

# **BIRMINGHAM CITY COUNCIL**

## **AUDIT COMMITTEE**

**THURSDAY, 30 JUNE 2022 AT 10:00 HOURS**  
**IN COMMITTEE ROOM C, COUNCIL HOUSE EXTENSION, 6**  
**MARGARET ST, BIRMINGHAM, B3 3BG**

## **A G E N D A**

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

The Chair to advise/meeting to note that this meeting will be webcast for live or subsequent broadcast via the Council's meeting You Tube site ([www.youtube.com/channel/UCT2kT7ZRPFCXq6\\_5dnVnYlw](http://www.youtube.com/channel/UCT2kT7ZRPFCXq6_5dnVnYlw)) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

### **2 APPOINTMENT OF THE AUDIT COMMITTEE, MEMBERS, CHAIR AND DEPUTY CHAIR**

(i) To note that the Council at its meeting on 24 May 2022 appointed the Audit Committee, Chair and Members to serve on the Committee for the period ending with the Annual Meeting of the City Council in 2023.

#### **Labour Group (5):-**

Councillors Fred Grindrod (Chair), Shabrana Hussain, Amar Khan, Miranda Perks and Shafique Shah.

#### **Conservative Group (2):-**

Councillors Meirion Jenkins and Bruce Lines.

#### **Liberal Democrat Group (1):-**

Councillor Paul Tilsley.

(ii) To elect a Deputy Chair, for the purpose of substitution for the Chair if absent, for the period ending with the Annual Meeting of the City Council in 2022.

**3     AUDIT COMMITTEE - FUNCTIONS**

To note the Committee's functions as set out in the attached schedule. Including an introduction to the Audit Committee Independent Advisor (Andrew Hardingham)

**4     DECLARATIONS OF INTERESTS**

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

**5     APOLOGIES**

To receive any apologies.

**6     EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC**

a) To consider whether any matter on the agenda contains exempt information within the meaning of Section 100I of the Local Government Act 1972, and where it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.

b) If so, to formally pass the following resolution:-

**RESOLVED** – That, in accordance with Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to information) (Variation order) 2006, the public be excluded from the meeting during consideration of those parts of the agenda designated as exempt on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information.

**7     MINUTES - AUDIT COMMITTEE 26 APRIL & 30 MAY 2022**

TO FOLLOW

To confirm and sign the minutes of the last meeting of the Committee held 26 April and 30 May 2022.

**8     ASSURANCE SESSION - CABINET MEMBER TRANSPORT PORTFOLIO**

(55 minutes allocated) (1010 – 1105)

Verbal discussion

The Cabinet Member Transport with the Strategic Director City Operations, Assistant Director City Operations, Assistant Director Inclusive Growth and the PFI Contract Manager

**7 - 54**

9 **BIRMINGHAM AUDIT ANNUAL REPORT 2021/22**

(10 minutes allocated) (1105 - 1115)

Report of the Assistant Director Audit and Risk Management

**55 - 78**

10 **EXTERNAL AUDITORS AUDIT PLAN**

(10 minutes allocated) (1115 – 1125)

Report of the External Auditors

**79 - 112**

11 **LGSCO ADULTS SOCIAL CARE - DISABLED FACILITY GRANT COMPLAINT**

(5 minutes allocated) (1125 – 1130)

To note the report of the Director of the Adults and Social Care Directorate.

**113 - 116**

12 **SCHEDULE OF OUTSTANDING MINUTES**

Information for noting.

13 **DATES OF MEETINGS FOR 2022-2023**

To approve the schedule of dates for the Committee's meetings during 2022/23 at 1400 hours.

**2022**

Thursday 30 June at 1000 hours

Tuesday 19 July

Wednesday 28 September

Tuesday 18 October

Tuesday 22 November

**2023**

Tuesday 31 January

Tuesday 14 February

Tuesday 28 March

Tuesday 25 April

14 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.

15 **AUTHORITY TO CHAIR AND OFFICERS**

Chair to move:-

'In an urgent situation between meetings, the Chair jointly with the relevant Chief Officer has authority to act on behalf of the Committee'.

## **B14. AUDIT COMMITTEE**

### **14.1 Purpose**

- i. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, risk management and governance.

### **14.2 Functions**

- a) To review the City Council's Annual Accounts and Annual Governance Statement (AGS). This will include advising on significant changes throughout the year to financial regulations and policies.
- b) To monitor progress in addressing control or governance issues identified in the AGS.
- c) To review and provide the Executive with assurance on the embedding and maintenance of an effective system of corporate governance, including the Council's Corporate Governance Code and Framework, risk management framework, and the associated control environment.
- d) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- e) To review the adequacy of treasury risk management arrangements as set out in the Treasury Management Policy, Strategy and treasury management practices.
- f) Responsibilities as set out in the terms of reference in relation to external audit including reviewing the planned programme of work, noting fees and terms of engagement of the external auditor, considering and advising the executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.
- g) To review and make recommendations to the executive regarding the effectiveness of internal audit to include ensuring the internal audit function is adequately resourced, to review its strategy, receive, challenge and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.
- h) To consider and make recommendations to the executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.
- i) To consider reports from the Ombudsman and monitor management response in relation to these.
- j) To consider, approve or make recommendations in respect of any other matters at the request of the Council.

