

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
20/01	<b>Council's Resilience and Financial Sustainability</b>				
	Residual Risk	Low			
	Impact	Medium			
	<p>The Council's forecasting contains significant indicative provisional funding gaps in the coming years (approximately £100m per year after the 2020/21 year).</p> <p>Although the Council has identified actions to close the funding gap in the 2020/21 year, work in this area is likely to continue as councils across the country adjust to the true impacts of the Covid-19 pandemic.</p> <p><b>Recommendation</b> The Council need to continue to plan for future years and proactively identify and mitigate cost pressures and financial risks as they arise.</p>	<p>The Council has already taken unprecedented action by undertaking a comprehensive mid-year assessment of its Medium-Term Financial Plan which has been formally reported to Cabinet in November 2020 as well as being scrutinised by O&amp;S Resources and this has been the baseline for developing budget proposals for both 21/22 and 22/23.</p> <p>The work on the underlying base budget is ongoing with DMT challenge processes which have taken place over January to test all assumptions, pressures and deliverability of savings using the mid year update of the MTFP.</p> <p>Further to this Star Chambers have and are taking place on both a service and issues basis to ensure completeness and robustness of estimates.</p> <p>The overall approach to balancing the medium-term budget is through the implementation of the Delivery Plan which has been approved by Cabinet alongside the refresh of the Medium-</p>	February 2021 and ongoing	Interim Chief Finance Officer	<p><b><u>March 2021</u></b> The comprehensive mid-year assessment of the Medium-Term Financial Plan was formally reported to Cabinet in November 2020 and scrutinised by O&amp;S Resources. This provided the baseline for developing the final budget proposals for both 2021/22 and 2022/23</p> <p>Following the mid-year assessment, DMT budget challenge sessions were held through to December 2020 in addition to the Star Chamber meetings held throughout the year. This provided assurance on the robustness of the budget baseline.</p> <p>The outcome of this comprehensive process and the Local Government Financial Settlement in December 2020 was a Financial Plan 2021 – 2025</p>

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		<p>Term Financial Plan in November 2020. The Delivery Plan is leading the budget strategy and strategic resource allocation over the period of the Medium-Term Financial Plan.</p> <p>Proposals will be put forward to balance the budget for 2021/22 and an indicative position presented to balance 2022/23 based around the Outline Business Cases work underpinning the Delivery Plan.</p> <p>It should be recognised that medium and long-term financial planning is extremely difficult in the context of the 1-year finance settlement from Government, the uncertainty of the pandemic and Brexit's impact on Birmingham.</p> <p>To reflect this, the Council increased its General Fund Reserve to 4.5% of its net budget and will not need to draw on these reserves to balance the budget. Further to this, the Finance Resilience Reserve remains intact at £84.9m (as at 31 March 2020). Additionally, £60m has been identified from other reserves that is available to be used to invest to ensure that the Final Business Cases which will be complete by 31 March 2020 in the</p>			<p>agreed by the City Council on 23 February 2021.</p> <p>The financial plan set out a balanced budget for 2021/22, balanced with no use of reserves to achieve this and which included a contribution to the Financial Resilience Reserve increasing its balance to £114.5m to improve the Council's financial resilience.</p> <p>The budget outlook for 2022/23 has an expectation that the Delivery Plan process will produce £38.5m of proposals.</p> <p>In the context of only a single year financial settlement from the Government, the Financial Plan does indicate a funding gap in 2023/24 of £76m rising to £80m by 2024/25.</p> <p><b><u>June 2021</u></b> The Council's financial outturn for 2020/21 which is being reported to Cabinet in June, will show the Council weathered 2020/21 well and has further strengthened its</p>

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		<p>Delivery Plan are fully funded. The Final Business Cases are required to balance the budget in 2022/23.</p> <p>To date the Covid tranche 4 grant from 2020/21 and the recently announced Covid tranche 5 grant for 2021/22 have been set aside in a specific Covid Reserve to mitigate cost pressures and financial risks relevant to Covid. They provide a significant level of additional financial resilience.</p>			<p>financial resilience and provided further budget flexibility.</p> <p>Enhanced Delivery Plan business cases are expected in late June which are intended to address the proposals needed for 2022/23.</p> <p>There remains a structural deficit, forecast to be £80m by 2024/25 that will need addressing and uncertainty around future government funding.</p> <p>A refresh of the Medium Term Financial Plan will be undertaken in the summer as part of the rolling budget process.</p> <p><b><u>September 2021</u></b>  The Quarter 1 finance report for 2021/22 showed a forecast overspend of £27m. The July MTFP update illustrated further pressures on the Council's budget over the medium term and a potential increased gap between spend and resources.</p>

