the main, due to not having consistent and current processes and procedures in place.

IT Procurement and Commercial Management   **Council Risk Rating:**   **High**   **Assurance: Level 3   RAG:**
Our work identified a number of issues and barriers restricting the effectiveness of IT procurement activity, this included:

- the lack of timely business engagement;
- permanent recruitment to posts; and
- the transition process from CAPITA has proved difficult, with processes and procedures not yet fully in place or aligned to corporate procedures.

We were unable to obtain sufficient evidence to demonstrate full compliance with procurement governance arrangements and legislation as information was not easily available.

Since the completion of our work, IT Procurement has been aligned with Corporate Procurement Service (CPS) with procurement activity over EU threshold being undertaken by CPS.

Directorate Commissioning and Contract Management   **Council Risk Rating: High   Assurance: Level 3   RAG:**

This review established that the commissioning and contract management arrangements in place are not effective and may potentially be exposing the directorate to unacceptable risks. Under the current arrangements, only the major contracts are formally managed by the Commissioning and Contract Management Team.

2.   **School Visits**

Throughout 2022/23 when undertaking maintained school audits our work has considered any challenges that have occurred due to the implementation the Council's new ERP system (Oracle) and whilst we have still commented on financial issues, we have not penalised schools for any issues found that are caused by the implementation as we understand that these are out of schools' control. There was a pause in commencing new school audits between December 2022 and February 2023 in response to capacity concerns raised by schools as a result of the Oracle implementation.

We have continued to work with the Children's and Families Directorate and school colleagues to ensure we deliver robust and added value audits that respond to the financial challenges faced by schools.

Overall, there has been an improvement in the outcomes compared to previous years. Our visits are chosen through a risk-based selection methodology, so most are school facing greater financial challenges, or who have not received a routine audit visit for several years, and therefore the potential for finding areas for development and improvement is greater. Key areas identified for development were around financial governance, budget planning, financial management, purchasing, compliance with delegated framework and internet monitoring.

No significant concerns were identified from the Governor and Senior Leadership pre-audit surveys on their views on financial management within their school and if the Governing Board is fulfilling its core function. Any minor issues have been appropriately escalated and support provided.

Despite the challenges of Oracle, during the year schools have endeavoured to reconcile their accounts so that an accurate closedown can be achieved for 2022/23 whilst agreeing budget plans for the next financial year and preparing medium term financial plans. Whilst outturn for 2022/23 has yet to be confirmed, budget deficits continue to be one of the key risks for schools and the Council, there is a continued increase in schools relying on carry forward surpluses to achieve balanced budgets along with predicted deficits in future years. Schools are finding it more difficult to make further savings whilst ensuring they continue to provide a quality education.

Our follow up reviews have been successful in supporting schools improving their systems and controls, as well as placing a focus on their financial position. However, we have continued to face significant challenges in getting schools to implement our recommendations on a timely manner. We are working with the Children's and Families Directorate and School's Forum to address this challenge.

3.   Risk Management

The Council's Risk Management Framework, which sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all organisational levels, has been reviewed and updated to ensure focus on the strategic direction of the Council.   Strategic risks continue to be reviewed and challenged by the Corporate Leadership Team monthly to ensure they remain complete, relevant, and that mitigating actions are progressing as expected.

The Risk Champions Group, which is made up of representatives from each directorate, continue to progress updates against strategic risk actions plans and ensure that risk management arrangements are embedded at an operational level.

Advice and guidance, together with a supporting e-learning module, are available via the Council's Intranet to help embed risk management as a proactive management tool.

A project has recently been commenced in introduce a corporate risk management system to help track and monitor strategic and operational risks, together with mitigating actions, across the whole Council.

4. Corporate Governance

The highest standards of corporate governance, public accountability and transparency have a significant impact on how well an organisation meets its aims and objectives. During the year we have completed audit reviews across information governance, project Governance, and the implementation of risk management.

The Annual Governance Statement (AGS) for 2022/23 has yet to be finalised. The AGS will need to summarise the current position regarding the implementation of the Council's new Oracle ERP system.

5. Main Financial Systems

In April 2023 the Council replaced its corporate SAP ERP solution, used to support key business processes, e.g. payroll, account payable, accounts receivable, general ledger etc, with Oracle. This was a significant undertaking, whilst it is not unusual for such large projects to encounter initial difficulties, the transition has introduced a number of challenges across these key financial activities. Over the last 12 months we have responded both reactively and proactively with a number of issues and reported to the Programme Board. During the implementation phase we were unable to fully audit the risks and controls as processes were still evolving and moving to a more stable position.

Financial Control / Ledger

Our work on Financial Control / Ledger has been limited due to the impact of Oracle, we have undertaken some work around KPMG's Financial Controls Planning Framework, however we were unable to review a number of the controls as the process was unclear or related to the year-end which has yet to be done. This work is still on-going; however, our initial findings have identified weaknesses with the journal management and control accounts. An extension to the timescales for completion of Statement of Accounts for year ending March 2023 has been agreed.

The Statement of Accounts for the year ending 31st March 2021 and 2022 are still in draft, as the audit has not yet been completed by the Council's External Auditor. However, based upon their work so far, the External auditor is likely to issue an unqualified opinion. External Audit have yet to complete all of their value for money (VFM) work for year-end 31st March 2022 and are not in a position to issue their Auditors' Annual Report, as part of this work they consider whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, for which they identified the following risks:

- Legacy of Commonwealth Games
- Contractual arrangements relating to the highways PFI scheme
- Home to School Transport Service
- Housing demand
- SEND

The External Auditors work is underway on these risks, as well as action undertaken in response to their recommendations from the 2020/21 Annual Auditor's Report and in particular those relating to the implementation of Oracle, given its bearing on the financial statements audit, as well as forming part of their consideration of the Council's arrangements to ensure value for money.

Payroll and People Services

Payroll

Payroll costs represents a significant revenue spend for the Council. Significant levels of data and payments are managed and processed through the Council's payroll, therefore effective and efficient systems are needed for the council to pay employees accurately and on a timely basis in line with statutory, regulatory, and other obligations. In order for staff to be paid accurately, reliance is upon managers and employers to update payroll/People Services of any changes (starters, leavers, transfers, changes to pay) in a timely manner to avoid under and overpayments. Corporate payroll covers the payment of salaries to all Council employees, including casuals and schools' staff, as well as Members and pensioners. In addition, external payroll services are sold to some Academies, Charities, and outside organisations.

Following the implementation of Oracle, we identified standby payments that had been paid in error. However, improvements have been made within business areas and Payroll to prevent further errors occurring. The risk and value in terms of standby payments are relatively low; the total number of employees receiving standby payments each year is around 200. Due to the security model Corporate Payroll were unable to process the backdated pay awards for November 2022 (NJC) and December 2022 (JNC/teachers) for some employees. The allocation of the award failed for anyone who had received an in-year contract change, for example, acting up, honoraria etc. For the errors to be cleared and ensure everyone received payment, there was a need for payroll to make the adjustments. This meant giving payroll

temporary access to an otherwise People Services role. We verified that the role was activated and deactivated and only the authorised adjustment made.

Our data analysis work did not identify any employees who were marked as a leaver on SAP and brought over to Oracle as a live employee during the migration exercise.

Work is still undertaking work on potential salary overpayments. However, the payroll overpayment detection report within Oracle is now working. Shortly after the system went live a large salary overpayment occurred due to an employee being paid their annual net salary in a single payment. This occurred due to:

- Oracle not initially recognising annualised hours;
- validation controls within Oracle not in place;
- managers not having access to financial or People Solution reports directly;
- testing not detecting the issue within the solution; and
- payroll pressures during the initial implementation.