### **14.3 Membership**

- i. Members of the Audit Committee, and its Chair, are appointed by Full Council. There are eight members of the committee, and the quorum is three.
- ii. The Chair of Audit Committee should not be appointed to serve as a Director on any of the City Council's wholly owned companies.
- iii. An Independent Technical Advisor should be appointed to support the Committee.

### **14.4 Conflicts of interest**

- iv. If a Cabinet Adviser (or former Cabinet Adviser) is a member of the Audit Committee when it is considering matters to which their role relates, then that Councillor must withdraw from the meeting during the consideration of such matter.
- v. If the Audit Committee is considering items relating to the work of a relative of a member of the Committee, then that Councillor must withdraw from the meeting during the consideration of such matter.

# Who am I?

- Previous experience:
  - S151 for two unitary authorities
  - CFO for local authority owned trading companies
  - Member of LGA Finance, Improvement and Sustainability team
  - CFO for central government agencies & shared service companies
  - Worked with and supported local authority Audit Committees

# Purpose of Audit Committee

The purpose of the audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

- audit committee practical guidance for local authorities and police CIPFA 2018





# Main areas of responsibility



To seek assurance on:

- Good governance & annual governance statement
- Internal audit and External audit
- Risk management
- Assurance frameworks and policy
- Financial reporting
- Counter fraud and governance
- Respond to requests from statutory officers



## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Assistant Director, Audit &amp; Risk Management</b>
<b>Date of Meeting:</b>	<b>30<sup>th</sup> June 2022</b>
<b>Subject:</b>	<b>Birmingham Audit Annual Report 2021/22</b>
<b>Wards Affected:</b>	<b>All</b>

**1. PURPOSE OF REPORT**

- 1.1 This report is the culmination of the work completed during the course of the year and provides an objective opinion on the adequacy and effectiveness of the systems of internal control for the financial year ending March 2022. It summarises the internal audit work completed, the sources of assurance that are being relied upon, and highlights significant issues that have arisen.
- 1.2 The report provides Members with information on inputs, outputs and performance measures in relation to the provision of the internal audit service during 2021/22, and compliance with the requirements set out in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 It also sets out the Internal Audit Charter and provides an update on the Internal Audit plan for 2022/23.

**2. EXECUTIVE SUMMARY**

- 2.1 The COVID-19 pandemic has had a significant global impact. During 2021/22 restrictions were slowly and safely lifted across the UK allowing services to be reintroduced. In line with this global position 2021/22 saw the recovery of audit services; school and investigation visits were re-introduced and the limitations in our audit coverage from 2020/21 fed into our risk assessment. We are continuing to adapt our working practices in line with the Council's New Ways of Working Programme whilst seeking to make our processes agile and responsive.
- 2.2 Based on the audit work undertaken and the wider assurance framework I can provide a reasonable assurance on the core systems of internal controls.

<p>2.3 As in any large organisation, our work did identify some significant issues that required action. All significant issues have been reported to the appropriate Director during the year.</p> <p>2.4 Birmingham Audit has complied with the requirements laid out within mandatory professional standards during the year.</p> <p>2.5 The Internal Audit Charter is a key document that sets out the purpose, authority, and responsibility of the internal audit function.</p>
<p><b>3. RECOMMENDATIONS</b></p> <p>3.1 Members accept this report and the annual assurance opinion for 2021/22.</p> <p>3.2 Members approve the 2022/23 Internal Audit Charter.</p>
<p><b>4. LEGAL AND RESOURCE IMPLICATIONS</b></p> <p>4.1 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations 2015.</p> <p>4.2 The Internal Audit service has complied with the requirements laid out in the Public Sector Internal Audit Standards.</p> <p>4.3 The work is carried out within the approved budget.</p>
<p><b>5. RISK MANAGEMENT &amp; EQUALITY ANALYSIS ISSUES</b></p> <p>5.1 Risk Management is an important part of the internal control framework and an assessment of risk is a key factor in the determination of the Internal Audit plan.</p> <p>5.2 Equality Analysis has been undertaken on all strategies, policies, functions, and services used within Birmingham Audit</p>
<p><b>6. COMPLIANCE ISSUES</b></p> <p>6.1 Council policies, plans, and strategies have been complied with.</p>

**Sarah Dunlavey**  
**Assistant Director, Audit & Risk Management**

**Contact officer: Sarah Dunlavey, Assistant Director, Audit & Risk Management**  
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# Birmingham Audit Annual Report 2021/22