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					<p>The Corporate Leadership Team are collectively working on bringing the 2021/22 budget back into balance and undertaking a programme of work on budget options for future years.</p> <p>A Quarter 2 finance report and a further update on MTFP forecasts will be presented to Cabinet in October.</p>
20/02	<b>Independent Review of the Council's Waste Service</b>				
	Residual Risk	Low			
	Impact	Low			
	<p>The Non-Executive Adviser for Waste Management and Industrial Relations stated in July 2020 "The Council has not yet concluded its review of waste collection services and the independent review is long overdue."</p> <p>Although progress has been made by the Council during 2019/20, there still some significant decisions which still need to be made in the near future about the provision of the waste service.</p>	<p>There has been significant progress following Wood's initial review of the service. Performance has improved and there is a good working relationship with the Trade Unions.</p> <p>There are regular meetings chaired by the Cabinet Member to discuss the future of the service.</p> <p>Modelling work has taken place but we are waiting to see what the implications of the Government's review are, especially on food waste, before we can finalise recommendations for the City</p>	September 2021	Director of Neighbourhoods (Acting)	<p><b>March 2021</b> Work continues to improve performance.</p> <p>Phase 2 modelling is restricted until the Government release their view on food waste, anticipated Summer 2021. The introduction of food waste has a critical effect on future collection models.</p> <p><b>June 2021</b> Consultation on the Government's Waste to</p>

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	<p><b>Recommendation</b></p> <p>We recommend that the Council continues to work closely with Wood to ensure that Phase 2 of the independent review is completed as soon as is practically possible and ensures that it can maintain effective and consistent relations with its trade union partners regardless of any future changes to the waste service delivery model.</p>	<p>Regular meetings will be held with the Cabinet Member to discuss progress and the future of the service.</p> <p>Progress on phase 2 of the report has been more difficult as it links to the Government's plans to standardise items collected across England.</p> <p>Finalise the final delivery model taking onboard any changes in requirements.</p>			<p>Resources paper has restarted. This is looking at consistency of collections and different recycling options such as glass and food. The outcome of the consultation and subsequent legislation will inform future collection programmes. We are proposing to use this data to inform future collection models</p> <p><b><u>September 2021</u></b></p> <p>The Environment Bill is still working its way through the consultation process and is due to report back in the Autumn. We are waiting for this important update to inform any future collection models. We are in regular contact with Wood and models can be developed as soon as the future collection programmes are made clear.</p>

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20/03	<b>Long term Highways PFI Solution</b>					
	Residual Risk	Medium				
	Impact	Medium				
	<p>The scale of the affordability gap in the long term PFI arrangements may lead to delays in agreeing revised arrangements between the Council and BHL, and therefore may lead to delays in BHL securing a new, permanent subcontractor.</p> <p>There is a risk that the current arrangements are not delivering the best possible value for money, and that these arrangements may need extending beyond the term of the current agreement.</p> <p><b>Recommendation</b> The Council should work towards completing negotiations with BHL as a matter of priority, in order to ensure that a new, permanent solution can be put in place as soon as reasonably possible to achieve best value for money.</p>		<p>The Council is fully cognisant of this risk and already places a high priority on putting in a place a long-term replacement subcontract that will deliver the best outcomes for the city within the available resources.</p> <p>Solutions will continue to be explored that provide the opportunity to ensure the best possible value in delivering these services in the long term.</p> <p>Structural changes as well as financing options are subject to extensive assessment between BCC and BHL supported by the DfT expert, consultants and lawyers. These negotiations are progressing positively.</p>	Ongoing	Assistant Director – Highways & Infrastructure	<p><b>March 2021</b> The Council continues to work towards a value for money long-term solution.</p> <p>The Council has reviewed the position on the optimum approach to delivering investment with the available funding in conjunction with BHL. This remains subject to reaching commercial agreement on the way forward, the parameters for which were reported to Cabinet on 16 March 2021. Any agreement reached will need to be reported to a later Cabinet.</p> <p>An assurance process is in place for the provision of services in the interim to seek to ensure that they deliver the best value for money in the present circumstances.</p>

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					<p><b><u>June 2021</u></b></p> <p>The Council's business case was submitted to Department for Transport (DfT) on 1 March 2021 based on optimising the approach to delivering investment in the network. A response from DfT is awaited.</p> <p>Negotiation on the long-term approach with other stakeholders continues within commercial parameters approved by Cabinet on 16 March 2021. On 8 June 2021 Cabinet approved the first stage in enabling these negotiations to be completed, extending the Restructuring Period to 3 December 2021.</p> <p><b><u>September 2021</u></b></p> <p>The response from DfT indicated that the Council's business case would not be supported and that a revised case endorsed by all stakeholders would to be submitted in incremental stages.</p>