Additionally, our work on casual workers identified that pre-employment documentation was not being uploaded by managers and the bulk upload facility was not operating. We have received assurance that this has now been resolved with People Services taking responsibility and not relying on local managers.

Due to Oracle reporting issues our work on starters and leavers for both schools and non-schools is still being finalised.

Accounts Payable (AP)

The Accounts Payable (AP) team is responsible for the payment to suppliers for goods and services ordered by directorates and the transactional processing of other payments e.g., foster payments, One Time Payments etc. They are also responsible for the administration of payment cards. Various processes and controls are in place to ensure that the council discharges its responsibilities for payments.

We undertook an analysis of urgent payments across SAP and Oracle that were processed during the go live period. Our matching did not identify any duplicate payments.

There has been a low take up from Suppliers to register onto the portal limiting the realisation of the expected benefits. Checks to prevent attempted fraudulent activity involving improper supplier detail changes, including bank accounts and email addresses, continue to be completed and have prevented attempted fraudulent activity.

The delegation process in Oracle works differently to the previous solution in that approval roles and authority limits do not have to be requested and pre-set as they are automatically assigned via the delegation process. There was no leavers report being generated so that appropriate checks on access and outstanding workflows could take place to ensure workflow items are cleared or reassigned.

Onetime payment requests is an area of high risk. We found that the workflow process for these payments was not operating correctly so the required compliance checks where not being completed. The workflow has now been rectified. Any payments with no supporting attachments will now be rejected. We are in the process of completing a follow up and are undertaking a proactive analysis.

Procurement

Our review on Home to School Transport – Strategic Review identified that the service delivery model of transporting significant numbers of children using contracted transport providers is unsustainable. Unless the service finds ways to address demand and there is a fundamental shift to providing alternative, more sustainable and affordable modes of transport, that can still meet children's needs, costs will almost certainly continue to rise. Management was aware of these issues and was actively looking to address them through change programmes across the service.

Our follow-up review of the Engagement of Consultants and Interims audit identified that the recommendations from the previous audit had not yet been implemented, and therefore the risk of non-compliance with approval processes, procurement governance and legislation remain. However, at the time of this audit a Task and Finish Group had been established to review, streamline and improve the process for engaging consultants and interims. Management intended to implement the recommendations as part of this review.

We undertook a follow-up review of Flexible Learning - Commissioning and Payment Monitoring Arrangements. We identified that the Exclusions Team no longer commission Flexible Learning to deliver day 6 provision. However, whilst this eliminated most of the risk previously identified, it did raise risks around day 6 provision, Management was making plans to address this.

Our follow-up review of Waste Management – Procurement Compliance identified that the recommendations from the previous audit had not yet been fully implemented. At the time of the audit Corporate Procurement Services had started to engage with the service area in order to devise a Procurement Plan to ensure contracts are in place where required and compliance with procurement legislation.

Accounts Receivable (AR)

Due to the problems encountered with the Bank Reconciliation System (BRS) and Direct debits the automatic recovery action has been suspended with debt recovery action being progressed manually. Our work on Adult Social Care debts found that the management arrangement between Accounts Receivable and the directorate was in urgent need of update and agreement as debts were increasing and decisions around future structure and resources needed. We understand due to Oracle issues was delay but is now being revisiting.

Benefits Service

The Benefit Service is responsible for the administration and payment of Housing Benefit (HB) and Council Tax Support (CTS). Housing benefit payments are returned to the Council through the subsidy grant. The subsidy claim must be accurate as a 1% error could cost the Council £5.33m reduction from Government. The Housing benefit caseload has seen a steady decrease over the last years. This decrease is due to the introduction of Universal Credit which replaces means tested benefits for working age people, one of which is Housing Benefit. Housing Benefit Overpayments (HBOs) have seen a decrease, reducing from £26.02M to £22.36m between March 2022 and March 2023. HBOs for citizens migrating over to Universal Credit can no longer be recovered via Housing Benefit and must be reclaimed through Universal Credit payments. The overall level of Housing Benefit debts as at the end of March 2023 was £42.9m.

Council Tax Support (CTS) applications increased at the start of the pandemic but has been reducing steadily.

Our work on non-dependants identified that in relation to housing benefit claims identified that no reviews for nil income non-dependants have not been carried out since May 2021. This was due to resources being prioritising on urgent work as identified in the continuity plan established during the COVID pandemic and the ongoing back log in usual work. The funds and provisions in place for the Local Welfare Provision (LWP) awards were being regularly monitored and effectively managed by the Benefit Service. LWP remains at a high level, between 250-400% higher than pre pandemic.

Council Tax & Non-Domestic Rates

Council Tax is one of the ways the Council receives money to provide local services. The amount paid is based upon the value of the property. In 2022/23 properties with a full year liability were raised totalling £492.2m with a year-end collection target of £456.3m (92.75%). The total amount collected as at 31/03/23 was £443.8m (90.16%).

Non-domestic rates, or business rates, collected by Local Authorities are the way that those who occupy a non-domestic property contribute towards the cost of local services. Apart from properties that are exempt from business rates, each has a rateable value (RV) which is set by the Valuation Office Agency. There are various exemptions and reliefs that can be applied to empty properties, charities, and small businesses. In 2022/23 an annual liability of £424.3m was raised against properties with a year-end collection target of £394.6m (93%). The total amount collected as at 31/03/22 was £382.7m (90.07%).

The Oracle migration has caused significant issues for the Revenues service which resulted in no recovery activity taking place until January 2023. This was detrimental to the collection rates. As a result, regular reviews recovery and enforcement levels had not been carried out.

Our testing found that mandatory and the funded discretionary rebates due to utility price rise have been made in accordance with Government guidance.

Rents

At the end of March 2023 there were 55,111 city tenancies with 18,893 arrears cases (34.28%) including those in receipt of Universal Credit. Rent accounts in receipt of Universal Credit equate to 23,526 accounts totalling approximately £10.3m (57% of the total arrears figure). The current tenancy arrears at the end of March 2023 were approximately £18.1m.

Oracle is still causing issues for the Rent Service in respect of both the suspense account and credit refunds. This is included on their Risk Register.

We undertook a piece of work on the overall debt management arrangements. A decision was taken at the end of March 2020 to "switch off" the automated escalation process, by the then Managing Director of Housing, due to the covid pandemic. This automated was re-instated on a staggered basis from December 2022. Manual action is being taken to manage debts and ensure the correct escalation levels are assigned. However, it will take time to recovery from the current position and re-establish processes.

6. **Information Governance / Technology (IT) Issues**

It has been a challenging period due to:

- providing support to Oracle issues and not being able to review a steady state system;
- having to postpone work due to resources being involved with Oracle and during the Digital and Technology Services Shaping the Future transformation.

Despite the unique circumstances of the past year we have continued to provide assurance and insight on key Digital and Information issues, including:

- supporting the Lessons Learnt of the Oracle implementation;
- reporting our work to the Information Assurance Board;
- playing an active role in the Data Breach Panel; and
- maintaining regular contact with the Cyber Security Programme and Programmes and Projects.

Our Oracle Project Assurance Review, completed prior to go live, identified that the Programme had benefited from the reset in 2021 and the revised programme management structure. Although the governance arrangements for delivering the programme were considered adequate, a number of key risks, to be addressed pre and post go live, were identified. These included:

- The pace of the delivering the outstanding issues.

- Reporting in respect of governance, risk and controls.
- Issues with school's engagement and readiness.
- The segregation of duties matrix.
- Reporting security.
- Privileged access, role-based access for IT and user needs.

An Oracle Fusion Segregation of Duties (SoD) review undertaken through KPMG, flagged potential areas of risks. KPMG flagged a number of risks and inter and intra role conflicts. Oracle Risk Management Cloud is being implemented and will be used to identify risk areas for remediation.