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30<sup>th</sup> June 2022

## Contents

1. Background
2. Assurance Opinion
3. Added Value
4. Quality, Performance & Customer Feedback
5. Corporate Fraud
6. Internal Audit Charter
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8. COVID-19 Recovery
9. Grant Certification

**Appendix A: Summary of Significant Findings & Work on the Main Financial Systems**

**Appendix B: Reports Issued During 2021/22**

**Appendix C: Internal Audit Charter 2022/23**

**Appendix D: Internal Audit Plan 2022/23**

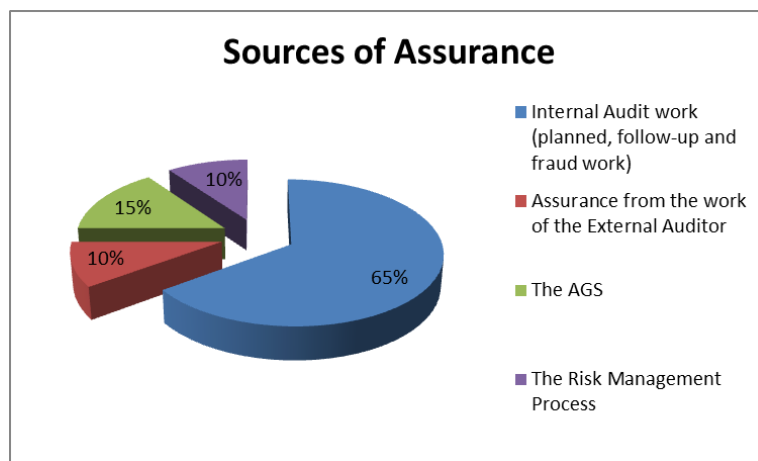
## **1. Background**

- 1.1 The 2021/22 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). It also took account of responsibilities under section 151 of the Local Government Act 1972.
- 1.2 The Council has faced ongoing challenges during 2021/22, It has had to continue to respond to the COVID-19 Pandemic whilst recovering and restarting disrupted services. This has been against a backdrop of global Inflation and economic pressures. These pressures continue to drive the need to transform the Council and service improvement to ensure the successful delivery of services to the citizens of Birmingham.

## **2. Assurance Opinion**

- 2.1 The audit plan is prepared and delivered to enable me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising of risk management, corporate governance, and financial control). My opinion forms part of the Annual Governance Statement (AGS), which the Council is legally required to produce. The COVID-19 restrictions resulted in some limitations to the scope of our work completed during 2020/21, where it was necessary to provide focus on assisting the Council in responding to the pandemic and continuing to maintain critical services. The planned areas of audit activity that we were unable to complete were fed into the risk assessment when developing the 2021/22 audit plan. During the year we have continued to flex and reprioritise work in line with emerging risks.
- 2.2 As my opinion is based on professional judgement, backed up by sample testing, I can only ever provide, at best, reasonable assurance. No process can provide an absolute assurance that the systems of internal control are adequate and effective in managing risk and meeting the Council's objectives. If serious issues are identified in the course of our work that have, or could have, prevented objectives to be met, then my opinion may be qualified.
- 2.3 Our work is carried out to assist in improving control. Management is responsible for developing and maintaining an internal control framework. This framework is designed to ensure that the Council's resources are utilised efficiently and effectively; risks in meeting service objectives are identified and properly managed; and corporate policies, rules and procedures are adequate, effective and are being complied with.

- 2.4 The model used to formulate the end of year opinion places reliance on assurance provided from other parties and processes. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion. The model is an evolving one which changes from time to time as the intelligence we collect on sources of assurance develops. The opinion for 2021/22 is based on the following sources of assurance and weightings:



- 2.5 Based on the audit work undertaken and the wider assurance framework I can provide a reasonable assurance on the core systems of internal controls. As in any large organisation, our work did identify some significant issues that required action. All significant issues have been reported to the appropriate Director during the year. A summary of the significant findings from our work (including the main financial systems), is included as Appendix A.
- 2.6 Although the Statement of Accounts for the year ending 31st March 2021 are still in draft, as the audit has not yet been completed by the Council's External Auditor, their work so far is indicating an unqualified opinion. The External Auditor is currently unable to provide an opinion on the accounts due to a national issue with Infrastructure Assets, the CIPFA LASSAAC Local Authority Code Board has announced an urgent consultation on temporary proposals to update the Code of Practice on Local Authority Accounting for Infrastructure Assets in order to resolve this national issue.