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						The first of which; a Strategic Outline Business Case was submitted on 9 August and a response from DfT is expected on 21 September.
20/04	<b>Interim Highways PFI subcontracting arrangements</b>					
	Residual Risk	Medium				
	Impact	Medium				
	<p>The interim subcontract was completed on a 'cost reimbursable' basis, meaning that the subcontractor takes little risk in relation to the contract, and the risk sits with BHL. Subject to BHL agreeing its forecast cashflow and payments with the Council, the Council has agreed to ensure that BHL remains solvent by paying its reasonable operational costs during the interim period.</p> <p><b>Recommendation</b> We recommend that the Council ensures proactive monitoring and management of the contract between BHL and Kier is taking place, in order to mitigate the financial risk to the Council created by their agreement to ensure that BHL remains solvent by paying its</p>		<p>This recommendation is accepted and acknowledged. A 'cost reimbursable' basis was not the Council's preferred option but has ensured continuity of service and a smooth transition from the previous subcontractor. These were critical elements in enabling this service to move forward.</p> <p>The Council is in the process of putting in place arrangements to support the management of the subcontract through this interim period to provide a satisfactory level of assurance</p>	Ongoing	Assistant Director – Highways & Infrastructure	<p><b>March 2021</b> As stated in the response in 20/03 above, the parameters to reach commercial agreement on the way forward, were reported to Cabinet on 16 March 2021 and an assurance process is in place for the provision of services in the interim. The Council continues to work to improve this as part of day to day management of the service.</p> <p>This matter has also been covered by the Council's Internal Audit Team and management are taking forward the measures discussed accordingly.</p>



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	reasonable operational costs during the interim period.				<p><b><u>June 2021</u></b>  The position continues to be as reported in March 2021, except that the additional resource to support assurance is in place from 15 June. There will be a necessary period of developing new staff into their roles, but the additional capacity will enable closer management of the assurance process by the Council, which is in addition to the monitoring and management undertaken by BHL.</p> <p><b><u>September 2021</u></b>  Induction of Council staff continues, and there has been an increase in proactive monitoring to provide greater assurance.</p>

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20/05	<b>Partner funding for the Commonwealth Games</b>				
	Residual Risk	Low			
	Impact	Medium			
	<p>Substantial work has been undertaken by the Council to secure the required partner contributions of £75.0m, with £50.0m secured to date.</p> <p>The Council is continuing to work with various potential games partners to ensure that the remaining £25.0m of required partner contributions is secured, but this is not currently in place.</p> <p><b>Recommendation</b></p> <p>The Council should take further action to address the current shortfall of £25.0m in partner funding due to fund the capital expenditure budget in the second half of 2021/22 and 2022/23, if it is going to fully mitigate the financial impact of the Games.</p>	<p>The Council is continuing to work to secure further contributions, whether from existing planned Partners or other funding bodies.</p> <p>Engagement is being undertaken with Government and other Games partners to agree optimal and deliverable funding solutions.</p> <p>£19m of secured contributions now received by the Council.</p> <p>Discussion paper presented to CWG Programme Board on 14 January to agree approach to ensure that the remaining £25m of funding is secured.</p>	Ongoing	Commonwealth Games Programme Director	<p><b>March 2021</b></p> <p>GBS LEP Contribution of £20m now received in full, in advance of deadline of 31 March 2021 for this funding source. It is intended that this will be supplemented by drawdowns of other Partner contributions to match levels of eligible actual expenditure incurred by 31 March 2021.</p> <p>The remaining substantial risk relating to the current shortfall of £25m is explicitly referenced in the Financial Plan 2021-24 (approved at the Council Meeting on 23 February 2021).</p> <p><b>June 2021</b></p> <p>Despite extensive dialogue with potential funding partners, it is considered increasingly unlikely that it will be possible to secure any further contributions in time for the Games, and therefore whilst</p>

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					<p>any opportunities to secure external funding will continue to be sought, it is being recommended that the current identified funding shortfall is resolved by a drawdown of resources from the budgeted capital contingency, which includes allowance for this cost.</p> <p>Whilst potentially this may result in the Council making an additional budgeted contribution to the cost of the Games, the economic stimulus to the city should also be considered including the regeneration to Perry Barr that is directly linked to being awarded the Games.</p> <p><b><u>September 2021</u></b> The proposed funding solution previously identified was approved by Cabinet on 27 July 2021.</p>

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20/06	<b>Pensions Data Provided to the Actuary</b>				
	Residual Risk	Low/Complete			
	Impact	Low/Complete			
	<p>During our work to assess the accuracy and completeness of the information provided to the actuary, we identified that the data initially submitted for April 2019 did not agree to payroll records.</p> <p>There is a risk that providing incorrect information to the actuary will impact on the actuarial valuation provided for the financial statements, and lead to a misstatement of the Council's liabilities.</p> <p><b>Recommendation</b></p> <p>This was later corrected by the Council in a subsequent data submission to the actuary. We recommend that management put controls in place to ensure that data issues such as this are picked up prior to submission in future.</p>	<p>The reports used to provide the information are currently being reviewed to ensure that the relevant information is available in the correct format.</p> <p>Management review will be undertaken to ensure that the information provided is accurate.</p>	22 February 2021	Pensions Manager and Finance Manager – Financial Accounting	<p><b><u>March 2021</u></b> Completed. This issue has been resolved for the 2020/21 IAS19 return. The Pensions Manager has checked the calculations on the Pensionable Pay and Contributions and signed to say that the information is accurate. This information was then used by the Finance Manager - Financial Accounts Team for the 2020/21 IAS19 return to the West Midlands Pension Fund.</p> <p><b><u>June 2021</u></b> This action is complete.</p>

