

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 28 JULY 2015

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY, 28 JULY 2015 AT 1400 HOURS IN COMMITTEE ROOM 6,
COUNCIL HOUSE, BIRMINGHAM**

PRESENT:-

Councillor Burden in the Chair;

Councillors Henley, Robinson and Tilsley.

NOTICE OF RECORDING

- 812 The Chairman advised, and the Committee noted, that members of the press/public could record and take photographs except where there were confidential or exempt items.

APOLOGIES

- 813 Apologies were submitted on behalf of Councillors Afzal and Wood.

MINUTES

The Chairman in referring to the Birmingham Audit – Annual Report 2014/15 (minute no 803 refers) suggested and it was agreed that the following wording be added to point 1:-

In particular the Head of Internal Audit confirmed that she was happy with the current reporting lines and was satisfied these did not undermine her independence. Furthermore in the event of any such concerns regarding these arrangements arising in the future these could be raised with the Audit Committee.

With that addition it was:-

- 814 **RESOLVED:-**

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

ANNUAL FRAUD REPORT 2014/15

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

(See document No 1)

Neil Farquharson, Group Auditor – Corporate Fraud Team, and Kay Reid, Assistant Director, Audit and Risk Management, introduced the report and in response to Members' questions the following were amongst the points made:-

1. With regard to social housing fraud, there was an historic problem with some longstanding tenancy agreements and the disappearance of key documents making it more difficult to bring about a prosecution. However, it was an improving situation as documents were now scanned.
2. The Committee was advised that the Chairman had been briefed regarding on-going fraud cases.
3. The number of referrals received was not significant when compared with the size of the local authority.
4. Kay Reid expanded on the funding received from the Department for Communities and Local Government to provide a continuous fraud monitoring capability to run across the City Council's main financial systems referred to in paragraph 3 of the report.

The Committee congratulated officers on the work done regarding counter fraud activities and the fact that the number of referrals had fallen.

815

RESOLVED:-

That the report be noted.

CORPORATE RISK REGISTER UPDATE

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

(See document No 2)

Cynthia Carran, Principal Business Auditor, and Kay Reid, Assistant Director, Audit and Risk Management, responded to Members' questions and the following were amongst the points made:-

1. A new numbering system of the risks had been introduced. The register referred to both the old and new numbers.

2. In referring to 2015/16.11 – not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme, Members considered that the current level of risk: likelihood/impact of Medium/High was too low and should be increased. Members raised a number of other areas of concern and requested a briefing from the Lead Officer at the September meeting of the Committee.
3. It was agreed that further information be circulated to Members regarding risk 2015/16.10 – resolution of contractual issues in the Highway Maintenance and Management PFI contract.
4. Kay Reid briefly explained ref no 2015/16.18 – Ineffective Corporate Risk Marker IT solution (Issue).

816

RESOLVED:-

- (i) That the Committee agrees that the ratings assigned to the risks are reasonable and that action being taken is effective, particularly where the risk ratings have remained static;
- (ii) that approval be given to one new risk as follows:-

2015/16.11 – Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme;
- (iii) that approval be given to the proposed re-wordings, amendments (including deletions) and re-numbering of the risks;
- (iv) that this Committee receives, at the September meeting, an update of the management of risk 2015/16.11 – not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme.
- (v) that further information be provided on issues raised by Members as set out in the pre-amble.

2014/15 ANNUAL GOVERNANCE STATEMENT

The following report of the Director of Finance was submitted:-

(See document No 3)

Jon Warlow, Director of Finance, and Sarah Dunlavey, Assistant Director, Financial Services, introduced the report.

Councillor Tilsley, in referring to paragraph 3.20 of the report concerning the Council's code of conduct for Members, questioned whether the £25 limit before needing to register gifts and hospitality offered or received should be

revised and uplifted. He made the point that the limit had been in place for some considerable time but had never been uplifted for inflationary increases. Jon Warlow undertook to bring the matter to the attention of the Director of Legal Services for his consideration.

817

RESOLVED:-

- (i) That the Annual Governance Statement, to be included in the 2014/15 Statement of Accounts, be approved;
- (ii) that the arrangements for the management of the items included in Section 6 be reported to this Committee in November 2015 and March 2016.

STATEMENT OF ACCOUNTS 2014/15

The following report of the Director of Finance was submitted:-

(See document No 4)

Councillors Henley, Robinson and Tilsley declared non-pecuniary interests insofar that the report referred to organisations on which they served.

Sarah Dunlavey, Assistant Director, Financial Services, and Martin Stevens, Head of City Finance Accounts, gave a powerpoint presentation:-

(See document No 5)

A debate ensued with issues being raised throughout the presentation and the following were amongst the points covered:-

1. Pension liabilities – Local Government Pension Scheme.
2. The NEC Pension Scheme, group accounts, loan stock and implications of the sale of the National Exhibition Centre (NEC).
3. Accounting policies.
4. Purchase of closed pension funds.
5. Judgement of materiality.
6. Paradise redevelopment – Information requested regarding the status of the funding received from the Greater Birmingham and Solihull Local Enterprise Partnership.
7. Acivico Limited relating to the timing and publishing of the accounts.
8. Proposed changes to the contents and the increased complexity of the accounts in future years.

9. Changes in group structure – InReach (Birmingham) Ltd.
10. Review of the levels of insurance and re-positioning the level of risk.
11. Information requested concerning the implications of the occurrence of a significant event.
12. National Non Domestic Rate Appeals – Outturn report considered by Cabinet to be circulated to Members.
13. Public Work Loans Board – Information requested by Members regarding the average interest rate.

818

RESOLVED:-

- (i) That the draft Statement of Accounts 2014/15 be received;
- (ii) that the accounting policies at note 1 of the Statement of Accounts be approved;
- (iii) that the arrangements for the audit of the accounts and public inspection be noted.

GRANT THORNTON – PROGRESS REPORT

Richard Percival and Phil Jones, Grant Thornton, in referring to the statement of accounts 2014/15 considered earlier in the meeting (minute no 818 refers), praised the work of officers involved in producing the accounts, advised the Committee that they were comfortable with the information contained therein and pointed out that the Council was on course to deliver the audit to the agreed timetable.

Members noted that there had been an improvement on previous years and congratulated officers for their work in producing the accounts.

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RESOLVED:-

That the points raised in the pre-amble be noted.

HOLIDAY PAY – UPDATE

The following report of the Head of Employment Law was submitted:-

(See document No 6)

Kate Charlton, Head of Employment Law, introduced the report.

820 **RESOLVED:-**

That the report be noted.

OTHER URGENT BUSINESS

Write Off Schedule/Corporate Revenue Monitoring Report – Month 2

In response to a request by Councillor Tilsley it was:-

821 **RESOLVED:-**

That the write off schedule/corporate revenue monitoring report – month 2 considered by Cabinet at its meeting on 27 July 2015 be submitted to a future meeting of the Audit Committee.

AUTHORITY TO CHAIRMAN AND OFFICERS

822 **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.

EXCLUSION OF THE PUBLIC

823 **RESOLVED:-**

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

Agenda Item etc

**Paragraph of Exempt Information
Under Revised Schedule 12A of the
Local Government Act 1972**

Holiday Pay - Update

3 and 4