

# BIRMINGHAM CITY COUNCIL

<b>AUDIT COMMITTEE</b> <b>18 JUNE 2019</b>
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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON**  
**TUESDAY, 18 JUNE 2019 AT 1400 HOURS IN COMMITTEE**  
**ROOM 2, COUNCIL HOUSE, BIRMINGHAM**

**PRESENT:-**

Councillor Grindrod in the Chair;

Councillors Akhtar, Bridle, Jenkins, Jones, Quinnen, Tilsley and Webb.

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**NOTICE OF RECORDING/WEBCAST**

- 118 The Chairman advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's Internet site ([www.civico.net/birmingham](http://www.civico.net/birmingham)) and members of the press/public could record and take photographs except where there were confidential or exempt items.

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

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

- 119 **RESOLVED:-**

- (i) That the resolution of the City Council appointing the Committee and Chair, with membership set out below for the period ending with the Annual Meeting of the City Council in May 2020 be noted:-

**Labour Group**

Councillors Akhtar, Bridle, Grindrod (Chair), Jones and Quinnen

**Conservative Group**

Councillors Jenkins and Webb

**Liberal Democrat Group**

Councillor Tilsley

- (ii) that Councillor Paul Tilsley be elected Deputy Chair (with the proviso - until an independent member was appointed to Audit Committee, for the purpose of substitution for the Chair if absent, for the period ending with the Annual Meeting of the Council in 2020.
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**AUDIT COMMITTEE - FUNCTIONS**

The following schedule was submitted:-

(See document No. 1)

Councillors Webb and Jenkins made known their dissatisfaction regarding the Audit Committee Chairmanship, and while highlighting the inappropriateness for this and also the possibility of less inclination to challenge the Leadership of the City Council, suggested that it should have been offered out to the other two parties.

The Chair confirmed that he would remain as neutral as possible and be as fierce as possible in challenging the Executive in this regard.

120 **RESOLVED:-**

That the schedule of functions be noted.

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**DECLARATIONS OF INTEREST**

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

Councillor Grindrod (Chair) - non-pecuniary non-executive director - Acivico  
Councillor Tisley - non-pecuniary non-executive director - Birmingham Airport Holdings Limited, and pecuniary interest – beneficiary of WMPF  
Councillor Akhtar – employee – HSBC  
Councillor Jenkins – recipient WMPF  
Councillor Quinnen – recipient WMPF

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**PUBLIC MINUTES – AUDIT COMMITTEE 26 MARCH 2019**

122 **RESOLVED:-**

That the Public Minutes of the last meeting be confirmed and signed.

**Matters Arising from the Last Meeting**

Sarah Dunlavy, Assistant Director, Audit and Risk Management referred to the previous meeting whereby the Committee had requested that quarterly reports on contracts should be submitted to this committee.

She confirmed that as they had recently been added to the Star Chamber agenda, and rather than a stream of contracts coming here in some sort of escalation, that the more significant and riskier contracts were submitted to the meetings rather than all of them.

The Chair agreed to the recommendation put forward by the Assistant Director.

123

**RESOLVED:-**

That Audit Committee received the more significant and riskier BCC's contracts on a quarterly basis.

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**OMBUDSMAN REPORT – COMPLAINT ABOUT POST 19 EDUCATION**

The following report of the Chief Executive and the Director, Education and Skills was submitted:-

(See document No. 2)

Miranda Freeman, Senior Liaison Management Officer, made introductory comments to the report.

Anne Ainsworth, Assistant Director, Skills and Employability, referred to the maladministration and injustice that had been found by the Ombudsman and highlighted that it was very clear in this case, that the family had been let down by not receiving the level of service that should have been provided.

She confirmed that they had accepted all of the recommendations and had welcomed the involvement of the Ombudsman. She highlighted the important lesson learnt from this case, which was that the errors were never repeated and brought to this committee again.

During the presentation the following points were captured:-

- Cabinet had recently approved a new policy for transport which included Post 19 which the Ombudsman had recognised and welcomed the introduction of a new policy.
- The City Council had committed to working with parents to change the application forms for transport assistance and to introduce a new application process for Post 19.