Key findings from our other work include:

- Data governance improvements are required within Directorates, in particular responding to Freedom of Information and Subject Access Requests, embedding Data Protection Impact Assessments, the maintenance of information asset register, and the regular review of Data processing and sharing agreements.
- As a result of our work a project to comply with the Data Classification policy has been initiated.
- IT applications continue to be managed on an effective basis but there is a need to ensure that movers and leavers are processed on a timely basis.
- Changes to the governance of projects will improve timely delivery.

Final Reports Issued During 2022/23

Audit Reviews (82 Reports):

Key to Council priorities and nature of assurance provided.

Outcomes
1. Birmingham is an entrepreneurial city to learn, work and invest in.
2. Birmingham is an aspirational city to grow up in.
3. Birmingham is a fulfilling city to age well in.
4. Birmingham is a great city to live in.
5. Birmingham residents gain the maximum benefit from hosting the Commonwealth Games.
6. Birmingham is a city that takes a leading role in tackling climate change.

Assurance Type
7. Good Governance.
8. Strategic Risk.
9. Financial Assurance.
10. Business Control Assurance.

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
Procurement of Consultants/ Interims	High	Level 4	🟥	✔				✔		✔		✔	✔
Day Centres	High	Level 3	🟥		✔					✔		✔	✔
IT Procurement and Commercial Management	High	Level 3	🟥				✔			✔		✔	✔
Directorate Commissioning and Contract Management	High	Level 3	🟥	✔						✔		✔	✔
Non-School Properties on Education Land	Medium	Level 4	🟧		✔		✔			✔		✔	✔
Placements - Supported Living	Medium	Level 3	🟧		✔	✔				✔			✔
Assessment and Support Planning	Medium	Level 3	🟧		✔	✔				✔			✔
ERP Project Assurance	Medium	Level 3	🟧							✔		✔	✔
IT Applications – JADU	Medium	Level 3	🟧		✔	✔	✔			✔		✔	✔
Young People's Participation in Education and Training	Medium	Level 3	🟧		✔	✔				✔			✔
Anti-Social Behaviour and Domestic Abuse	Medium	Level 3	🟧				✔			✔			✔
Bereavement Services	Medium	Level 3	🟧				✔			✔			✔
Council Tax - Recovery & Enforcement levels	Medium	Level 3	🟧				✔	✔				✔	✔

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
Financial Control Review	Medium	Level 3		✓	✓	✓	✓	✓	✓			✓	
Public Health - Compliance with NICE - National Requirements	Medium	Level 3			✓	✓	✓			✓			✓
Publication of Contract Awards	Medium	Level 3		✓			✓			✓		✓	✓
Tenant Management Organisations	Medium	Level 3			✓	✓	✓					✓	✓
Dispersed Temporary Accommodation Properties - Void Management	Medium	Level 3			✓	✓	✓					✓	✓
Council Tax - Duplication of Payment File	Medium	Level 3			✓	✓	✓					✓	✓
Directorate Safeguarding Review	Medium	Level 3		✓	✓	✓	✓			✓			✓
Enablement and Home Care	Medium	Level 3			✓	✓	✓			✓			✓
Access Control to Properties	Medium	Level 3			✓					✓			✓
Markets	Medium	Level 3					✓			✓			✓
Impulse	Medium	Level 3			✓	✓	✓			✓			✓
Fleet Services - External Review	Medium	Level 3		✓						✓			✓
NNDR - Enforcement Stages	Medium	Level 3			✓	✓	✓					✓	✓
Business Continuity	Medium	Level 3		✓	✓	✓	✓			✓			✓
Public Health - Compliance with Nice Requirements	Medium	Level 3		✓	✓	✓	✓			✓			
Placements - 'Discharge to Assess'	Medium	Level 3					✓	✓		✓		✓	✓
DFG - Compliance with procedures for payments more than £30k	Medium	Level 3			✓					✓		✓	✓
Waste Management - Performance Reporting	Medium	Level 3		✓	✓	✓	✓	✓	✓	✓			✓
GDPR Compliance - City Housing	Medium	Level 2					✓			✓			✓
Accounts Receivable - Management of Adult Social Care Debt	Medium	Level 2				✓	✓					✓	✓
IT Asset Management	Medium	Level 2		✓						✓			✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
Information Governance - Data Breach Travel Assist	Medium	Level 2	🟧		✓	✓	✓			✓			✓
IT Projects – Printing	Medium	Level 2	🟧	✓						✓			✓
IT Projects - Insight (Data Programme)	Medium	Level 2	🟧	✓	✓	✓	✓	✓	✓	✓			✓
Document Management 360 (DM360)	Medium	Level 2	🟧		✓	✓	✓						✓
IT Operations	Medium	Level 2	🟧	✓	✓	✓	✓	✓	✓	✓			✓
NDR Charity Relief - Mandatory & Discretionary	Medium	Level 2	🟧	✓								✓	✓
Information Governance GDPR Compliance	Medium	Level 2	🟧	✓	✓	✓	✓	✓	✓	✓			✓
Rents - Management of Rent Arrears	Medium	Level 2	🟧	✓	✓	✓	✓			✓		✓	✓
Procurement / Accounts Payable Suppler Portal	Medium	Level 2	🟧	✓						✓		✓	
Deprivation of Liberty Safeguards	Medium	Level 2	🟧		✓	✓	✓			✓			✓
Schools Themed Work – Income	Low	Level 3	🟩		✓		✓			✓			✓
CIPFA Financial Management Code	Low	Level 3	🟩	✓	✓	✓	✓	✓	✓			✓	
Asset Management - Non HRA property transactions	Low	Level 3	🟩		✓	✓	✓						✓
Corporate Payroll - Overpayment, change in employee hours	Low	Level 3	🟩	✓								✓	
Public Health - Procurement Contract Management	Low	Level 3	🟩		✓	✓	✓			✓			✓
Social Value	Low	Level 3	🟩	✓	✓	✓	✓	✓	✓	✓			✓
Commonwealth Games - Risk and Issue Management	Low	Level 2	🟩						✓	✓			✓
Information Governance - GDPR Programme	Low	Level 2	🟩		✓	✓	✓			✓			✓
AMSCI Programme Loans	Low	Level 2	🟩		✓	✓	✓					✓	✓
Benefit Service - Complaints & Appeals	Low	Level 2	🟩		✓	✓	✓					✓	✓
Financial Management - Public Health Grant	Low	Level 2	🟩	✓	✓	✓	✓					✓	✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
IT Projects - Clean Air Zone (CAZ) Post Implementation Review	Low	Level 2	🟩						✓	✓			✓
Adult Social Care - Client Financial Services	Low	Level 2	🟩		✓	✓	✓			✓			✓
Corporate Payroll Starters and Leavers	Low	Level 2	🟩	✓								✓	✓
Council Tax - Management of deceased accounts - Probate	Low	Level 2	🟩		✓	✓	✓					✓	✓
Adult Social Care - Shared Care Record	Low	Level 2	🟩		✓	✓	✓						✓
BACS	Low	Level 2	🟩	✓								✓	
Housing Rents Variations	Low	Level 2	🟩		✓	✓	✓					✓	✓
Leisure Services - Contract Management	Low	Level 2	🟩		✓	✓	✓			✓			✓
Eclipse - Post Implementation Review	Low	Level 2	🟩		✓	✓	✓			✓			✓
Account Payable (AP) - Suppler Master Data creation and update	Low	Level 2	🟩	✓								✓	✓
MAPSS	Low	Level 2	🟩	✓	✓	✓	✓			✓			✓
NEC Housing - IT Controls	Low	Level 2	🟩		✓	✓	✓						✓
Accounts Payable - Management of workflow approvals	Low	Level 2	🟩	✓								✓	
CareFirst IT Review	Low	Level 2	🟩		✓	✓	✓			✓			✓
BACS	Low	Level 2	🟩	✓								✓	
Cyber Security Programme	Low	Level 1	🟩	✓	✓	✓	✓	✓	✓	✓			✓
Benefit Service - Citizen Access Online Claims	Low	Level 1	🟩		✓	✓	✓					✓	✓
Oracle 1B Data Analysis – Urgent payments / Leavers during migration	Low	Level 1	🟩	✓								✓	
Delivery of Corporate Programme Management Office	Low	Level 1	🟩	✓	✓	✓	✓	✓	✓	✓			✓
Benefits Service - Local Welfare Provision	Low	Level 1	🟩		✓	✓	✓					✓	✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
Council Tax - Utility Price Rise Mandatory and Discretionary Funds	Low	Level 1	🟩										
Corporate Payroll - Pay rise	Low	Level 1	🟩	✓								✓	
IT Projects - Home to School Transport 365 Lessons Learnt			🟧		✓	✓	✓			✓			✓
Payments - Supplier Reconciliation			🟧		✓	✓	✓					✓	
Property Disposals - Best Consideration			🟧		✓	✓	✓						✓
Section 11 Return			🟧	✓	✓	✓	✓			✓			✓
Oracle SoD			🟧	✓								✓	