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20/07	<b>Incorrect Capitalisation of revenue expenditure funded by capital under statute (REFCUS)</b>				
	Residual Risk	Low			
	Impact	Low			
	<p>Our testing of items within Property, Plant and Equipment during 2019/20 identified items of REFCUS spend that had been incorrectly included in Assets Under Construction in the draft financial statements.</p> <p>While we have gained assurance that this does not represent a material risk to the financial statements in for 2019/20, incorrect treatment of the Council's spend will have a knock-on impact on budget monitoring activity if it is inaccurate.</p> <p><b>Recommendation</b></p> <p>Management should ensure that processes are in place to differentiate between spend that can be capitalised and spend that is being treated as REFCUS.</p>	<p>The recommendation is accepted and acknowledged.</p> <p>Feedback will be provided to the team and relevant managers in the areas where the issues have occurred and reminders given on the requirement to differentiate between spend that can be capitalised and spend that is treated as REFCUS.</p> <p>For the 2020/21 financial statements, meetings have been scheduled to understand the impact of the recommendation and determine actions to review the activity within the current year.</p> <p>For 2021/22 financial year an internal monitoring framework will be established to assist in sample checking. It will be the responsibility of the Finance Manager to implement procedure with regular monthly sample checking throughout the financial year.</p> <p>Proposed timeframe as follows;</p>	May 2021	Finance Manager - Capital	<p><b><u>March 2021</u></b></p> <p>The Capital Team has been briefed on REFCUS items and sample checking will take place in March and April for the 2020/21 closedown.</p> <p><b><u>June 2021</u></b></p> <p>Sample testing of items held in Assets Under Construction (AUC) and REFCUS has taken place during and post closedown 2020/21. Working papers have been produced and evidence gathered for those items classed as AUC ensuring that no REFCUS has been classified as AUC.</p> <p>For the 2021/22 financial year ongoing sample testing will take place to ensure continued compliance.</p>

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		<p><b><u>February 2021</u></b> Team briefing on the need to ensure clear differentiation between spend that can be capitalised and spend that is treated as REFCUS.</p> <p><b><u>March 2021</u></b> Establish an internal monitoring framework to sample check items settled to Assets Under Construction (AUC) and REFCUS.</p> <p><b><u>May 2021</u></b> Implement internal monitoring framework and commence sample checking of items settled to AUC and REFCUS on a monthly basis.</p>			<p>This process will be embedded as business as usual for future financial years.</p> <p><b><u>September 2021</u></b> As per the June 2021 update and sample testing and routine settlement continues on a periodic basis.</p>
20/08	<b>Incorrect capitalisation of revenue spend by schools</b>				
	Residual Risk	Low			
	Impact	Low			
	Our testing of items within Property, Plant and Equipment during 2019/20 identified items of revenue spend that had been incorrectly capitalised by schools in the draft financial statements.	<p>The recommendation is accepted and acknowledged.</p> <p>Feedback will be provided to the team and relevant managers in the areas where the issues have occurred.</p>	31 March 2021	Finance Manager - Capital	<p><b><u>March 2021</u></b> Schools capitalisation will be reviewed on a sample basis to check for incorrect items being capitalised.</p>

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	<p>While we have gained assurance that this does not represent a material risk to the financial statements in for 2019/20, incorrect treatment of the Council's spend will have a knock-on impact on budget monitoring activity if it is inaccurate.</p> <p><b>Recommendation</b></p> <p>Management should ensure that processes are in place to ensure that the capital spend submitted by schools is reviewed for accuracy before it is incorporated into the Council's financial records.</p>	<p>A review of the current process for monitoring school capitalisation will be undertaken.</p> <p>Proposed timeframe as follows;</p> <p><b><u>January 2021</u></b> Establish a meeting with finance team to discuss the background to the issues which have occurred.</p> <p>Meetings scheduled and preparation for the closedown of the 2020/21 accounts has started</p> <p>Review of current processes for monitoring school capitalisation.</p> <p><b><u>March 2021</u></b> Feedback and training to service colleagues ahead of the closure of accounts for 2020/21.</p>			<p><b><u>June 2021</u></b> In the lead up to and during closedown 2020/21 the schools' capitalisation process has been reviewed and sample testing was undertaken to ensure that no revenue items were capitalised.</p> <p>During 2021/22 there will be ongoing reviews of the schools' capitalisation process with recommendations for a consistent process and detailed workbooks being submitted by all schools.</p> <p>This process will be embedded as business as usual for future financial years.</p> <p><b><u>September 2021</u></b> As per the June 2021 update. Requests for detailed workbooks are ongoing and continues to be embedded as business as usual.</p>