- The website pages relating to transport support would be changed to make them easier to understand and case studies provided to help give parents a better understanding of the different types of transport support available.
- The decision-making process for Post 19 applications was being changed and under the new policy, decisions would be made by an Independent Panel of Professionals, to ensure that the decision making process was transparent and consistent. Applicants would be able to attend Stage 2 Panel meetings to present their case.
- A new Quality Assurance Framework was also being introduced to ensure that the new process was working well and the framework would also ensure that decisions were communicated clearly and in a timely manner to applicants.
- It was noted that the department would continue to work with parent/carer forums and others, and that the Cabinet Member had committed to continue the dialogue with parents and would be meeting with them regularly over the next academic year to receive feedback, and for any further improvements to be made.

The Chair suggested that it would be useful for the Committee to see sight of the response to the Ombudsman.

Miranda Freeman confirmed that she would be replying to the Ombudsman next week based on this report and agreed to provide a copy of the communication to the Committee.

Kate Charlton, City Solicitor, referred to the governance that had been introduced into the City Council in terms of what actions needed to come to City Council, and also the actions and delegations that needed to come back to Cabinet, and therefore proposed that the governance be also applied to Audit Committee.

She stated that items that Members' requested be brought back to this Committee, suggested that it be included immediately on the action tracker in time for the next meeting.

124

**RESOLVED:-**

That the Audit Committee approved the actions being taken in response to the Local Government and Social Care Ombudsman's report and;

that Audit Committee be included on the BCC Action Tracker – to receive a copy of the response to the Ombudsman.

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**2018/19 ANNUAL GOVERNANCE STATEMENT**

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

(See document No. 3)

Martin Stevens, Head of City Finance Accounts, introduced the report and made particular reference to the governance issues identified for the inclusion in the Statement for the 2018/19 Financial Year together with the mitigation and proposed actions.

He reported that the Annual Governance Statement would be kept under review up to the point of signing the final version of the accounts which would be submitted to July 2018 Audit Committee meeting, adding that any significant events or developments relating to the governance system, would be reported at the meeting.

In response to Councillor Bridle's comments relating to the Birmingham Independent Improvement Panel (BIIP), Clive Heaphy, Strategic Director, Finance, reported they were in discussion with the Ministry of Housing, Communities & Local Government (MHCLG) and others on the future assurance framework and how this was operated.

He confirmed that there would be a report submitted to Cabinet, adding that BCC was a lead in Local Government and that they wanted to ensure the governance arrangements they have in place to replace the BIIP, were robust and fit for purpose for the whole of the sector in moving forward.

He further added that the Secretary of State had engaged with BCC on the future model and that it should be available shortly.

In response to the Chair's request to see delivery of the item, Clive Heaphy confirmed that part of the Committee's role was to be satisfied that what was being put in place was appropriate and that it would be brought back to the Committee at the earliest opportunity.

125

**RESOLVED:-**

That the Annual Governance Statement, which will be included in the 2018/19 Statement of Accounts, be approved

That it be noted that the arrangements for the management of the items included in Section 6 of the Annual Governance Statement are due to be reported to the Audit Committee during the year.

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**BIRMINGHAM AUDIT ANNUAL REPORT 2018/19**

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

(See document No. 4)

Sarah Dunlavey, Assistant Director, Audit and Risk Management, provided a comprehensive breakdown of the report.

In response to Members' comments the following points were captured:-

Sarah Dunlavey referred to the fake emails and detailed the unsophisticated way in which they had been changed. She stated that both times, they had been traced through Service Birmingham and as a result of this, notices had been sent out to schools in order to raise awareness and highlighting that BCC would never request information in this way.

Craig Price, Principal Group Auditor referred to the fake emails and subsequently reported on the processes that were in place to prevent the emails from progressing through the system.

Sarah Dunlavey referred to the students missing in education and subsequently detailed the ways in which they could trace the movement of families through various sources and ensured that when visits were made to schools, they were following the correct reporting processes for attendance.

Sarah Dunlavey confirmed that she would provide the requested information relating to the audit team and also invited the Audit Committee to an on-sight visit to Woodcock Street to view the systems and processes that were in place.

Craig Price referred to the audit plan that had been submitted at the previous meeting which detailed individuals' jobs and the work that was planned to do on a business control side. He briefly explained the visit programme put in place following the issues in schools which had recently evolved to a risk based process, where they look at which schools were sharing the potential area of risk through various factors and agreed to provide further detail if required.