- 2.7 Under the new National Audit Office Code of Audit Practice for the audit year 2020/21 external auditors are required to assess the delivery of Value for Money against a new, wider, criteria covering Financial Sustainability, Governance, and Economy, Efficiency and Effectiveness and produce a more extensive report in the form of the Auditors Annual Report (AAR). Within the External Auditor's draft Annual Audit Report (March 2022), the Council has not been issued with any 'Statutory Recommendations'. The External Auditors were satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. However, they identified four Key recommendations, two around the service delivery and assurance mechanisms in the Home to School Transport Service, one around the delivery and governance of the SEND services, and another on IT issues relating to system access and changes to the General Ledger. An action plan has been created to manage and the track progress against all recommendations arising from the Annual Audit Report. The Auditors Annual Report cannot be finalised until the External Auditor has finalised their opinion on the Council's financial statements.
- 2.8 Following the joint Local Area Ofsted and CQC revisit a DfE Special Educational Needs and Disabilities (SEND) services Commission was formally appointed on October 2021 to work with the Council on improving services.

### **3. Added Value**

- 3.1 Although my primary responsibility is to give an annual assurance opinion, I am also aware that for the Internal Audit service to be valued by the organisation it needs to do much more than that. There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the year include:
- Completing bank checks to assist in the later rounds of COVID grants applications. Approximately 50 bank accounts checked where suspicious activity had been flagged resulting in the prevention of 8 attempted frauds.
  - Continued representation on the Safeguarding Stocktake Group, which is a cross service group looking at the safeguarding issues across the Children and Families Directorate.
  - Working with the Children's Trust to deliver grant/funding certifications for Troubled Families and National Assessment and Accreditation Systems (NAAS).
  - Continuing to attend, chair, and contribute to schools working groups within the Children and Families Directorate.
  - Working with Directorates to undertake external grant assurance and certification work, quite often at short notice.



- Contributing to the management of Cyber risks, through participation at the Cyber Security Programme Board.
- Assisting in the improvements of the Information Assurance Governance Framework, through a programme of targeted GDPR/DPA compliance reviews
- Participation in the management of data breaches and ensuring that recommendations have been acted upon and implemented in a timely manner.
- Continuing support for the ERP Replacement Programme.

#### **4. Quality, Performance & Customer Feedback**

4.1 Under the Accounts and Audit Regulations the Council must maintain an effective system of internal audit to evaluate its risk management, control, and governance processes. An annual review of the system of internal audit is no longer required under the Accounts and Audit Regulation 2015. However, Internal Audit must comply with the requirements laid out in the Public Sector Internal Audit Standards (PSIAS).

4.2 The PSIAS became effective from 1<sup>st</sup> April 2013, these standards set out the fundamental requirements for the professional practice of internal auditing within the public sector. The standards replaced CIPFA's Code of Practice for Internal Audit in Local Government.

#### **4.3 Quality Assurance**

4.3.1 The provision of a quality service continues to be important. In line with the requirements of the PSIAS a Quality Assurance and Improvement Programme (QAIP) has been developed. The programme requires both internal and external assessments of internal audit effectiveness to be undertaken to ensure compliance with PSIAS; internal quality standards; that the service is efficient, effective and continuously improving; and that the service adds value and assists the organisation in meeting its objectives.

4.3.2 Our external PSIAS review was last undertaken in July 2016. This independent assessment confirmed that the Internal Audit Service is well positioned, valued, and makes an active contribution to the continuous improvement of systems of governance, risk management and internal control. Our self-assessment against the standards confirm that we continue to comply with requirements. At the February meeting, Members agreed the approach and terms of reference for our next external assessment. We are currently finalising the timetable for the completion of this review with Manchester City Council. The results of the external review, together with any action plan, will be shared with the Audit Committee.

4.3.3 During the year, we retained our accreditation to the internationally recognised information security standard ISO27001:2013. Additional, internal quality audits on our ISO processes have been undertaken, most recently in April 2022. As in previous years, only minor issues were identified; actions have been taken to correct these.

4.3.4 It is imperative that the Internal Audit Function continues to provide an effective service and responds to the assurance needs of the organisation. In order to help us to fulfil this and ensure our processes are lean and agile we:

- have undertaken PSIAS external quality reviews at Glasgow and Sheffield City Council's, this enabled us to share practices and develop our own processes in line with best practices; and
- are reviewing current operating processes and assessing them against best in class.

#### 4.4 Inputs

4.4.1 The 2021/22 internal audit plan contained 4427 productive days. During the year 3971 days were delivered. The variance between planned and actual days has arisen due to the combination of a variety of reasons. The main contributors were delays in recruiting to an in-year vacancy, an increased level of sickness, and additional proactive work to support the Council.