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20/09	<b>Assets valued at below £50,000</b>					
	<b>Residual Risk</b>	Low				
	<b>Impact</b>	Low				
	<p>The Council's policy for the revaluation of Property, Plant and Equipment states that all assets valued at less than £50,000 will be included in the financial statements at £nil value.</p> <p>There is a risk that in aggregate, these assets could be significantly understating the Council's Balance Sheet.</p> <p><b>Recommendation</b></p> <p>Management should keep a high-level record of assets where this de minimis has been applied so that an assessment can be made as to whether there is a risk of material misstatement in the PPE balance in future years.</p>		<p>The number of items that are classed as de minimis because they are valued at less than £50,000 results in a maximum risk to the Council that is significantly below materiality.</p> <p>For valuations carried out in 2020/21 and future years, information will be maintained for assets valued below the de minimis value of £50,000, identifying the value that has been calculated for the particular assets in question.</p> <p>Valuers will maintain a record of actual values for all assets and those below the de minimis value will be recorded to identify any potential risk to the carrying value of non-current assets on the Council's Balance Sheet.</p>	30 April 2021	Assistant Director of Property	<p><b><u>March 2021</u></b></p> <p>Valuations are produced for each asset and a record kept of the value even if this is de minimis.</p> <p>The valuation figure is also reported as part of the valuation process so it may be included on the Council's Balance Sheet if necessary.</p> <p><b><u>June 2021</u></b></p> <p>Valuations continue to be produced for each asset, with records kept, including de minimis value</p> <p><b><u>September 2021</u></b></p> <p>Under the new contract arrangements, providers will be asked to provide formal valuations for de minimum assets and provide a copy for the Councils records</p>



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20/10	<b>Intra-group consolidation adjustments</b>				
	Residual Risk	Low/Complete			
	Impact	Low/Complete			
	<p>After preparation of the financial statements, the finance team identified that they had treated VAT amounts incorrectly within the intra-group adjustments in the consolidation process. This led to material misstatement of the group financial statements.</p> <p><b>Recommendation</b></p> <p>Management should ensure that sufficient time is built into the closedown processes to enable a robust management and quality review to be completed prior to the financial statements being submitted for audit.</p>	<p>A peer review process will be enhanced to ensure that VAT is understood and excluded from the intercompany elimination process. Written procedures and checklist will be completed to aid review.</p> <p>Preparation for closedown has started and this will form part of the procedures.</p>	28 February 2021	Finance Manager – Financial Accounts	<p><b><u>March 2021</u></b> Procedures are in progress to ensure the reviewer knows what to look for in terms of VAT and other matters pertaining to Group.</p> <p><b><u>June 2021</u></b> The 2020/21 financial statements are being prepared. A full peer review of the working papers will be carried on the Group Accounts once these are complete.</p> <p><b><u>September 2021</u></b> The Group working papers have been fully reviewed by peers and no issues were found.</p>
20/11	<b>Open purchase orders in the general ledger</b>				
	Residual Risk	Low			
	Impact	Low			
	During our work on the completeness of the Council's expenditure in the 2019/20 year,	A review is being undertaken of open purchases orders so that those that are no longer required can be closed. This	Continuous	Interim Chief Finance Officer	<b><u>March 2021</u></b> The level of open purchase orders is regularly monitored

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	<p>we have identified that there are a significant number of open purchase orders in the general ledger that relate to previous years. Some of these date back to prior to the implementation of the current ledger system.</p> <p>The volume of open orders on the system means that management cannot glean any useful information from this data for their monitoring purposes.</p> <p><b>Recommendation</b></p> <p>We recommend that management look to reduce the number of historic purchase orders still open in the general ledger system, in order to make this a useful report for their consideration of the completeness of expenditure within the financial year.</p>	<p>will greatly aid the migration of appropriate activity to Oracle Fusion when it is implemented.</p> <p>Progress will be monitored through the 1B programme.</p> <p>Unfortunately, the closure of open purchase orders can be time consuming as it requires closed codes or vendors to be reopened where necessary to then close the purchase order.</p> <p>Reports have been run to review the level of open purchase orders so that progress can be monitored during the year.</p> <p>Progress will be monitored during the year to ensure that final migration to Oracle will be as efficient as possible.</p>			<p>and work is regularly undertaken to clear these. The work to close old open purchase orders can be time consuming.</p> <p>Many POs up to and including March 2018 have now been blocked.</p> <p>Data cleansing work stops whilst the year end accounts work is undertaken by Finance staff to avoid disrupting any processes</p> <p>Work will continue early in the new financial year to data cleanse POs dated April 2018 onwards with a view to completing the task prior to the introduction of Oracle.</p> <p><b><u>June 2021</u></b></p> <p>The next phase of open PO data cleansing has commenced for POs dated from April 2018 to March 2020.</p> <p>Whilst many open POs can be closed, some cannot for SAP technical reasons. As these</p>

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					<p>are identified, they are listed and will not be migrated to Oracle.</p> <p><b><u>September 2021</u></b> The actions outlined in the March and June updates above continue with good progress being made with data cleansing.</p> <p>Practice data migration runs from SAP into Oracle have acted as a proof of concept for the exclusion list.</p>
20/12	<b>Capital Commitments</b>				
	<b>Residual Risk</b>	<b>Low</b>			
	<b>Impact</b>	<b>Low</b>			
	<p>Through performance of our testing, we have noted that the Council's capital commitments note has been prepared based on business cases and on estimated spend to date.</p> <p>While we are satisfied that this does not give rise to a risk of material error in the disclosure note, this disclosure should be prepared based on contracted amounts and actual expenditure against these at the end of the</p>	<p>The recommendation is accepted and acknowledged.</p> <p>The commitments working papers will be reviewed more stringently as part of the 2020/21 closure of accounts.</p> <p>Feedback will be provided to the team and relevant managers in the areas where the issues have occurred.</p> <p>Proposed timeframe as follows;</p> <p><b><u>January 2021</u></b></p>	30 April 2021	Finance Manager – Capital	<p><b><u>March 2021</u></b> Team members have been briefed on the requirements of the Capital commitments note, utilising contracted amounts and actual expenditure and work has started in March to prepare for this note.</p> <p>The workings to the final note will be reviewed in April and May prior to finalising the Statement of Accounts.</p>