Follow Up Reports (15 Reports, 25 Progress Reports):

Title	Risk Rating Council	RAG
Engagement of Consultants and Interims	High	🟥
Direct Payments - Embedding Operational Practice (Stage Two) Follow Up	Medium	🟨
Heartlands Day Centre - 2nd Follow Up	Medium	🟨
Direct Payments - Progress of Reviews in Excess of 12 Months Overdue	Medium	🟨
Housing Repairs Contract Management and Performance	Medium	🟨
Funerals and Property Protection Report	Medium	🟨
Adult Social Care - Safeguarding	Medium	🟨
Housing Visiting Programme	Medium	🟨
Waste Management Procurement Compliance	Medium	🟨
Kenrick Care Centre	Medium	🟨
S117 Second Follow-up	Medium	🟨
Cityserve - Procurement and Contract Management	Low	🟩
Recruitment and Selection - Casuals	Low	🟩
Revaluation of Assets	Low	🟩

Title	Risk Rating Council	RAG
HMO Licensing	Low	🟢
Home To School Transport - Interim Report		🟧
Home to School Transport Progress Review		🟧
Anti-Virus Progress Review		🟧
Information Governance Progress Review		🟧
IT Procurement Progress Review		🟧
IT Project Governance Follow Up		🟧
Day Centres		🟧
Placements - Supported Living		🟧
Assessment and Support Planning		🟧
Assessment & Support Planning – Early Intervention Community Team		🟧
GDPR Compliance - City Operations		🟧
Online Service Delivery (Intranet)		🟧
IT Project Governance		🟧
Day Centres		🟧
GDPR Compliance City Housing		🟧
Information Governance - GDPR Article 39 Compliance		🟧
Public Services Network		🟧
Printing		🟧
Placements, Supported Living		🟧
Heartlands Day Centre		🟧
Assessment & Support Planning – Early Intervention Community Team		🟧
Information Governance – GDPR Compliance		🟧
IT Procurement and Commercial Management		🟧
Fixed Assets IT Systems		🟧
IT Asset and Configuration Management		🟧

Investigation Reports (14 Reports)

School Visits (31 Reports, 9 Follow-up Reports, 26 Progress Reports)

Internal Audit Charter 2023/24

1. Introduction

1.1 This charter sets out Birmingham Audit's:

- purpose, authority, and responsibilities;
- establishes Birmingham Audit's position within the organisation, including reporting relationships with the 'board';
- covers the arrangements for appropriate resourcing;
- defines the scope and role of Internal Audit in any fraud-related work; and
- includes arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

It also sets out the objectives, framework and services delivered by Birmingham Audit (which are in accordance with the mandatory Public Sector Internal Audit Standards (PSIAS)). The detailed actions to deliver the charter are contained within the Birmingham Audit Service Plan.

Notes:

1. *The term the 'board', is defined as the Council's Audit Committee.*

2. *Statutory officer roles with regards to Internal Audit:*

   Chief Executive - ensure there is an open, honest, transparent, and accountable culture in operation within the Council and are records and explanations are available as and when required by Internal Audit.

   Director of Council Management (Section 151 Officer) - is responsible for ensuring the sound financial administration of the Council and effective systems of Internal Audit. They are also responsible for deciding on the action to be taken to investigate suspected financial irregularities, including referring the matter to the Police.

   Monitoring Officer - has a specific duty to ensure that the Council, its officers, and its Elected Members, maintain the highest standards of conduct in all they do.

2. Purpose, Authority & Responsibilities

2.1 Birmingham Audit's primary purpose is to provide independent and objective assurance to the Council on the control environment (risk management, internal control, and governance) by evaluating its effectiveness in achieving the organisations objectives.

Birmingham Audit's helps the Council meet high standards of Service delivery, conduct and governance and assist in driving down the levels of fraud which achieved by examining, evaluating and reporting on the effective use of resources, reviewing the whole system of internal control and implementation of the intelligence led investigations regime.

2.2 In accordance with the Council's Constitution, Part D – D1 Financial Regulations, section FC4 Financial Governance directors must:

"(v) Providing open and unfettered access to internal and external auditors.

(vi) Implementing agreed internal audit recommendations within agreed timescales."

2.3 Birmingham Audit's responsibilities include looking at how risk management, control, governance processes, and other resources are managed, and working with managers to add value, and improve the security, efficiency, and effectiveness of their processes.

2.4 Individual auditors are responsible for ensuring that they operate with due professional care. This means that Birmingham Audit staff will:
- be fair and not allow prejudice or bias to override objectivity;
- declare any interests that could potentially lead to conflict;
- sign a confidentiality statement;
- not accept any gifts, inducements, or other benefits from employees, clients, suppliers or other third parties;
- use all reasonable care in obtaining sufficient, relevant, and reliable evidence on which to base their conclusions;

- be alert to the possibility of intentional wrongdoing, errors and omissions, inefficiency, waste, lack of economy, ineffectiveness, failure to comply with management policy, and conflicts of interest;

- have sufficient knowledge to identify indicators that fraud may have been committed;

- disclose all material facts known to them which if not disclosed could distort their reports or conceal unlawful practice subject to confidentiality requirements; and

- disclose in reports any non-compliance with these standards; and not use information that they obtain in the course of their duties for personal benefit or gain.

3.   Position within the Organisation (including reporting relationship with the board)

3.1   Birmingham Audit will remain independent of the areas audited to ensure that auditors perform their duties impartially, providing effective professional judgements and recommendations. Where appropriate audit staff will be rotated to avoid and conflict of interests. Birmingham Audit will not have any operational responsibilities.

3.2   Subject to any statutory responsibilities and overriding instructions of the Council, accountability for the response to advice, guidance and recommendations made by Birmingham Audit lies with management. Management can either accept the advice and implement recommendations or reject them. Any advice, guidance or recommendations made by Birmingham Audit will not prejudice the right to review the relevant policies, procedures, controls, and operations at a later date.

3.3   The Assistant Director Audit and Risk Management will report the results of audit work in accordance with the Birmingham Audit Protocol.

4. Resourcing

4.1   The service will be delivered to professional standards by appropriately qualified and skilled staff. Birmingham Audit has achieved the ISO27001:2013 Information Security Standard. The Information Security Standard is subject to regular external review.

4.2   During 2023/24 we will continue to seek more efficient and effective ways to deliver the audit service, provide assurance to Members, and help identify new ways of working that will bring about service improvements and deliver efficiencies. The Audit data warehouse and data analysis will be used to support our assurance work and provide intelligence in respect of allegations of non-benefit related fraud referrals or data anomalies identified, and to carry out exception reporting, to identify samples and review data quality.