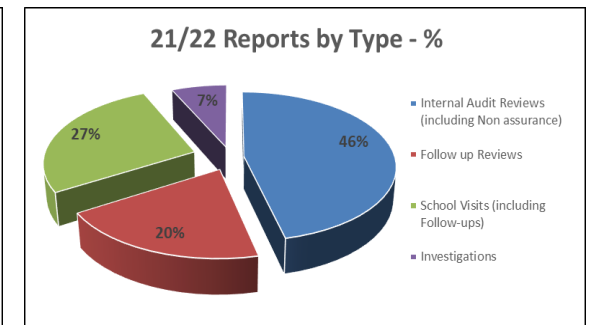
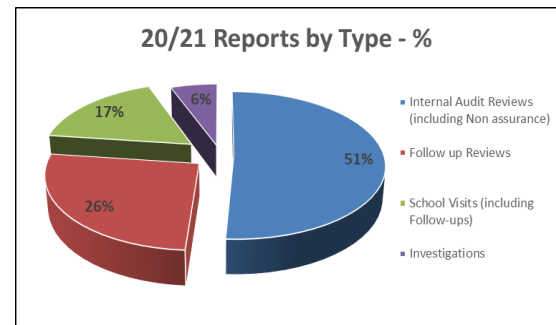
4.4.2 The actual days delivered in 2021/22 compared to those planned is detailed in the table below:

	21/22				
	Planned		Actual		Variance
<b>Number of Audit Days in the annual plan</b>	<b>100%</b>	<b>4427</b>	<b>100%</b>	<b>3971</b>	<b>(341)</b>
Main financial systems	16%	705	16%	617	(88)
Business controls assurance	39%	1711	34%	1351	(360)
Investigations	19%	830	15%	589	(241)
Schools (Non-Visits)	1%	42	1%	21	(21)
Schools (Visits)	12%	540	13%	509	(31)
Follow up work	4%	175	5%	180	5
Ad-hoc work	6%	289	11%	456	167
Planning & reporting	3%	130	6%	248	118
City initiatives	0%	5	0%	0	5

## 4.5 Outputs

4.5.1 During the year we issued 192 final reports, containing 1339 recommendations. For comparison purposes, during 2020/21 we issued 157 final reports containing 899 recommendations.

Reports by Type	20/21	21/22
Internal Audit Reviews	80	89
Follow-up Reviews	41	38
School Visits (including Follow-ups)	27	52
Investigations	9	13
<b>Total</b>	<b>157</b>	<b>192</b>

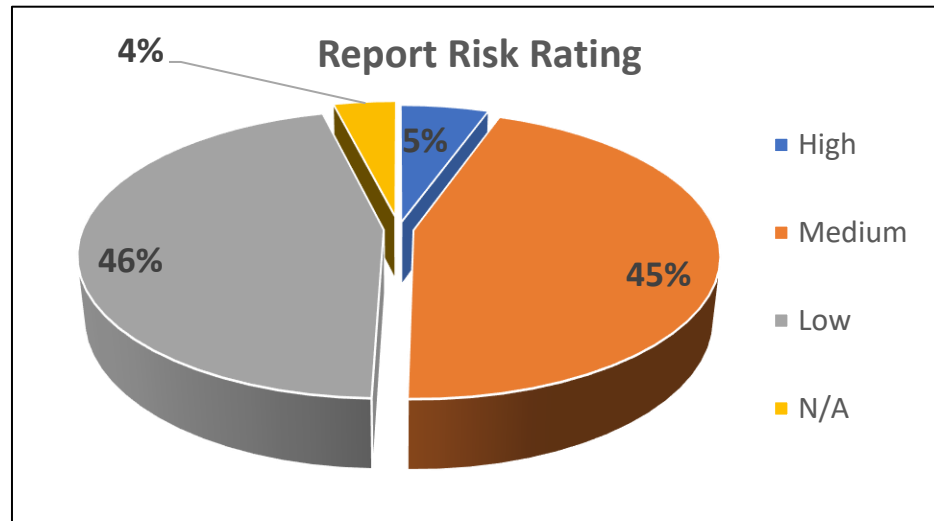


A full list of the audit reports issued, together with risk and assurance ratings, during the year is detailed in Appendix B.

4.5.2 Audit and follow up reports are given a risk rating of 1 - 3 to assist in the identification of the level of corporate importance. The key to the ratings given is:

1. Low (Green) - Non-material issues
2. Medium (Amber) - High importance to the business area the report relates to, requiring prompt management attention. Not of corporate significance
3. High (Red) - Matters which in our view are of high corporate importance, high financial materiality, significant reputation risk, likelihood of generating adverse media attention or of potential of interest to Members etc.

4.5.3 Of the 127 reports (89 Internal Audit and 38 Follow-up reviews) issued during the year, 7 were given a high-level rating, 57 had a medium level rating, 58 had a low rating, and 5 related to non-assurance / progress review work.



4.5.4 On a monthly basis a list of all final reports issued, together with their risk rating, is sent to Members of the Audit Committee, Cabinet and the Corporate Leadership Team. Under the agreed protocol, Members can request to see a copy of any report.