Clive Heaphy highlighted that although it was useful seeing the audit plan for obvious reasons, encouraged Members to use the plan as a way of looking at areas of risk and to start looking ahead in order to get some assurances that there were the key controls in place, and to be able to call the relevant directors in and in by doing so, getting ahead of the work taking place and becoming more actively involved in the running of the organisation.

Craig Price briefly explained how the plan was put together with the inclusion of the financial systems built in with the focus areas on a cycle and assurance basis. He referred to the business assurance and that some of those areas were on a dynamic risk basis which involved a risk assessment and an update throughout the year. If there was cause for concern during the year, the appropriate action would be taken and reflected in the updated plan in order that the attention was focused on the key areas and key risks faced by the City.

In response to Councillor Webb's comments relating to reactive investigations and the assurance that there was good proactive work being undertaken by the team, the Chair suggested that it would be a justified role for the committee to learn more about the risk management culture that was being pushed out across the City Council.

He referred to comments relating to Audit Committee taking a more pro-active role in supporting good audit practices; having a greater understanding of the journey the City Council was on, where it was at, and where it wanted to get to and how the committee can ensure that the City Council was maintaining a good pace on that journey, highlighting that it would be useful for this committee.

Councillor Webb stressed the importance of the team when carrying out their work if any push back was received from Executive in preventing work from being undertaken, either positive or negative feedback, that this was reported back to committee.

The Chair reiterated the importance of the team identifying any barriers albeit political, practical or external they would need to be addressed.

He referred to the need for the Committee to have a more open broader discussion and alluded to the July meeting, or a subsequent meeting, whereby there was a significant amount of time to map out the appropriate items for the remainder of this municipal year.

Councillor Webb suggested that consideration should be given to the Work Programme and the relevancy of all the items that were on there, adding that if the Committee was to function as it should, some changes would need to be made.

The Chair concluded that the Committee would be looking for more of a themed approach in order to ensure the Council was responding to rather than a specific item by item basis.

126

**RESOLVED:-**

That the report be noted and the annual assurance opinion for 2018/19 be accepted;

that approval be given to the 2019/20 Internal Audit Charter as set out in the report now submitted.

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**STATEMENT OF ACCOUNTS 2018/19**

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

(See document No. 5)

Martin Stevens, Head of City Finance Accounts, introduced the report and subsequently responded to Members' comments:-

He explained the differences between the valuations in the report relating to the funding basis and accounting basis.

He referred to the Capital Grants and confirmed that they were all listed under Note 15 - page 181 within the report.

He agreed to provide the relevant information relating to the four schools that had since left the City Council.

Clive Heaphy, Strategic Director, Finance, referred to officers leaving the City Council and confirmed that any payments that had been made were in line with their contracts, and had been considered by the JNC Panel and by the Auditors, adding that it was not appropriate for the financial detail to be shared with the committee.

Councillor Jenkins expressed displeasure that the financial information could not be shared especially with the tax payers in Birmingham and subsequently questioned the relevance of the committee.

At this juncture, the Chair requested comments from the external auditor regarding the Statement of Accounts in anticipation of them being signed off at the next meeting.

Paul Dossett, Engagement Leader, Grant Thornton, confirmed that he had replaced Phil Jones who had since retired.

He referred to local government accounts being somewhat complex and while Birmingham was larger than other authorities and far more complex than others, confirmed that the accounts had been produced in line with the statutory deadline and at this moment in time, could see no irregularities.

127

**RESOLVED:-**

That the Draft Statement of Accounts for 2017/18 and the arrangements for the audit of the accounts and public inspection be noted.

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**UPDATED EXTERNAL AUDIT PLAN – YEAR ENDING 31 MARCH 2019 - GRANT THORNTON**

The following report of the External Auditor, Grant Thornton, was submitted:-

(See document No. 6)

Paul Dossett, Engagement Leader, Grant Thornton provided a comprehensive breakdown of the plan.

In response to Councillor Tilsley's comments relating to the plan, Paul Dossett referred to the expectation that in place was a strong internal audit that had reflected back on areas of weaknesses which they had identified, and therefore, without having to undertake a comprehensive review of internal audit, was satisfied with what was being demonstrated.