4.3   We will work with private sector partners as necessary to ensure we have the right skills and resources to deliver a quality driven professional service to the Council.

4.4   We will work in partnership with other inspection bodies to ensure that we get the maximum audit coverage from the resources invested; taking assurance from each other's work where appropriate.

4.5   If the Assistant Director Audit and Risk Management, or those charged with governance, consider that the adequacy and sufficiency of internal audit resources or the terms of reference in any way limit the scope of Birmingham Audit, or prejudice the ability of Birmingham Audit to deliver a service consistent with the definition of Internal Audit, they will advise the Council accordingly.

5. Scope

5.1   The scope of the internal audit function will embrace the internal control system of the Council. It covers all financial and non-financial related activities of the Council at all levels of its structure.

5.2   The internal control system is defined as including the whole network of systems and controls established by management to ensure that the objectives are met. It includes both financial and other controls for ensuring that corporate governance arrangements are satisfactory and best value is achieved. In determining where effort should be concentrated, the Assistant Director Audit and Risk Management will take account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving its objectives.

5.3   Birmingham Audit will consider the results of the Council's risk management processes. Where the results indicate adequate action has already been undertaken to manage the risks / opportunities Birmingham Audit will take this into account. Where the results indicate that insufficient work has been done then Birmingham Audit may undertake a separate review.

5.4   The scope of audit work extends to services provided through partnership arrangements. The Assistant Director Audit and Risk Management will decide, in consultation with all parties, whether Birmingham Audit conducts the work to derive the required assurance or rely on the assurances provided by other auditors. Where necessary, the Assistant Director Audit and Risk Management will agree appropriate access rights to obtain the necessary assurances.

5.5   Birmingham Audit will not undertake tasks which are likely to compromise its independence, internal control functions, or certification processes.

5.6   Birmingham Audit will participate and contribute to Council and Directorate policy development as required through attendance at relevant events and working groups.

5.7   Other Work

        Where appropriate resources exist, Birmingham Audit will make provision within the plan for the review of key systems or key services provided by:

        • the Council on behalf of other organisations; and

- others on behalf of the Council. In order to achieve this Birmingham Audit will require access to partner records, systems, and staff. This access should form part of any partnership contract between the Council and the partner.

The decision to include it in the plan will be dependent on the level of risk identified and whether reliance can be placed on opinions provided by others.

5.8   Fraud & Corruption

In accordance with the Birmingham City Council Constitution, Part D – D1 Financial Regulations, FC6 Delivery and Adherence to Core Strategies, directors must:

"(i) Directors will maintain appropriate systems to enable the Director of Council Management to collect information on the adherence to core strategies.

The Council core strategies that support Sound Financial Management including:

(i)   Anti-Fraud & Corruption Strategy
(ii)   Anti - Money Laundering Policy
(iii)   Whistle-blowing Strategy
(iv)   Risk Management Strategy
(v)   Insurance Strategy
(vi)   Contracts and Procurement Regulations"

Birmingham Audit will assist managers in minimising the scope for fraud by evaluating the Council's systems of internal financial control and reporting thereon. Where irregularities are suspected, Birmingham Audit will, in appropriate cases, undertake an investigation and report to management or will promptly provide advice and guidance to assist managers with their investigation. All investigations undertaken by Birmingham Audit will adhere to all Council policies.

Where Directorates require Birmingham Audit to attend disciplinary hearings as a management witness, sufficient notice, i.e.: 10 working days, should be given.

6.   Avoiding Conflicts of Interest

6.1   Birmingham Audit staff will maintain an impartial, unbiased attitude to their work and will avoid conflicts of interest.

6.2   Birmingham Audit will maintain a register of interests for Audit staff. Any interests declared will be considered when planning and delivering work.

6.3   Where appropriate audit staff will be rotated to avoid any conflict of interests.

7.   The Audit Committee

7.1   Our support to the Audit Committee helps to demonstrate the highest standards of corporate governance, public accountability, and transparency in the Council's business. We will maintain an effective working relationship with the Audit Committee, this will include:

- their approval of the internal audit charter and audit plan, and monitoring of progress against them;

- the provision of training and technical support to keep Members informed of relevant legislation, good practice and governance issues;

- access to all reports. Those considered to be of the highest risk will be highlighted and bought to their attention; and

- performance management information will be provided.

7.2   We will attend the committee meetings and contribute to the agenda.

7.3   We will participate in the committee's review of its own remit and effectiveness, and ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives.

7.4 Our progress reports will include the outcomes of internal audit work in sufficient detail to allow the committee to understand what assurance it can take from that work, and / or what unresolved risks or issues it needs to address.

7.5 Annual / half year update reports will be produced. The annual report will include an overall opinion on the control environment, the extent to which the audit plan has been achieved, and a summary of any unresolved issues.

8. Birmingham Audit Business Plan – 2023/24

8.1 The Business Plan sets out Birmingham Audits vision to be a highly respected and valued team for insight, analysis, and advice.

8.2 Objectives:

- Deliver an internal audit service that meets professional and mandatory standards and delivers an informed and evidenced assurance to the Council.
- Deliver an effective counter fraud service to prevent, detect and deter fraud and error and to assist law enforcement agencies through the provision of intelligence.
- Enhance awareness and management of risk across the Council by embedding the risk management framework and co-ordinating the production of the Strategic Risk Register.
- Add value and insight by understanding the risks and challenges that we, and our clients face and identifying opportunities to deliver improvements for the citizens of Birmingham.

9. Statutory Requirements

9.1 There is a statutory requirement for Local Authorities to have a counter fraud and internal audit function. This service is provided for the Council in-house by Birmingham Audit working in partnership with a number of external bodies. The Assistant Director Audit and Risk Management provides a continuous internal audit and counter fraud service and reviews the Council's controls and operations.

9.2 The services we provide are in accordance with the following legal and professional requirements:

Legal:
- Accounts and Audit Regulations 2015
- Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013
- Criminal Justice Act 2003
- Criminal Procedures Investigation Act 1996
- GDPR/Data Protection Act 2018
- Fraud Act 2006
- Freedom of Information Act 2000
- Human Rights Act 1998
- Local Government Act 2002
- Police & Criminal Evidence Act 1984
- Proceeds of Crime Act 2008
- Regulation of Investigatory Powers Act 2012
- Social Housing Fraud (Power to Require Information) Regulations 2014
- The Protection of Freedoms Act 2012
- Theft Act 1978
- Welfare Reform Act 2012

Professional Requirements:
- Relevant CCAB professional guidance including the Public Sector Internal Audit Standards
- Relevant IIA guidance

- Information Security - BS EN ISO27001:2013

9.3 Birmingham Audit reports to the Section 151 Officer under the Local Government Act 2002. The legislative drivers for internal audit and counter fraud continue to evolve.

9.4 The Council has adopted the CIPFA / SOLACE code of corporate governance. This code together with the Statement of Recommended Practice (SORP) introduced the requirement for an annual statement of assurance to be made. The Council has subsequently reviewed / revised their Local Code of Governance in accordance with the CIPFA Framework - Delivering Good Governance in Local Government. This means that the Chief Executive and Leader are required to sign a formal corporate assurance statement (known as the Annual Governance Statement (AGS)) on the effectiveness of the Council's governance arrangements and identify any significant governance issues.

9.5 We have a role to play in advising Directors regarding the processes, and reporting mechanisms needed to compile their own assurance statements, which the AGS will be based on. An integrated assurance framework in established which places greater reliance on 'management assurance'. This is obtained from individual officers around specific areas of risk and the assurance documentation completed annually at both directorate and business unit level.

