

# BIRMINGHAM CITY COUNCIL

<b>AUDIT COMMITTEE 24 SEPTEMBER 2019</b>
--

## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 24 SEPTEMBER 2019 AT 1400 HOURS IN COMMITTEE ROOM 6, COUNCIL HOUSE, BIRMINGHAM**

### **PRESENT:-**

Councillor Grindrod in the Chair;

Councillors Bridle, Jenkins and Tilsley.

\*\*\*\*\*

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

- 156 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.**

---

### **APOLOGIES**

- 157 Apologies were submitted on behalf of Councillors Akhtar, Jones, Quinnen and Webb for their inability to attend the meeting.
- 

### **DECLARATIONS OF INTEREST**

- 158 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.

Councillor Grindrod (Chair) a non-pecuniary interest – Acivico Ltd  
Councillor Bridle – declared a non-pecuniary interest – Birmingham Airport  
Councillor Tilsley – declared a non-pecuniary interest – Birmingham Airport, Millennium Point Trust and Clara Martineau Trust

---

**PUBLIC MINUTES – AUDIT COMMITTEE 30 JULY 2019**

159

**RESOLVED:-**

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

---

**STATEMENT OF ACCOUNTS 2018/19**

The following report of the Chief Executive (Acting) was submitted:-

(See document No. 1)

Martin Stevens, Head of City Finance Accounts, introduced the report and briefly detailed the additional work undertaken by the external auditors.

He highlighted that part of the external auditor's work was that they had identified a number of changes which had to be made however this had not impacted on the number of usable reserves which remained unchanged.

He referred to the audit findings report and confirmed that the external auditors had set out their findings in the accounts and the changes that had to be made to the financial statements. He reported that the external auditor had made 6 recommendations and confirmed that the management response would be considered in the next report to this Committee.

At this juncture, following a brief discussion, the Chair agreed that the recommendations would be considered at a later time during the meeting.

Laura Hinsley, Grant Thornton, provided a detailed breakdown of the report.

She concluded by referring to an enquiry raised by Councillor Jenkins at the previous meeting relating to the number of users within the Council system that were deemed inappropriate. It had been identified by their IT Team (Grant Thornton) that there were 109 users with potentially inappropriate access and although this did not mean that they were using the system inappropriately, just that they had access that was not necessarily appropriate to their role.

It was noted that the recommendation was that the Council reviewed all of those users to ensure they had appropriate access.

At this juncture, Tess Barker-Phillips, Grant Thornton provided a breakdown of the key changes of the financial section of the report.

Martin provided a brief explanation regarding the invoices that were prior to 1 April 2019 that should have been included in last year's accounts.

Laura referred to the report and the improvements that had been made this year especially from a financial management perspective. She referred to the transparency of reporting and the way in which reserves management had

been dealt with since Clive Heaphy had been part of the team, adding that it had contributed to the Council's improvement which was reflected within the report.

Upon consideration, it was:

160

**RESOLVED:-**

Audit Committee:-

- (i) Noted the Audit Findings Report from Grant Thornton and accept the recommendations of the report;
  - (ii) Approved the Annual Governance Statement included in the Statement of Accounts for 2018/19;
  - (iii) Approved the Letter of Representation from the Chief Finance Officer;
  - (iv) Approved the Statement of Accounts for 2018/19 subject to external audit clearance of any outstanding issues.
- 

At this juncture, the Chair agreed to vary the running order of the agenda.

**BIRMINGHAM AUDIT ANNUAL FRAUD REPORT 2018/19**

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

(See document No. 2)

Neil Farquharson, Group Auditor – Corporate Fraud Team, while providing a comprehensive breakdown of the report highlighted that they had been shortlisted as a finalist in the IRRV Performance Awards 2019, Excellence in Counter Fraud.

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

Neil referred to the issue relating to changing bank details based on email communication and subsequently detailed the various ways in which this was being addressed. He highlighted that they were constantly issuing guidance in the fraud spot light bulletin which was circulated every 6 months and they had issued an alert to all schools, on the importance of following correct procedures and that any emails received, should be treated with extreme caution.

Neil referred to payroll overpayments and subsequently detailed the ways in which they could occur. He highlighted the failure in managers not making the necessary changes when employees left the organisation and continued to receive salary payments.

He confirmed that all employees of the Council had a contractual obligation to report any incident where an overpayment had been made, adding that sometimes this was not always apparent and as a result of this, there were persistent messages sent to staff to check their payslips and bank accounts regularly.

He reported that all overpayments were paid back and in some cases depending upon circumstances, overpayments could be recovered over a longer period of time.

In response to Members' concern relating to management action with regard to overpayment of salaries, Debbie Middleton, Strategic Director, Finance and Governance, suggested that an internal audit report which summarised the extent of those errors was presented to the Council's Management Team for consideration on how to ensure that in future, directors take action as a result of those internal audit reports.

Neil referred to the positive work that had been undertaken with regard to social housing fraud and the online data matching. He confirmed that the press would be running some positive stories for BCC in regard to this and there was also the possible participation with Channel 5 in one of their programmes relating to council house fraud.