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	<p>year.</p> <p><b>Recommendation</b></p> <p>We recommend that in future years management take care to use the correct source information for this disclosure.</p>	<p>Meeting to be arranged as part of preparation for 2020/21 closedown</p> <p><b><u>February 2021</u></b> A review of the working papers will be undertaken within the finance team.</p> <p>Correct source information and working papers will be identified to assist in the calculation of contracted commitments.</p> <p><b><u>March – April 2021</u></b> Stringent reconciliation of the relevant closedown working papers and the source information will be incorporated as part of the closedown process for 2020/21.</p> <p><b><u>Ongoing</u></b> The above practice will be imbedded as 'business as usual' for future years.</p>			<p><b><u>June 2021</u></b> During 2020/21 closedown the capital commitments working papers have been produced based on the actual amount of outstanding commitments rather than being based on budgets, forecasts and business cases. This has also been based on accounting for costs incurred as at 31/3/2021. Documentation has been provided as supporting evidence.</p> <p>This process will be embedded for business as usual for future years.</p> <p><b><u>September 2021</u></b> As per the June 2021 update. The process has now been embedded as business as usual, contracts reviewed and working papers updated to reflect the revised and more stringent processes.</p>

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20/13	<b>Heritage Asset Valuations</b>				
	<b>Residual Risk</b>	<b>Low/Complete</b>			
	<b>Impact</b>	<b>Low/Complete</b>			
	<p>The Council's Thinktank heritage asset has not been formally valued for a number of years; the figure used in the 2019/20 financial statements is based upon information compiled by the Council's insurance team. There is a risk that this valuation is not reflective of the asset's actual value. This asset is above our clearly trivial threshold but does not exceed our performance materiality.</p> <p><b>Recommendation</b></p> <p>We recommend that management consider commissioning an external valuation of this asset.</p>	<p>The Council's approach to valuation of heritage assets complies with the Code for production of financial statements.</p> <p>Paragraph 4.10.2.9 of the Code of Practice on Local Authority Accounting (the Code) states, respect of Heritage Assets "Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current"</p> <p>The Council will continue to keep its insurance coverage under review.</p> <p>Heritage assets contained within Thinktank have not been formally valued, as consistent with the remainder of the Council's Museum and Library collections. As identified</p>	<b>31 March 2021</b>	<b>Head of City Finance – Financial Accounts</b>	<p><b><u>March 2021</u></b></p> <p>The Council's approach to valuation of heritage assets complies with the Code for production of financial statements.</p> <p>The Council will continue to keep its insurance coverage under review.</p> <p>The current arrangements, outlined above, are Code compliant, therefore, this will be the approach taken for the foreseeable future. Should there be a change in process, an amended response will be provided.</p> <p><b><u>June 2021</u></b></p> <p>Unless the requirements in the Code change, this action is considered complete.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		<p>within the accounting policies Heritage assets are carried at insurance value as it is not practicable to obtain formal valuations at a cost that is commensurate with the benefits to users of the financial statements. Once a formal valuation is undertaken, the Council would be required to undertake further valuations to ensure that the carrying value remains current.</p> <p>Whilst a formal valuation of the Heritage asset collection is impracticable, given the scale and complexity, the insurance valuations used within the statement of accounts are regularly considered to ensure that insurance coverage remains relevant to the needs of the Council.</p>			
19/04	<b>Under accrual of expenditure</b>				
	Residual Risk	<b>Low</b>			
	Impact	<b>Low</b>			
	Our testing of the completeness of expenditure in 2018/19 identified several items which were paid after 31 March 2019 but should have been accrued into the 2018/19 financial year. The Council performed extended analysis covering payments made during the period to 22 August	Regular reports are run on the level of procurement activity to identify those areas where there are delays in the payment of invoices or where procurement activities are not in line with Council processes. These reports are shared with Directorates so that appropriate action can be taken.	Continuous	Interim Chief Finance Officer	<b>March 2021</b> Guidance/instruction relating to processes for the 2020/21 year end has been circulated to CLT and Directorate budget holders via Directorate Finance teams.