He highlighted that from time to time in different organisations there had been cause for concern regarding internal audit coverage, scope and capacity, adding that this was not an issue that had been raised here specifically in recent times.

He confirmed that his career had spanned over 30 years in Local Government Audit and that his team was dedicated to public sector working and their work focused specifically on the City Council.

The Chair concluded by thanking Paul for the update.

128 **RESOLVED:-**

That the report be noted.

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### **EQUAL PAY UPDATE - PUBLIC**

The following report of the Corporate Director of Finance and Governance and the City Solicitor and Monitoring Officer was submitted:-

(See document No. 7)

Kate Charlton, City Solicitor presented the report.

129 **RESOLVED:-**

That the Committee noted the contents of the report and Exempt Appendix 1.

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### **SCHEDULE OF MEETINGS FOR NEW MUNICIPAL YEAR 2019/20**

130 The following schedule of Meetings was noted:-

All meetings to take place on Tuesdays at 1400 hours:-

30 July 2019	- Committee Room 6
24 Sept 2019	- Committee Room 6
19 Nov 2019	- Committee Room 6
28 Jan 2020	- Committee Room 6
24 March 2020	- Committee Room 6

The Chair suggested that the Committee Clerk investigate the possibility of future Audit Committee meetings being held in a larger committee room given the attendance numbers.

At this juncture, in response to the Chair's suggestion as to whether there should be in the inclusion of an additional meeting between April/May 2020 given that there were no elections taking place, a lengthy discussion ensued.

Members made the following comments:-

Councillor Jenkins confirmed that there was already a great deal of demands on members' time and an additional meeting should not be scheduled unless there was an urgent reason for this.

Councillor Tilsley suggested the dates should be scheduled closer together in order to prevent a three month time lapse.

Councillor Webb suggested that if an additional meeting was not set, then the first meeting of every municipal year should be used to set the pace of what the committee were looking to achieve over the rest of the year, highlighting that for this year, the additional meeting was required in order to set the pace for the forthcoming year.

Councillor Akhtar suggested that the meetings were slightly re-jigged in order to accommodate an additional meeting.

The Chair detailed the constraints that the committee was facing with regard to the addition of a further meeting and therefore suggested the possibility of discussing further at the next meeting, albeit depending upon the size of the agenda.

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### **SCHEDULE OF OUTSTANDING MINUTES - 2019**

131 The following schedule of Outstanding Minutes was noted:-

(See document No. 8)

### **RESOLVED:-**

That the Schedule of Outstanding Minutes be continued.

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### **OTHER URGENT BUSINESS**

#### **The Process of All Employees Exiting the City Council – Information Requested**

Councillor Webb requested for the above-mentioned information to be made available to the committee.

Clive Heaphy agreed that the information should be made available to the committee, albeit relating to the process rather than specific details of any individual cases. He reported that the JNC Panel was the decision making body and that the role of the committee was to scrutinise in order to ensure that the process they were following was robust and provided the correct outcome.

Councillor Jenkins expressed his dissatisfaction with regard to the effectiveness of the JNC Panel controlling exit payments or obtaining value for the tax payers in Birmingham and believed that it was reasonable for the Audit Committee to

seek good value as part of their remit, adding that he would continue to challenge in this regard.

Clive Heaphy confirmed that the auditors were party to those individual decisions and how they were made which was undertaken as part of their year-end audit. He provided further assurance from Kate Charlton, that any decisions taken prior to the JNC, audit was contacted to ensure that all was as it should be.

The Chair agreed with Members' comments relating to the process and being confident that the tax payers were getting value from the process, and that there was assurance from the auditors that what was in place was correct.

He highlighted that it was for this committee to follow the boundary to ensure items were not getting the wrong side of the boundary and challenging the council to be the right side of the line.

Paul Dossett concluded by referring to the exit packages and confirmed that they were seen by them as part of the audit process, highlighting that if they had had any concerns about them, then there was no doubt that they would have been raised.

132 **RESOLVED:-**

That the information requested by the Committee on the process used for employees exiting the city council be provided in due course.

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**AUTHORITY TO CHAIRMAN AND OFFICERS**

133 **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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**EXCLUSION OF THE PUBLIC**

134 **RESOLVED:-**

That, in view of the nature of the business to be transacted, which includes exempt information of the category indicated, the public be now excluded from the meeting:-

Exempt Paragraph 3