#### 4.6 Performance and Customer Feedback

4.6.1 As at 31st March 2022 we had completed 97% of planned jobs to draft report stage, against an annual target of 95%.

4.6.2 Throughout the year we have sought feedback from our customers by attending management teams and capturing comments via our ISO processes.

4.6.3 Both internal and external customers continue to provide positive feedback on the services provided, examples include:

*‘.....the improved reporting will aid and improve the governance role.....’.*

*‘.....going beyond the call of duty and without him I can’t say the programme would have been as successful as it was.....’*

*‘.....I was very pleased with how well you carried out the audit. Staff really appreciated the way you sought information and shared the findings. You did an excellent job.....’*

*‘..... It’s been constructive feedback throughout and a pragmatic approach that made it work well. ....’*

*‘....commented on how in depth and how this session had opened their eyes to the extent that fraud could be committed. I would like you to pass on their comment and say thank from them as it was that interesting that they did not want it to end....’*

4.6.4 During the year Post Audit Evaluation Questionnaires (AEQ) were reintroduced. Since September 2021 an AEQ has issued with the final audit report. 14 AEQ’s have been returned for work completed during 2021/22, the results are summarised in the table below:

	Audit Reviews				School Audits				Investigations				Total	
Question	No. of Responses	Highest Score	Lowest Score	Avg. Score	No. of Responses	Highest Score	Lowest Score	Avg. Score	No. of Responses	Highest Score	Lowest Score	Avg. Score	No. of Responses	Avg. Score
The audit / investigation was undertaken professionally and objectively?	7	5	4	5	5	5	4	4.6	2	5	5	5	14	4.86
The final report was clear, concise and was issued in a timely manner?	7	5	4	4.9	5	5	4	4.8	2	5	5	5	14	4.88
Recommendations were constructive, insightful and support the management of risk / assist in resolving the issue?	7	5	4	4.7	5	5	4	4.4	2	5	5	5	14	4.64
Overall evaluation of the independent assurance provided / investigation and value to your business area?	7	5	4	4.9	5	5	4	4.4	2	5	4	4.5	14	4.66

Each question is scored: Strongly Agree/Very Good 5, Agree/Good 4, Satisfactory 3, Disagree/poor 2, Strongly Disagree/Very poor 1

4.6.5 The table demonstrates that everyone returning a questionnaire valued the audit or investigation and the support and insight provided.

## 5. Corporate Fraud Team

5.1 In common with other public bodies, the Council has a duty to protect the public purse. The Corporate Fraud Team (CFT) is responsible for the investigation of financial irregularities perpetrated against the Council, whether this is by employees, contractors or other third parties. The Team identify how fraud or other irregularity has been committed and make recommendations to management to address any issues of misconduct, as well as reporting on any weaknesses in controls to reduce the chance of recurrence in the future. A sub-team within CFT is established to specifically tackle 'application based' fraud, primarily related to Social Housing and Council Tax. The work of the Team is prioritised on a materiality basis, as well as putting greater emphasis on proactive work to try and identify and stop fraud and error. We are continually looking to enhance our counter fraud capability and develop new and innovative ways of identifying irregularities, whether this is the result of fraud, error, or procedural non-compliance. We are continuing to develop analytical tests designed to detect fraud and error.

5.2 The table below summarises the reactive investigations activity of the Team (excluding Application Fraud) during the year.

	2020/21	2021/22
Number of outstanding investigations at the beginning of the year	30	53
Number of fraud referrals received during the year	124	91
Number of cases concluded during the year	101	87
Number of investigations outstanding at the end of the year	53	57

5.3 All referrals are risk assessed to ensure that our limited resource is focused on the areas of greatest risk. We work in conjunction with managers to ensure that any referrals that are not formally investigated by us are appropriately actioned. Our investigations were significantly hampered by COVID-19 restrictions and it was not possible to undertake formal interviews during the restrictions. This resulted in a number of investigations having to be placed on hold. All investigation interviews have now recommenced, and we are working to clear the backlog created through the restrictions.

- 5.4 The team have carried out a number of proactive exercises utilising data analysis to identify potential anomalies as well as co-ordinating the processing of data matches derived from the National Fraud Initiative. The Team have delivered fraud awareness training and have issued various bulletins to raise awareness of fraud. During the year an on-line fraud awareness e-learning module was introduced and shared across the Council.
- 5.5 The Team have continued to work with directorate staff to implement the anti-fraud strategy for housing. This includes providing training and support to front line staff in the use of the data warehouse to verify details submitted on housing / homeless / Right to Buy applications. The results achieved by the Team are summarised below:

	2020/21	2021/22
Properties Recovered	14	22
Applications Cancelled	591	548
Council Tax Change	£332,000	£336,703
Housing Benefit Overpayment	£265,000	£394,829

- 5.6 This shows that, in addition to the obvious social benefits deriving from the work, there is also a real financial saving from preventing and / or terminating fraud.
- 5.7 Our annual fraud report will be presented to Committee Members at the September meeting.