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>2019 which identified £9.6m of invoices (inclusive of associated VAT) which relate to 2018/19 but were not accrued.</p> <p>In previous years, similar issues around the completeness of expenditure had been noted.</p> <p><b>Recommendation</b> The Council should investigate why these invoices were not appropriately accrued and implement additional controls to reduce the risk of such omissions in the future.</p> <p><b>Update 2019/20</b> As part of the Council's closedown process, in advance of preparing the outturn report and the financial statements, a review of outstanding purchase orders and invoice clearance was undertaken to ensure appropriate entry into the accounts. Major payments made in April and May 2020 were reviewed to check the financial year in which the expenditure should be recorded and whether accruals had been made.</p>	<p>The outcomes from the Audit Findings Report and its recommendations have been shared with the Council Leadership Team to highlight the issue.</p> <p>Finance Business Partners will also brief Directorate Management Teams on the issues identified and the action required and procedures to be followed to meet appropriate accounting requirements.</p> <p>The Voyager Newsletter sent out to staff will include articles on the issues identified and the actions that will be required to ensure future compliance.</p> <p>Reports on procurement activity will be run regularly at the year end to try and capture activity within the appropriate financial year.</p> <p>The preparation for the closure of the 2020/21 accounts has started and reports are being run on procurement activity to identify issues and problem areas so that action can be taken at an early stage.</p>			<p>Accrual process training has been provided to finance staff and school business support staff.</p> <p>Delayed payment reports are run on a regular basis. This information is disseminated to Directorate Finance Teams, who have been requested to discuss at budget holder meetings.</p> <p><b>June 2021</b> Directorate Finance teams worked with budget holders to identify accruals during the closing of the 2020/21 accounts process.</p> <p>Outstanding purchase orders at the yearend were reviewed to ensure an appropriate entry into the accounts.</p> <p>Cut over testing has been undertaken, reviewing significant payments in April and May to check accruals have been made where required.</p>

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	As part of our testing in the 2019/20 year, we again identified transactions that had not been recorded in the correct year, and additional testing has had to be performed. We will continue to follow up on this recommendation in future years.				<b><u>September 2021</u></b> The 2020/21 external audit is in progress. Accrual samples have been selected and work is ongoing, providing supporting information to our external auditors.
19/03	<b>Errors noted in property valuations</b>				
	<b>Residual Risk</b>	<b>Low</b>			
	<b>Impact</b>	<b>Low</b>			
	<p>We identified errors in the work of the valuer relating to the valuation of secondary schools, and a valuation where expenditure was used instead of profit as the basis of the valuation.</p> <p><b>Recommendation</b> Appropriate review should be included as part of the valuation process to ensure that any errors in valuation are identified and resolved.</p> <p><b>Update 2019/20</b> A two-tier checking system has been put in place with a peer review by an appropriately</p>	Whilst the review in 2019/20 concentrated on the appropriateness of the valuations carried out, this will now be extended to include the administration of the transfer of information from valuation to database.	Immediate	Head of Property Valuation and Sales	<p><b><u>March 2021</u></b> Appropriate checks have now been put in place to avoid any further errors.</p> <p>All internal valuations are checked and signed off by a senior officer.</p> <p>A second independent review will take place which will cross reference the valuation information from the data base with the valuation certificate.</p> <p><b><u>June 2021</u></b> 2020/21 valuations are split between internal and external valuers with all valuations</p>



## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>qualified surveyor followed by a management review by the Head of Service. An independent professional review of all cyclical valuations undertaken by in-house valuers has been carried out by Avison Young's valuation team who specialise in valuations of this nature.</p> <p>Our audit work in 2019/20 has again identified issues in relation to the valuations performed for the purposes of the financial statements. We will continue to follow up on this recommendation in future years, as the steps that the Council has taken to address this risk have not been completely effective.</p>				<p>checked by Property Services contract managers.</p> <p><b><u>September 2021</u></b> The procedures already in place will be reviewed and enhanced to reduce the risk of administration errors</p>
19/02	<b>Disposals omitted from the prior year</b>				
	<b>Residual Risk</b>	<b>Low</b>			
	<b>Impact</b>	<b>Low</b>			
	<p>An asset with a net book value of £9.4m was disposed of in 2017/18 but this was not accounted for until 2018/19.</p> <p>We were satisfied that this was an isolated incident due to the</p>	<p>Property Services will ensure that clear instructions are sent to Legal &amp; Democratic Services, Property Records Team and relevant stake holders to facilitate the disposal of assets in an appropriate manner.</p>	Immediate	Assistant Director, Property Services	<p><b><u>March 2021</u></b> Assets sold in year are reported via a completion memo.</p> <p>All disposals continue to be monitored on a monthly basis</p>