9.6 The audit plan is risk based and delivered to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place. Our opinion will be prepared using the following sources of assurance: Internal / External Audit work, the AGS process and Risk Management processes. We will work with the External Auditors to improve overall coverage and avoid duplication of effort.

9.7 We give an opinion on the internal control environment which forms part of the AGS, which the Council is legally required to produce as part of the final accounts. The work undertaken by Birmingham Audit makes an important contribution to providing assurance around the control environment, and the content of the AGS. The categories of work include:

- Section 151 work around the major and significant financial systems;
- IT Governance;

- audit around the major risks and the risk management process;
- audit of corporate governance / business control assurance arrangements;
- counter fraud activities; and
- school activities.

10.   The Annual Audit Plan

10.1   We will contribute to protecting and enhancing organisational value, supporting the Council's aim to make a positive difference, every day, to people's lives.   We will provide an enterprise wide perspective when carrying out audit work, constantly considering the challenging financial situation, and ensuring our planning process is future focused, adds value and insight, and improves organisational operations. We will continue to provide independent assurance and advice that supports healthy transparency in the risk management process. We will place emphasis on the responsibility taken by management to recognise their key risks and take ownership and accountability to manage these effectively, understanding risk appetite to properly accept / mitigate risks to achieve the best outcome.

10.2   The audit plan for 2023/24 has been compiled based on a number of factors, i.e.:

- the level of risk associated to each entity;
- the level of assurance associated to each entity;
- any reviews that fall under the 'must do' categorisation, i.e.: those which are required to be undertaken as part of the minimum internal audit standard.

On an annual basis each entity will be reassessed based on the results of the previous year's internal audit work and other assurance gained regarding the control environment.

10.3   All the risks contained within the Strategic Risk Register are included within the Council's Assurance Framework, which is updated prior to producing the audit plan, and some or all of these will be audited on the basis of their likelihood and impact. The focus of the audits will be

the testing of the systems, controls and action plans put in place by the nominated risk owner to mitigate the risk. If other significant risks / opportunities are identified either through audit work, new / changing legislation, or other change mechanisms they may, subject to resource availability, be added to the audit plan.

10.4   Following guidance from the External Auditors each of the systems they designate as 'main financial systems' will feature in the audit plan, unless otherwise directed.

10.5   We will continue to develop our approach to systems audit work to put more emphasis on reducing the risk of fraud. Counter fraud activity will include both reactive and proactive fraud work and providing further assistance to officers to better manage the risk of fraud through prevention, detection, and deterrence. This will include work in relation to the National Fraud Initiative (NFI). And ongoing development of anti-fraud database.

10.6   Follow up audits will be undertaken in accordance with the agreed policy.

10.7   Consultancy / advisory work will be undertaken within the limitations of existing resources and where it does not introduce a conflict of interest.

Consultancy / advisory work is defined as:

"The provision of objective advice and assistance relating to the strategy, structure, management and operations of an organisation in pursuit of its long-term purposes and objectives."

Consulting / advisory services may include but are not limited to:

- facilitation of workshops;
- assistance in the completion of financial returns; and
- representation on Boards etc.

The purpose, scope, and approach for each piece of consultancy work will be agreed prior to commencement of the work.

A Charging Policy has been implemented. This means that some elements of work will only be undertaken if resource is available and the client is willing to incur the cost e.g. grant claim certification.

![Birmingham City Council logo]

Internal Audit Plan 2023/24

Activity	Current Days	Subtotal	Category	Assurance
Financial Assurance				
Accounts Payable/Payment Activities (Oracle Processes)	50		Financial Core System	Robust controls are in place for all payment activities
- CHAPS Payments				
- Data Analysis - One Time Payments				
- Key Reporting				
- Statutory Requirements / Submissions				
- Supplier master Data Management				
- Capture - forensic tool				
- Proactive Data Analysis - Key Controls				
Accounts Receivable (Oracle Processes)	50		Financial Core System	Monies owed for services rendered are received promptly and debts appropriately and timely progressed.
- Management of Adult Social Care Debts				
- Raising Invoices - Quality and Accuracy (inc. Interface Files)				
- Debt Recovery				
Annual Audit Letter	5		Financial Core System	Issues raised within the External Auditors Annual Audit Letter are monitored and actioned.
Asset Management - Fixed Assets	50		Financial Core System	Fixed assets are accounted for correctly.

Activity	Current Days	Subtotal	Category	Assurance
- Commercial Portfolio – Income Generation				
Benefits Service	50		Financial Core System	Applications are validated in a timely manner and paid accordingly. Accounts are subject to regular review.
Corporate Payroll (Oracle Processes)	20		Financial Core System	Pay is accurately calculated, accounted for, and received by staff on timely basis.
- Data Entry & Reconciliation				
Compliance with HR Policies (including Oracle Processes)	30		Corporate / Financial Core System	Human Resources policies and procedures are complied with and correctly reflected on payroll where appropriate.
- Injury Allowance				
- Hays Pre employment Checks Compliance				
Council Tax	30		Financial Core System	Council Tax payments, less valid deductions, are paid in a timely manner and prompt recovery of outstanding debts take place. All accounts are subject to regular review and monitoring.
NNDR	30		Financial Core System	Business Rate payments, less valid deductions, are paid in a timely manner and prompt recovery of outstanding debts takes place. All accounts are subject to regular review and monitoring
Financial Management – Control (Oracle Processes)	50		Financial Core System	Robust financial controls are in place.
- Financial Controls Review				
- Cash Management				
Treasury Management	20		Financial Core system	The Treasury Management Strategy and Policy is complied with and treasury processes appropriately controlled.
Procurement and Contracts	140		Financial Core System	Procurement and contract requirements are complied with.
- Ladywood Regeneration Project (Competitive Dialogue)				
- Third Party Framework Agreements				

Activity	Current Days	Subtotal	Category	Assurance
- Waivers Procedure				
- Breach Procedure				
- Combined Heating and Power Scheme				
- Manned Security – Contract Management				
- Capital Contract – Open Book Arrangements				
Rent Collection & Charges	25		Financial Core System	Rent monies owed are collected and early intervention takes place for the recovery of debts.
Direct Payments	20		Financial	Direct payments are correctly assessed and paid.
Oracle IT - Controls / Security (Oracle Processes)	48		Financial Core System	Adequate arrangements in place to ensure the effective and secure management of the Oracle Fusion system. **Additional 18 days added.**
- Customisations PaaS				
- General IT Controls				
- BCC Stabilisation Planning Workshop				
- Go Live Testing - Commercial Support				
Subtotal		618		
Adults Social Care				
Commissioning - Regulated Care	15		Operational / Regularity / Strategic Risk	Adequate arrangements are in place in respect of the care providers contract framework.
Discharge to Assess	20		Operational / Regularity / Strategic Risk	Effectiveness of discharge and assessment arrangements to support citizens when they leave hospital.
- Stage 3: Non-Front Runner Procedures				

Activity	Current Days	Subtotal	Category	Assurance
- Compliance with Process and Procedures				
Day Centres	15		Operational / Regularity / Corporate	Robust procedures are in place and have been implemented to ensure appropriate governance arrangements are in place for the management of Day Centres.
Disabled Facilities Grant (DFG)	20		Operational / Regularity	Disabled Facilities Grants are correctly awarded and robust arrangements in place to manage the completion of adaptions.
- Procurement				
- Compliance with New Procedures				
Refugee and migration	20		Corporate	Commissioning of services and contract management arrangements are robust.
Transition to Adulthood	20		Operational / Regularity / Strategic Risk	Effective arrangements are in place to support the transition of young people transitioning to adulthood.
Liberty Protection Standard/Deprivation of Liberty Safeguards	15		Corporate / Strategic Risk	Referrals for and assessments of Deprivation of Liberty Safeguards are being robustly and effectively completed.
Funeral Service and Property Service	15		Operational / Regularity	Management and financial arrangements in place for the Funeral Service and the Property Service are adequate and effective.
Assessment & Support Planning/Placements	20		Strategic Risk	Robust procedures and arrangements are in place for the assessment of packages of care.
Subtotal		**160**		
Children and Families				
Home to School Transport	25		Corporate	Robust controls are in place to manage the Home to School Service.
SEND Ofsted Improvement Plan	10		Corporate	The SEND Ofsted Improvement Plan is robustly monitored and managed.
Admissions and Appeals	15		Operational / Regularity	Admissions and appeals are carried out in accordance the Government Code of Practice.

