

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 30 JULY 2019

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY, 30 JULY 2019 AT 1400 HOURS IN COMMITTEE
ROOM 6, COUNCIL HOUSE, BIRMINGHAM**

PRESENT:-

Councillor Grindrod in the Chair;

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

NOTICE OF RECORDING/WEBCAST

- 139 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) 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.

APOLOGIES

- 140 Apologies were submitted on behalf of Councillor Jenkins who would be arriving shortly and Councillor Bridle for her inability to attend the meeting.
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DECLARATIONS OF INTEREST

- 141 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.
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PUBLIC MINUTES – AUDIT COMMITTEE 18 JUNE 2019

142

RESOLVED:-

That the Public Minutes of the last meeting be confirmed and signed with the inclusion of the declaration below.

Councillor Tilsley declared a non-pecuniary interest as a trustee of Millennium Point which had not been recorded.

RESPONSE TO OMBUDSMAN COMPLAINT – POST 19 EDUCATION (O/T MIN 24 REFERS)

The following response was submitted:-

(See document No. 1)

143

RESOLVED:-

That the response be noted and Outstanding Minute No.124 be discharged.

ANNUAL GOVERNANCE STATEMENT

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

(See document No. 2)

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

Upon further consideration, it was:-

144

RESOLVED:-

- (i) That the Annual Governance Statement, which will be included in the 2018/19 Statement of Accounts, be approved.
 - (ii) That it be agreed that the arrangements for the management of the items included in Section 6 will be reported to the Audit Committee during the year.
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STATEMENT OF ACCOUNTS 2018/19

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 briefly detailed the additional work undertaken by the external auditors.

He confirmed that during the audit a number of errors had been highlighted and suggested changes to the disclosures. These changes were set out in the Audit Findings Report and it was confirmed that none of the changes would impact on the level of usable reserves available to the Council.

Martin reported on the McCloud Judgement in respect of judges' pensions which has had an impact on the valuation on the Council's net pension liabilities. The Council has requested an updated report on the year end and which has increased the the net pension liability at the year-end by approximately £48m.

It was confirmed that within the Audit Findings Report, the external auditor had identified a number of recommendations for the Council and therefore a response would be provided to this committee in September 2019 and monitored then during the rest of the year.

Paul Dossett, Engagement Leader, Grant Thornton briefly explained that as a result of the additional workload undertaken by finance teams and auditors this had impacted on the final accounts which were not quite ready to be signed off, which he highlighted applied to other local authorities across the Country.

Laura Hinsley, Grant Thornton and Tess Barker-Phillips, Grant Thornton subsequently provided a breakdown of the report.

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

The valuation of housing stock was in line with guidance from the DCLG and the auditors were satisfied that the stock had not been undervalued and this had also been independently corroborated by their external audit expert.

It was highlighted the importance of the pensions fund remains financially viable and that the auditors would be recommending to BCC that the appropriate advice of the actuary is followed in terms of contributions.

With regard to the errors highlighted within the report relating to revenue and capital, it was confirmed the auditors were working with the finance team and internal audit in addressing these areas and would report back in due course.

As they did not have the appropriate information relating to the second level of authorisation and the number of staff that fell into that category, agreed to provide the relevant information in due course.

Martin Stevens confirmed that daily checks were made to ensure that staff with wider access was not misusing their abilities within the system.

Following a discussion relating to the 2 areas of accounts that remained outstanding at this time, Clive Heaphy, confirmed that the auditors had been briefed prior to today's meeting of the up to date events taking place in the Council, as required, in order that this reflected the position at the time of signing.

In response to Members' comments regarding timing and the accounts being not ready for sign off and publication by the end of the month, Paul Dossett explained that the next key date in the cycle of audit would be 30 September 2019.

He added that although could not see much risk to that date, however, even if they got to the position and the accounts were signed after that, it would still remain compliant with all of the requirements.

At the request of the Chair, a brief discussion ensued as to whether there should be an extraordinary meeting prior to the September meeting specifically for the signing off the accounts.

The Chair put the following 2 proposals to the meeting:-

- To accept the Chief Finance officers' request that an extraordinary meeting of the Audit Committee be scheduled to approve the accounts at the earliest convenient time in agreement with Grant Thornton, or
- That the accounts be considered for sign off at the next Audit Committee meeting scheduled on 24 September 2019.

Following a show of hands it was (5) in favour and (2) against, therefore carried and that the decisions recommended in 2.1 of the report were rejected:-

145

RESOLVED:-

That an extraordinary meeting of the Audit Committee be scheduled to approve the accounts at the earliest convenient time in agreement with Grant Thornton.

Following on from this a further discussion ensued regarding the content of the report.