## **6. The Internal Audit Charter**

- 6.1 The Public Sector Internal Audit Standards requires the purpose, authority, and responsibility of the internal audit function to be formally defined in an Internal Audit Charter.

- 6.2 On an annual basis Members are asked to approve the Internal Audit Charter. The Charter for 2022/23 is attached as Appendix C. It sets out the objectives; framework and services delivered by Birmingham Audit, and details the relationship with the Audit Committee, our business plan objectives, the statutory requirements around our service, together with the rationale behind the annual risk-based audit plan.

## 7. Internal Audit Plan 2022/23

- 7.1 The 2022/23 plan was developed following the completion of a risk assessment and was approved by Members at the March Audit Committee meeting, see Appendix D. The 2022/23 plan contains 4,416 days. This compares to 4,427 in 2021/22.
- 7.2 The table below shows a summary split of audit days over the different categories of work we undertake, based on our initial risk assessment. The previous year information is given for comparison purposes.

	21/22	21/22 Days	22/23	22/23 Days
<b>Number of Audit Days in the annual plan</b>	<b>100%</b>	<b>4427</b>	<b>100%</b>	<b>4416</b>
Main financial systems	16%	705	16%	705
Business controls assurance	39%	1711	39%	1745
Investigations	19%	830	19%	830
Schools (Non-Visits)	1%	42	1%	27
Schools (Visits)	12%	540	12%	540
Follow up work	4%	175	4%	175
Ad-hoc work	6%	289	6%	259
Planning & reporting	3%	130	3%	130
City initiatives	0%	5	0%	5

- 7.3 The plan has not been subject to any fundamental changes since its agreement at the March Audit Committee meeting.



## **8. COVID-19 Recovery**

- 8.1 The COVID-19 pandemic has had a significant global impact. During 2021/22 restrictions were slowly and safely lifted across the UK allowing services to be reintroduced. However, the impact of the pandemic will continue to be felt and influence how the Council operates and delivers services to the communities and citizens of Birmingham.
- 8.2 Envisably the restrictions had a significant impact on the delivery of the 2020/21 audit plan and we had to prioritise the audits in order to support the delivery of an annual opinion on the systems of internal control whilst assisting the Council in responding to the pandemic and continuing to maintain critical services. In line with this global position 2021/22 saw the recovery of audit services; school and investigation visits were reintroduced, formal interviews recommenced, and the limitations in our audit coverage from 2020/21 fed into our risk assessment. We continued to adapt our working practices in line with the Council New Ways of Working Programme whilst seeking to make processes agile and responsive.

## **9. Grant Certification**

- 9.1 In addition to controls assurance reviews I am required to provide audit certificates, verifying the expenditure incurred, for a number of grants that have been awarded to the Council.

<b>Grant Certificates</b>
Supporting Families
Scambusters
Growth Hub
Public Health COVID Expenditure Grant
Local Transport Capital Grant
Children's Trust NAAS Grant
Boosting Surface Water Project Grant

- 9.2 I have also been formally appointed as the First Level Controller for a number of European Grants. The First Level Controller is a formally appointed independent role that is required to provide a certification that the expenditure incurred under the programme is eligible and correctly accounted for.

<b>European Grants – First Level Controller</b>
USE-IT Transfer Network
Urban M – Stimulating Innovation through Collaborative Maker Spaces
Urban-Regen-Mix
BETTER – Stimulating regional innovation through better e-government services

## Summary of Significant Findings & our work on the Main Financial Systems

### 1. High Risk Reports

During 2021/22 we issued 7 audit reports (including 2 follow-ups) where we identified a 'high' risk rating for the Council. Brief details of the issues highlighted in these reports are detailed below:

**Commissioning and Payment Monitoring Arrangements – Day 6 Council Risk Rating: High Assurance: Level 4 RAG:** Red  
**Provision**

Our work identified weaknesses in the arrangements for commissioning day six provision for permanently excluded pupils from flexible learning. We identified a lack of clarity around commissioning arrangements. This lack of clarity is exacerbated by staff who are likely to have been involved in these arrangements having left the Council.

**Recruitment and Selection - Casual Workers Council Risk Rating: High Assurance: Level 4 RAG:** Red

We have concerns over the lack of recruitment documentation held within employee Digital Personnel Files (DPFs). Whilst this does not mean that the appropriate checks were not completed by managers, we are unable to gain sufficient evidence to prove that they were. People Services have put arrangements in place to strengthen the casual worker's process.

**Housing Repairs - Capital Works Council Risk Rating: High Assurance: Level 3 RAG:** Red

Whilst we found areas of good practice in the form of weekly contractor meetings, robust financial monitoring, spending within budget and identification, and reporting of work backlogs; decisions on spending priorities were not fully clear. Governance was weakened as regular monitoring reports were not produced and planning of work fragmented.