Activity	Current Days	Subtotal	Category	Assurance
Directorate Transformation Programme - Governance controls and delivery	25		Operational / Regularity / Strategic Risk	Strong governance controls are in place to manage, monitor and deliver the Directorate's Transformation Programme.
Responding to the Challenge of Improving Financial Management in Schools	15		Operational / Regularity	Local Authority controlled schools are robustly managing their budgets, and the Local Authority has controls assurance in place.
Safeguarding Corporate Overview	30		Strategic Risk	Robust corporate safeguarding processes are in place.
SEND - Sufficiency Strategy	15		Corporate	There is a robust strategy to provide sustainable SEND services.
- Sufficiency Strategy Early Progress Review				
- Sufficiency Strategy Assessment				
Elective Home Education	10		Operational / Regularity	Home Educated Children are safe and receive an appropriate education.
Directorate Commissioning & Contract Management	20		Operational / Regularity	Contract management within the Directorate is effective.
Family Hubs	15		Operational / Regularity	Robust controls over the management and delivery of the programme's expectations.
Contract Monitoring - Birmingham Children's Trust (BCT)	20		Operational / Regularity	Provide assurance that sufficient controls are in place to monitor and control the work of the BCT.
Early Years Health & Well-being	15		Operational / Regularity	The EYH&WB Contract is being robustly managed and delivering the services intended.
Children not in Education	20		Operational / Regularity	Children not in education are safe, accounted for and receive an education.
Directorate Complaint Processes	15		Operational / Regularity	Robust complaints processes are in place.
School Exclusions	20		Operational / Regularity	The Local Authority monitor school exclusions.
Directorate Business Intelligence Function	15		Operational / Regularity	The Business Intelligence function is delivering its service objectives.

Activity	Current Days	Subtotal	Category	Assurance
Safeguarding & Development - BCSB	20		Corporate	Support the work of the BCSB and provide assurance over safeguarding arrangements.
- Regional Section 11 Review				
- Right Help Right Time				
School Visits	540		Schools	Undertake a programme of school visits to provide assurance on finance and governance arrangements.
Subtotal		**845**		
City Housing				
Tenancy Management Services	20		Operational / Regularity	Tenant Management arrangements are effective.
Homelessness	35		Strategic Risk	Focus will be on Temporary Accommodation Finance Management and the arrangements for responding to Ombudsman Homelessness cases.
- Temporary Accommodation Finance				
- Local Government Ombudsman - Homelessness Cases				
Stock Condition Data	20		Strategic Risk	Appropriate arrangements have been established to assess the condition of the City's housing stock.
Response to City Housing Self-Assessment	15		Operational / Regularity	Self-assessment has been robustly completed, and for issues identified, appropriate action has been taken.
Repairs	150		Operational / Regularity / Strategic Risk (funded by HRA)	Support for ongoing Whistleblowing allegations and provide assurance over service delivery processes and procedures
- Responsive Repairs - Voids - Gas R&M				
- Job bookings and planning				

Activity	Current Days	Subtotal	Category	Assurance
- Ongoing response				
Subtotal		**240**		
City Operations				
Waste Management	25		Corporate	Arrangements and procedures for delivering an effective waste management service.
Enforcement - Litter and Fly Tipping	10		Operational / Regularity	Effectiveness of litter and fly tipping enforcement procedures.
Subtotal	**35**	**35**		
Council Management				
Acivico Contract Monitoring	20		Operational / Regularity	Contract monitoring is robust.
Accountable Body	30		Operational / Regularity	Discharge of accountable body responsibilities.
Ethics	10		Governance	Robust of ethical arrangements to support an honest and fair organisation.
Risk Management	10		Governance	Verify that the risk management framework is appropriate and being implemented across the organisation.
Governance	20		Governance	Robustness of governance arrangements.
Self-Assessment – Annual Good Governance Statement (AGS) Process	10		Governance	Appropriate arrangements are in place to produce a supportable AGS.
IT Policies	20		Technical	The Council's IT policy framework is adequate and there is suitable programme in place to review and updated policies and monitor compliance.
IT Project Governance	15		Technical	Robust IT project governance is in place to ensure that projects are delivered on time, within budget and to the required standards.
Information Governance	20		Technical / Strategic Risk	Adequate security and controls are in place to ensure compliance with The General Data Protection Regulations (GDPR) obligations.

Activity	Current Days	Subtotal	Category	Assurance
Digital Strategy	20		Technical	The key themes of the strategy are being delivered in line with the stated outcomes of the ICTD Strategy implementation plan, and key milestones are being achieved.
IT Applications	30		Technical	Adequate arrangements in place to ensure the effective and secure management of the applications.
Cyber Risks	20		Technical / Strategic Risk	Adequate security and cyber security controls are in place.
- Ongoing Engagement				
- Schools Cyber Security				
IT / Digital Projects	30		Technical	Effective project governance and management arrangements are in place to support the implementation of individual projects. **10 days moved to Oracle.**
Subtotal		**255**		
Place, Prosperity and Sustainability				
Enterprise Zones	20			Adequate management arrangements in place for the EZ programme.
Clean Air Zone	10		Strategic Risk	Adequate arrangements / strategies are in place to ensure the council / city will achieve net zero carbon by 2030.
Housing Development	15		Strategic Risk	Verify that effective arrangements have been established to develop and improve housing across the city.
Planning Applications	20		Operational / Regularity	Planning applications are controlled and processes in line with statutory guidelines.
Subtotal		**65**		
Strategy, Equalities and Partnerships				
Cost of Living programme	15		Corporate	Effective support arrangements are being implemented.
Public Health	30		Strategic Risk	Delivery of NICE requirements. Effectiveness of finance and operations.
- Adherence to NICE guidelines NG44				

Activity	Current Days	Subtotal	Category	Assurance
- Financial Management of grant allocations for non-recurrent external funding				
- Recruitment Practice – Compliance with Corporate Requirements and Processes				
Subtotal		**45**		
Fraud / Irregularities				
Investigations	350		Counter Fraud	Reactive fraud investigation
Awareness	150		Counter Fraud	Targeted training and anti-fraud awareness
Proactive / compliance	200		Counter Fraud	Proactive antifraud / compliance reviews
Subtotal		**700**		
Chargeable				
Work for Acivico	40		External	External work.
Grant Certification / chargeable work	80		External	External work.
- GBSLEP Growth Hub Grant Certification				
- Troubled Families April 2023 PBR Claim				
- Bordesley Green East				
- Family Funds Grant				
- Troubled Families June 2023 PBR Claim				
Subtotal		**120**		

Activity	Current Days	Subtotal	Category	Assurance
Risk Management Facilitation	50		Risk Facilitation	Facilitation of risk management and the strategic risk register.
Partnering / Insight / Contingency	462		Ad-hoc / contingency / Other Assurance	Partnering / insight / contingency. **8 days moved to Oracle.**
- Ad-hoc Work - Clean Air Zone Management of Charges - Decision Making Process				
- DBS Checks: Assisting with Implementation of KPMG Recommendations				
- HTST Safeguarding Steering Group				
- SEND Ofsted Improvement Plan On-going Monitoring				
- Early Intervention Community Team - Stage Two Review				
- Public Health - COMF Funding 22-23				
- Public Health - COMF Funding 23-24				
- Ad-hoc Work Queries Advice to Client - Queries Taking Under Half A Day				
- Ad-hoc Work - ENAs				
- Youth Service Recruitment Processes				
- Family Group Conferencing Team				

