

# BIRMINGHAM CITY COUNCIL

<b>AUDIT COMMITTEE</b> <b>14 MARCH 2017</b>
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## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 14 MARCH 2017 AT 1400 HOURS IN COMMITTEE ROOM 6, COUNCIL HOUSE, BIRMINGHAM**

### **PRESENT:-**

Councillors Bore, M Jenkins, Robinson, Shah and Spencer.

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### **APPOINTMENT OF CHAIRMAN FOR THE MEETING**

951 It was proposed by Councillor Shah, seconded by Councillor Spencer and agreed that Councillor Sir Albert Bore be appointed Chairman for the meeting.

COUNCILLOR BORE IN THE CHAIR.

The Chairman noted Councillor Chatfield's recent appointment as Cabinet Member for Transparency, Openness and Equality and wished to thank him for all his hard work and the efficient manner in which he had chaired the Audit Committee throughout the municipal year.

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### **NOTICE OF RECORDING/WEBCAST**

952 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.birminghamnewsroom.com](http://www.birminghamnewsroom.com)) and that members of the press/public could record and take photographs except where there were confidential or exempt items.

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### **APOLOGIES**

953 Apologies were submitted on behalf of Councillor Tilsley.

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

**MINUTES**

In response to a question by the Chairman, the Committee Manager undertook to contact Councillor Chatfield to ask if he had received a response to his letter regarding the current budget position and savings plan (Minute No 944 refers).

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**RESOLVED:-**

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

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**CORPORATE RISK REGISTER UPDATE**

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

(See document No 1)

Cynthia Carran, Principal Business Auditor, in referring to recommendation 2.3 – Risk 30 – Risk that e-mail/e-mail archiving IT system fails, advised that a solution had been agreed and was being delivered. Therefore, the new risk was no longer applicable. In response to Members' comments she undertook to provide further information regarding Risk 30.

Members commented on the report and Cynthia Carran and Sarah Dunlavey, Assistant Director, Audit and Risk Management, responded thereto.

In view of the fact that Risk 30 was no longer applicable, the Committee agreed to amend recommendation 2.3 accordingly.

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**RESOLVED:-**

- (i) That the Committee agrees that the information provided by directorates and risk ratings are reasonable and the action being taken is effective, or if further explanation/information is required; further that the level has reduced for the following risks:-
  - a) Risk 7 – Lack of capacity and capability to respond to threat of industrial action, employee relations tensions, poor service, performance issues, sickness absence and poor morale due to organisations downsizing and pay freezes.
  - b) Risk 9 – Failure to respond fully and effectively to the issues from recent reviews concerning school governance and related matters.
  - c) Risk 11 – That the loss of significant personal or other sensitive data may put the Council in breach of its statutory responsibilities and incur a fine of up to £500,000 from the Information Commissioner.

- d) Risk 19 – Failure to deliver the Council’s Localisation Agenda and commitments made in the Council’s Improvement Plan and Leader’s Policy Statement.
  - e) Risk 24 – That the need to address the updated pensions deficit will result in an increase in employer contributions.
- (ii) that approval be given to the deletion of the following risks for the reasons set out in the report:-
- a) Risk 8 – Risk of challenge regarding implementation of the Younger People’s Re-provision Programme – the work stream is now closed and efficiency and savings targets have been transferred to the Maximising Independence of Adults Board (MIA).
  - b) Risk 9 – Failure to respond fully and effectively to the issues from recent reviews concerning school governance and related matters – a much improved performance culture and set of arrangements are now in place for the Council’s education services.
  - c) Risk 13 – Not planning appropriately for the on-going reduction in government grants – this is an annual risk but there are processes in place to manage it.
  - d) Risk 24 – That the need to address the updated Pensions Deficit will result in an increase in employer contributions – this risk is crystallised in the setting of the 2017/18+ budget. The information received has been fully taken into account in the update of the Council’s medium term financial plan and in the development of savings proposals.
- (iii) that approval be given to the following new risk:-
- Risk 31 – Increased pressure on the statutory homeless service in regard to volume of customers which leads to significant financial pressure on the general fund due to increased use of B&B;
- (iv) that Risk 30 – Risk that e-mail/e-mail archiving IT system fails is no longer applicable;
- (v) that approval be given to the refreshed risk management documents.

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**BIRMINGHAM AUDIT – DEVELOPMENT OF THE 2017/18 INTERNAL AUDIT PLAN**

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

(See document No 2)

Craig Price, Principal Group Auditor, introduced the report and, in response to Members' comments, explained how the plan was dynamic and being constantly updated to reflect the changing risks and circumstances.

He expanded on the figures, set out in appendix A of the report, regarding the number of days in the audit plan.

Phil Jones and Richard Percival, Grant Thornton, confirmed that they were satisfied with the risk assessment regarding the audit plan.

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**RESOLVED:-**

- (i) That the progress made in the development of the 2017/18 internal audit plan be noted;
- (ii) that the proposed internal audit coverage be noted and Members' comments be included in the audit risking process;
- (iii) that it be noted that the final plan is due to be approved at the meeting scheduled to take place in June 2017.

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**ANNUAL GOVERNANCE STATEMENT – PROGRESS**

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 3)

Martin Stevens, Head of City Finance Accounts, introduced the report.

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**RESOLVED:-**

That the report be noted.

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**GRANT THORNTON – PROGRESS REPORT**

The following report of the External Auditor was submitted:-

(See document No 4)

Phil Jones and Richard Percival, Grant Thornton, introduced the report and responded to Members' comments.

In response to a question by Councillor M Jenkins, Sarah Dunlavey, Assistant Director, Audit and Risk Management, undertook to provide information regarding the use of contractors and tax indemnity.

958 **RESOLVED:-**

That the report be noted.

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**GRANT THORNTON – AUDIT PLAN**

The following report of the External Auditor was submitted:-

(See document No 5)

Phil Jones and Richard Percival, Grant Thornton, introduced the report and responded to Members' comments explaining the difference between the significant risks referred to in the report and those set out in the Corporate Risk Register considered earlier in the meeting (Minute No 955 refers).

With regard to delivering alternative savings plans to mitigate budget pressures, it was unlikely that there would be a clear picture as to whether this would be achieved until the autumn at the earliest.

Angela Probert, Acting Chief Executive, in response to Members' comments regarding the various changes to the management structure including the recent resignation of Mark Rogers as Chief Executive, informed the Committee of the interim appointments made to date.

She referred to the recommendations of the Finance Review Panel and outlined measures that had been put in place regarding the delivery of the Council's plans and programmes.

959 **RESOLVED:-**

That the report be noted.

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**GRANT THORNTON – INFORMING THE AUDIT RISK ASSESSMENT**

The following report of the External Auditor was submitted:-

(See document No 6)

Phil Jones and Richard Percival, Grant Thornton, introduced the report.

The Committee noted that this was Richard's last meeting and wished him well for the future.

960 **RESOLVED:-**

That the report be noted

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**ADOPTION OF ACCOUNTING POLICIES FOR 2016/17**

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 7)

Martin Stevens, Head of City Finance Accounts, introduced the report and, in response to a question by Councillor M Jenkins, undertook to provide information on the changes to the accounting process regarding leases.

961 **RESOLVED:-**

- (i) That the accounting policies for the determination of the Council's accounts for 2016/17 be adopted;
- (ii) that the implications for future years' accounts arising from the changes in accounting standards be noted.

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**OTHER URGENT BUSINESS**

962 No other urgent business was raised.

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**AUTHORITY TO CHAIRMAN AND OFFICERS**

963 **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 1520 hours.

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CHAIRMAN