The Chair congratulated the team as a finalist for the IRRV Performance Award.

In response to further comments, Neil briefly explained the various ways in which they were continuing to enhance the data warehouse as a tool to improve intelligence as well as matching data sets. He referred to the whole range of innovative tests that they continually try to run across the main council system and highlighted the 'real time' data matching and subsequently explained how this worked with housing applications and how it flagged up any anomalies.

Craig Price, Principal Group Auditor, briefly explained how they used the data warehouse in response to salary overpayments and how they tried to identify the overpayments as quickly as possible and take the necessary action to stop them.

Upon further consideration, it was:-

161

**RESOLVED:-**

- (i) That the Committee noted the report; and
  - (ii) that an internal audit report summarising the extent of errors caused by management failing to make the necessary adjustments when employees left the organisation be presented to the Council's Management Team (CMT) for consideration on how to ensure that in future, directors take action as a result of those internal audit reports.
-

**OMBUDSMAN REPORT CONCERNING A COMPLAINT ABOUT REFUSE COLLECTIONS**

The following report of the Chief Executive and the Assistant Director, Street Scene was submitted:-

(See document No. 3)

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

Darren Share, Assistant Director, Street Scene, reported that the complaints detailed in the report related from late 2018 to early 2019 and confirmed that since then, there had been significant progress made with the missed collections.

He subsequently detailed the various ways in which they were working in order to address the issue which included; re-routing rounds, equalising collection rounds and replacement of vehicles in order to improve reliability. He confirmed that all missed collections were reported back on a daily basis which then enabled them to allocate the necessary resources to the areas that were being missed.

He stated that they were trying to minimise the missed collections by reviewing the data and they were now reviewing the complaints, highlighting that each complaint was taken very seriously and emphasised that they were doing all that they could to resolve the problem.

Miranda referred to the complaints detailed in the report and subsequently provided a brief explanation on how the Ombudsman would consider each case on its own merit, in order to determine the amount of compensation received, adding, that complaints continued to be received by the Ombudsman that had been through the procedure.

She highlighted that residents' should continue to log their complaints with BCC whereupon the BCC complaints procedure must be exhausted, before the Ombudsman could consider them.

Members welcomed the Ombudsman report and following several comments the following points were captured:-

Darren provided a brief explanation on the differences between the old operating model (4 day working) and the new model (5 day working) and how they were trying to equalise the days of collection. He added that at the moment they had tweaked the rounds and put in resources where they could with existing days of collection however, in order to bring the service up to the level that it should be, they may have to change collection days.

He referred to the independent review and the service review that was taking place which should result in a submission to Cabinet in October 2019 in order to provide an overview of the processes that have been undertaken.

He reported on the difficulties in the past due to the number of complaints in proving personal responses and confirmed that as they were now reducing, and with working closely with the Contact Centre, they were now looking at how they could personalise those responses.

He briefly explained how they were looking to communicate to residents on a daily basis when rounds would be missed due to various circumstances and confirmed that they were currently looking into the data in order to provide that service.

He highlighted the importance of stabilising the rounds and the crews working to the most efficient and effective way and once this was in place, they would be able to utilise the computerised system which would further assist the crews. He referred to the 'rocky road' the service had been through and that all had moved on and there was now a real commitment from every member of staff to make the service as good as it could be, emphasising that there was a drive to make it happen

Following a brief discussion as to when the Committee should receive a progress update, Miranda suggested that an appropriate time would be January 2020 together with annual report, which the Chair agreed to.

The Chair concluded that given the risk to the Council's reputation, was of the opinion, that the Committee needed to have site of the policy agenda when it had been set in order that it could be appropriately monitored.

The Chair thanked officers for their attendance.

162

**RESOLVED:-**

That the Audit Committee noted the Director's proposed response to the Local Government and Social Care Ombudsman's recommendations.

---

**SCHEDULE OF OUTSTANDING MINUTES - 2019**

The following schedule of Outstanding Minutes was submitted:-

(See document No. 4)

The Chair introduced the Schedule of Outstanding Minutes.

Upon further consideration it was

163

**RESOLVED:-**

That the remaining Outstanding Minutes be continued.

---

**AUDIT FINDINGS RECOMMENDATIONS – RESPONSE TO RECOMMENDATIONS**

The following report of the Chief Executive (Acting) was submitted:-

(See document No. 5)

Martin Stevens, Head of City Finance Accounts, introduced the report and subsequently provided a comprehensive response to the six recommendations illustrated in Appendix 1 of the report.

He confirmed that the management responses would be submitted to all future Audit Committee meetings to ensure progress was monitored and appropriate action taken.

Paul Dossett, Engagement Leader, Grant Thornton, commented on the positive direction the Council was moving towards.

Upon consideration, it was:

164

**RESOLVED:-**

Audit Committee:-

- (i) Approved the management responses, attached as Appendix 1, to the recommendations set out in the Audit Findings Report; and
- (ii) That reports be submitted to future meetings of this committee on progress in implementing the actions proposed in response to the recommendations.

---

**AUTHORITY TO CHAIRMAN AND OFFICERS**

165

**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**

166

**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