Activity	Current Days	Subtotal	Category	Assurance
- WMS Service Delivery Monitoring				
- Ad-hoc Work - Banking Briefing Note				
- Ad-hoc - City Housing: Procuring Temporary Accommodation Project				
Follow up work	175		Follow up	Follow ups – verify progress and implementation of agreed recommendations
- Accounts Payable - One Time Payments and Request for Payments				
- Waste Management – Performance Reporting				
- NNDR Charity Relief – Mandatory & Discretionary				
- Engagement of Consultants-Interims				
- Placements – Discharge to Assess				
- Fleet Services – External Review				
- Enablement and Home Care				
- HTST - Early Progress Review				
- Day Centres				
- BACS				
- Document Management 360				
- Information Governance				

Activity	Current Days	Subtotal	Category	Assurance
- General Data Protection Regulation (GDPR) Compliance E&S				
- General Data Protection Regulation (GDPR) Compliance City Operations				
- Data Breach Travel Assist				
- General Data Protection Regulation (GDPR) Compliance City Housing				
- GDPR compliance - Adult Social Care				
- IT Asset and Configuration Management				
- IT procurement				
- Logotech - Treasury Management				
- IT Governance				
- Impulse				
- MAPPS				
- IT Operations				
- IT Projects - Home to School Transport 365				
- IT Applications JADU				
Data Analysis	200		Other Assurance	Data analysis / data driven assurance
City Initiatives / Information Requests	20			Corporate initiative / responding to information requests
Subtotal		**907**		

Activity	Current Days	Subtotal	Category	Assurance
Grand total		3990		

BIRMINGHAM CITY COUNCIL

Report to:	**Audit Committee**
Report of:	Meena Kishinani, Director of Transformation
	& Fiona Greenway, Interim Director of Finance & s151 Officer
Date of Meeting: 28th June 2023	
Subject:	Update on Oracle Implementation

Wards Affected: All

1.   **Purpose of Report**

1.1   To provide the Audit Committee with an update of the actions being taken to progress the implementation of the Oracle Cloud ERP system.

2.   **Recommendation**

2.1   The Audit Committee is asked to note the details of this report

3.   **Detail**

At its meeting on 16th May 2023, Audit Committee was advised of the issues relating to the implementation of the new ERP/IT system, Oracle Cloud, to improve its internal functions relating to financial management and human resources.

The switch to Oracle was the first major change in ERP/IT system that BCC had undertaken since 1999. Whilst it is not unusual for the implementation of new IT systems to encounter difficulties, it is clear that the transition to Oracle has not run as smoothly as the Council would have liked.

Under the strengthened governance arrangements, a substantial amount of work has progressed with the implementation of Oracle to address the known issues across finance and HR.

BCC continues to actively engage with its key partners including its External Auditors and the Department for Levelling Up, Housing and Communities. The External Auditors have offered to independently review the plans to get the implementation of Oracle back on track.

The issues caused by the Oracle implementation are not impacting upon the front-line delivery of Council services across the City.

As this is an evolving position, updating information will be provided to the Committee on 28th June 2023, however some of this material will be sensitive and will be provided in accordance with Schedule 12A s3 Local Government Act 1972.

Name of report Author: Meena Kishinani
Title: **Director of Transformation**
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Background Papers:

Audit Committee 16th May 2023 - Agenda, Reports and Minutes

Grant Thornton

External audit landscape for Birmingham City Council

Audit years 2020-21, 2021-22, 2022-23 and 2023-24

28 June 2023

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This progress report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

Name: Jon Roberts
For Grant Thornton UK LLP
Date: 28 June 2023

1. Explanation of key issues for open audits

Year of audit	Factors preventing completion
2020/21 opinion	Reconsideration of equal pay AGS update
2021/22 opinion	Reconsideration of equal pay Investment property challenge Oracle impairment assessment IT audit of SAP issues AGS update
2021/22, 2022/23 and 2023/24 VFM	Equal pay governance Oracle implementation and IT governance Financial sustainability refresh
2022/23 and 2023/24 opinion	Financial control and reliability of outturn Accounts preparation risks from Oracle
All years	Consideration of additional audit powers

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BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

28 June 2023

SCHEDULE OF OUTSTANDING MINUTES

Note: As of 30 September 2021 – Responses to outstanding actions to be made within a 2 month period unless there is an exceptional reason.

	Completed & discharged
	Approaching 2 months
	2 months +

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
529 22/11/2022	**ASSURANCE SESSION - CABINET MEMBER SOCIAL JUSTICE, COMMUNITY, SAFETY & EQUALITIES PORTFOLIO** **Additional actions:** That the Audit Committee: (iii) Agreed for officers to provide further details on the eligibility for the School meals during the holidays, details on the Ukraine Response Programme and the outstanding queries raised at the meeting.	Richard Brooks Director - Strategy, Equality & Partnerships to respond (Awaiting response) Update provided by Janie Berry at 28 March meeting. Link to O&S papers circulated 30/05/2023 **COMPLETED & DISCHARGED**
544 31/01/2022	**ASSURANCE SESSION - CABINET MEMBER SOCIAL JUSTICE, COMMUNITY, SAFETY & EQUALITIES PORTFOLIO (PART 2)** **Additional actions:** That the Audit Committee: (ii) Requested for regular updates on the progress and developments around Job Evaluation to be shared with the Committee.	Email was circulated to Members on 27/03/2023 with the response to this action. Darren Hockaday offered to present an update on JE at the next Audit Committee (if required) Darren Hockaday – Director of HR & Organisation Development **COMPLETED & DISCHARGED**

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	(iii) Further details around flexible working, policy, performance of hybrid homeworking (new ways of working) data to be shared with the Committee.	Email was circulated to Members on 27/03/2023 with the response to this action. **COMPLETED & DISCHARGED**
560 14/02/2023	**THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN AND THE HOUSING OMBUDSMAN ANNUAL REVIEW 2021/22** **Additional Actions:** (iii) Agreed for a representative from both the Local Government and Social Care Ombudsman's (LGSCO) and Housing Ombudsman's (HO) to provide a briefing session to Audit Committee Members to understand the role of the Ombudsman. (iv) Details of the number of complaints for 2022-23 across the organisation to be shared with Committee Members.	Dawanna Campbell & Janie Berry
562 14/02/2023	**RISK MANAGEMENT UPDATE** **Additional Action:** (iii) A report to be discussed at the next meeting on an audit investigation in the media that resulted in a custodial sentence.	Sarah Dunlavey
575 28/03/2023	**GROUP COMPNY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT** **Additional Action:** (ii) An offline briefing session to be arranged for Committee Members to understand the work undertaken by Cabinet Committee Group Company Governance.	Alison Jarrett/ Mohammed Sajid/ Committee Services
576 28/03/2023	**AUDIT FINDINGS REPORT 2020/21 AND 2021/22** **Additional Action:** (ii) Suggested for officers to compile a dashboard indicating recruitment across the	Email was circulated to Members on 19/06/2023 with the response to this action.

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	organisation indicating targets, workforce planning across service areas.	**COMPLETED & DISCHARGED**
577 28/03/2023	**APPROVAL OF THE STATEMENT OF ACCOUNTS 2020/21 AND 2021/22** **Additional Action:** (vi) Officers to arrange an offline briefing via the Treasury Advisor for committee members to gain a better understanding on affordable borrowing.	Contact made to David Green on 08.06.2023. Dates to be explored before sharing with Committee Members. Mohammed Sajid/ Committee Services