In response to several comments from Councillor Tilsley relating to pages, 164, 217, 227 and 230 of the report; Clive Heaphy, Strategic Director, Finance, referred to the 'top up' grants and subsequently agreed to come back with the specific information due to the interplay that was involved.

Clive Heaphy referred to the appeals process and stated that local authorities were making provision for unknown levels of appeals, adding that the team were starting to see a few come through and as it was difficult to know whether the provision made for this was adequate, they would continue to monitor the appeals process.

He referred to the average interest rate on the whole of the portfolio which was approximately 85% and subsequently explained how this worked in ensuring that they had the maturity profile that continues over a number of years, in order, that there is the right balance between fixed and variable rate debt to protect the Council's interest.

He referred to the variable rate and agreed to provide the relevant information relating to that. He added that they tried to manage that rate to the lowest possible rate. He further added that where they got the opportunity to pay off old high rate fixed debt without incurring excessive penalties, they did so.

Clive referred to the officers' exit packages and provided a brief explanation of how they worked. He confirmed that they were reasonable payments and in line with contractual entitlements and that the external auditors were satisfied with these payments.

He confirmed that the City Solicitor would be attending a future meeting to discuss the process but not individual cases. He highlighted that it was within the Committee's interest to ensure that the process and the controls in place were appropriately followed when these events occurred.

He added that the Government at the moment were looking at exit packages, the agreement of those packages and the potential capping of those packages, and also restricting the ability of people benefiting from those packages of working in the public sector, but as yet this had not come into law.

Clive concluded by thanking his team and the auditors for all their hard work in putting together the accounts and hoped that the result would reflect an accurate set of accounts that were a true reflection of where the Council was today.

CORPORATE RISK REGISTER UPDATE

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

(See document No. 4)

Sarah Dunlavy, Assistant Director, Audit & Risk Management, provided a comprehensive breakdown of the report while explaining the new format which was more action focused.

The Chair welcomed the new format.

Following comments from Councillor Jones relating to risk factors and the budgetary impact on the Council.

Clive Heaphy referred to his budgetary report and the inclusion of the risk register where essentially values were put against risks, and based on the aggregate of that, this was then set against the Council's level of reserves. He stated that the Council have to say whether there were adequate reserves as this was part of the statutory duty that he had to perform.

He briefly explained where individual risk assessments and quantified risk assessments would be taken particularly on capital projects in order to

determine the contingency level values to manage the contingency levels. He added that there were various layers of risk that were taken into account but all the time trying to relate reserves, contingencies and provisions to the risk levels in order to ensure that in the event of something going wrong, there were the adequate reserves to cover the Council.

In response to further comments relating to the significant risk element pertaining to the Commonwealth Games and partners, Clive Heaphy subsequently explained the risk and mitigation attached to this.

He confirmed that they were continuing to work with those partners to try to make sure that those that had committed funding to the Council would carry on paying that funding, adding that with some they had progressed further with than others. He highlighted that it remained a risk which was below £30m and agreed to provide a further update in due course.

He stated that as the Council was funding a lot of the capital cost of the Commonwealth Games, the mitigation would be ultimately prudential borrowing and therefore, if partner funding was not forthcoming, then they would have to fall back on the prudential borrowing.

He stressed that the main route of funding was to get the original funding in from the partners who had promised this and to make sure that all of those who had promised paid up to the level of their commitment.

The Chair concluded by suggesting to Members that they familiarised themselves with the document as it would probably be a regular and a most helpful tool for Audit Committee.

Upon further consideration, it was

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RESOLVED:-

That the Audit Committee:

- i) Noted the CRR Updates detailed in Section 3 below; and
- ii) Reviewed the CRR and assessed whether the risk ratings and actions were reasonable/effective or if further explanation/information was required in order to be satisfied that the Risk Management Framework had been consistently applied.

SCHEDULE OF OUTSTANDING MINUTES - 2019

The following schedule of Outstanding Minutes was submitted:-

(See document No.5)

The Chair introduced the Schedule of Outstanding Minutes.

In response to Councillor Jones' request for the Housing Revenue Account (HRA) report alluding to the potential use of HRA funding for the Waste Service during the Industrial Strike in 2017, the Chair agreed that it be added to the Schedule as a future agenda item.

Upon further consideration it was

147 **RESOLVED:-**

That Outstanding Minute No. 124 be discharged and the remaining Outstanding Minutes be continued.

OTHER URGENT BUSINESS

Extraordinary Meeting

148 The Chair confirmed that an extraordinary meeting of the Audit Committee would be scheduled as soon as appropriate work streams were completed.

Tilsley previously declared an interest as a trustee of millennium point

AUTHORITY TO CHAIRMAN AND OFFICERS

149 **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

150 **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