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>unusual nature of the arrangement, and there was no material risk to the 2018/19 accounts.</p> <p><b>Recommendation</b> The Council should ensure there are appropriate controls in place to ensure all disposals are accounted for in the correct year.</p> <p><b>Update 2019/20</b> The Council informed us that the Legal, Finance and Property teams have met, with a view to tightening procedures and the sharing of information. Processes have been implemented to ensure that completion memos are recorded on IPMS and subsequently reconciled with cash receipts, with any differences highlighted at the earliest opportunity.</p> <p>Where external legal support is used the agreement will include the requirement to provide a completion memo for ensuring property records are maintained appropriately. All transactions are monitored on a monthly basis by</p>	<p>Legal, Property and Finance staff will meet to share information on property transactions and ensure that processes are in place to capture relevant information and are being followed.</p> <p>Reconciliations will be undertaken during the year of disposals to identify any mismatches in information.</p> <p>The error identified in 2019/20 was an isolated incidence and resulted from human error. Further checking will be put in place to ensure movements are reconciled.</p>			<p>at the capital receipts meeting and appropriate memos issued.</p> <p><b><u>June 2021</u></b> Assets sold in year are reported via a completion memo to Legal &amp; Democratic Services, Property Records Team, Financial Services and relevant stake holders.</p> <p><b><u>September 2021</u></b> Staff have been reminded to ensure memos are completed as soon as a transaction is completed to ensure it is reported in the appropriate financial year.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>Property Services Officers at each Capital Receipts meeting.</p> <p>Our testing of disposals recorded in the 2019/20 financial statements has again identified an asset that should have been derecognised in the previous financial year. At the time of writing this report, further testing is in progress to assess the potential impact of this on the financial statements.</p> <p>We will continue to follow up on this recommendation in future years, as the steps that the Council has taken to address this risk have not been completely effective.</p>				
19/06	<b>Multiple Accounts assigned to a single user</b>				
	<b>Residual Risk</b>	<b>Low/Complete</b>			
	<b>Impact</b>	<b>Low/Complete</b>			
	<p>We identified a high number of users with multiple accounts within SAP. Whilst some of these are required for FireFighterID purposes, it appears that some are unnecessary.</p> <p><b>Recommendation</b></p>	<p>The Firefighter role is required to ensure the integrity of SAP</p> <p>SAP BSC will carry out a monthly check to ensure that all Firefighters are valid.</p>	Continuous	Finance Manager – SAP BSC	<p><b>March 2021</b></p> <p>Monthly checks to validate the assignment of Firefighter access are ongoing and remedial action taken where a change to access is identified. In addition, a system audit log which identifies when a user</p>

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>Management should consider which users need multiple accounts within SAP and remove access to those where this function where is it not required.</p> <p><b>Update 2019/20</b> The Council's view is that the level of access identified in the recommendation is required to ensure that system functionality can be maintained. Regular reviews of access are undertaken and the new Governance, Risk and Compliance tool is being used to support the monitoring of access.</p>	<p>Access for Firefighters will be revoked where they are no longer required.</p> <p>Birmingham audit has been asked to undertake a review and report on the matter and identify if any additional checks are required.</p>			<p>logs onto the system using a Firefighter ID is reviewed on a regular basis.</p> <p><b><u>June 2021</u></b> Birmingham Audit have undertaken a review and the report is being considered by SAP-BSC management. If any further actions are required, this will be reported in September's update.</p> <p><b><u>September 2021</u></b> The review undertaken by Birmingham Audit has been considered by management who have accepted their recommendations.</p> <p>The actions outlined in the March update above continue and are embedded into business as usual. The Council considers these reviews adequate and therefore the action is ongoing and considered complete.</p>

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Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
18/03	<b>General IT controls</b>				
	<b>Residual Risk</b>	<b>Low/Complete</b>			
	<b>Impact</b>	<b>Low/Complete</b>			
	<p>As part of our review of IT controls, we identified an excessive number of users with inappropriate access to high risk T-codes within SAP. Our IT audit identified 109 users with potentially inappropriate access out of 668 users tested due their higher risk nature.</p> <p>The risk is that an excessive number of users have access to critical transactions at high level of authorisation, which we would normally expect to be restricted to system administrators. We noted this is primarily due to the current Firefighter setup and the fact that 8 users have SAP ALL access.</p> <p><b>Recommendation</b> Management should review all access and reassign the relevant transactions in accordance with business need and current job duties only.</p> <p><b>Update 2019/20</b></p>	<p>The majority of the transactions listed here will be assigned to BASIS only (the team who deal with the core of the system – these transactions are appropriate for this team to use) and most within their firefighter id. The rest have been reviewed after previous audits and deemed appropriate All users with access to any of these transactions will either be support personnel, or in the case of SM37, users within the business. (SM37 monitors jobs run in the background in SAP. Due to the size and complexity of BCC's ledger, it's recommended that large reports are run in the background to reduce stresses on BAU processing).</p> <p><u>Response from BCC</u> User access to critical transactions is reviewed regularly with access to areas such as SAP_ALL reviewed daily. Appropriate action is taken to remove or amend as required.</p> <p>Birmingham audit has been asked to undertake a review and report on the matter and identify if any additional checks are required.</p>	Immediate	Finance Manager -SAP BSC	<p><b>March 2021</b> SAP is interrogated daily to check for SAP_ALL access and action is taken to remove or amend as required.</p> <p>Periodic checks are made to validate the critical transaction list held in SAP.</p> <p><b>June 2021</b> The actions outlined in the March update above continue and are embedded into business as usual. The Council considers these reviews adequate and therefore the action is ongoing and considered complete.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	The Council's view is that the level of access identified in the recommendation is required to ensure that system functionality can be maintained. Regular reviews of access are undertaken and the new Governance, Risk and Compliance tool is being used to support the monitoring of access.				