**Adults Social Care - Safeguarding Council Risk Rating: High Assurance: Level 3 RAG:** Red

Whilst we have no concerns that safeguarding is prioritised, due to the limited information that is available, we could not provide assurance that the pathways to Adult Social Care, fully meet the requirement of Section 42. There continues to be a high number of safeguarding contacts and

referrals, whilst this is understandable due to a continued element of caution it is affecting resources, and management are having to complete tasks that should be completed by staff. Management have confirmed that action is being taken to implement our recommendations.

**Supplier Financial Risk - Embedding the Methodology**

**Council Risk Rating: High**

**Assurance: N/A**

**RAG:** Red

Our previous review identified that the Supply Chain Risk Methodology (SCRM) was not fully embedded. Whilst at the time of our follow-up audit little progress had been made in implementing the SCRM, supply chain risk has now been flagged as a strategic risk and a mitigation plan established.

**GDPR - Procurement and Contract Management – Follow up  
(2 follow-ups completed)**

**Council Risk Rating: High**

**Assurance: N/A**

**RAG:** Red

Whilst progress was now been made in implementing the recommendations from our previous report there was still further work to do, including the delivery of bespoke training for procurement officers and contract managers. We expect the risk to reduce once the training is delivered and the new processes are understood and embedded.

## **2. School Visits**

Despite the challenges faced by schools due to the coronavirus pandemic we were able to complete maintained school audits throughout the 2021/22 financial year. The approach to each audit was agreed with the school involved and included the opportunity for remote auditing and on-site work where appropriate. We continued to work with the Children's and Families Directorate and school colleagues to ensure we deliver robust and added value audits that respond to the financial challenges faced by schools.

The outcomes from the audits completed continued to reflect the general trends from previous years. This is not unexpected as our work focuses on those schools with the greatest challenges, selected through the risk-based plan. Overall, we found general weaknesses and areas for development across financial governance, budget planning, financial management and purchasing.

As part of the audit, Governors and Senior Leadership are asked to complete a survey on their views on financial management within their school and if the Governing Board is fulfilling its core function. No significant concerns were identified from the surveys. Any minor issues have been appropriately escalated and support provided.

School deficits continue to be one of the key risks facing schools and the Council. The financial challenges are complex, and do differ between the sectors, but broadly they all translate into providing a quality education within budget, often with reducing funds and rising costs. As a result, there is a continued increase in schools relying on carry forward surpluses to achieve balanced budgets along with predicted deficits in future years. Whilst it is now a DfE requirement for all schools to agree a deficit repayment plan, some schools are finding this a challenge due to continued financial pressures.

Such pressures/risks are being tracked and actioned by the Children's and Families Directorate Schools in Financial Difficulty Board and its sector subgroups which audit attends and supports. There is an agreed escalation process in place to address the financial challenges faced by each individual school.

Our follow up reviews have been very successful in supporting schools improving their systems and controls, as well as placing a focus on their financial position. However, we have continued to face significant challenges in getting schools to implement our recommendations on a timely manner, moving forward such schools will feature in the escalation process mentioned above.

### **3. Risk Management**

The Council's Risk Management Framework, which sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all organisational levels, has been reviewed and updated to ensure focus on the strategic direction of the Council. Strategic risks continue to be reviewed and challenged by the Corporate Leadership Team monthly to ensure they remain complete, relevant, and that mitigating actions are progressing as expected.

The Risk Champions Group, which is made up of representatives from each directorate, continue to progress updates against strategic risk actions plans and ensure that risk management arrangements are embedded at an operational level.

Advice and guidance, together with a supporting e-learning module, are available via the Council's Intranet to help embed risk management as a proactive management tool.

#### **4. Corporate Governance**

The highest standards of corporate governance, public accountability and transparency have a significant impact on how well an organisation meets its aims and objectives. During the year we have completed audit reviews across information governance, project Governance, and the implementation of risk management.

As in previous years, we also reviewed the process used to produce and monitor the Annual Governance Statement (AGS) which forms part of the Council's accounts. The AGS 2021/22 identifies seven significant issues:

- Commissioning and Contract Management.
- Companies.
- Major Projects and Transformation.
- Housing.
- Asset Condition and Sufficiency.
- Recruitment and Retention.
- Birmingham SEND Inspection.

#### **5. Main Financial Systems**

The requirement to give an assurance on the adequacy and effectiveness of financial controls is a key responsibility for us. During 2021/22 we reviewed each of the main financial systems. A summary of our work in these areas is detailed below.

##### **Financial Control / Ledger**

Our work on financial controls did not identify any fundamental or material issues; we are able to provide assurance that, in general, effective arrangements are in place. However, our work identified some areas that require further development, including addressing ongoing budget sufficiency challenges during 2021/22; reconciliation of control accounts on a regular basis; strengthening journal management, and the need for the accounting procedures to be reviewed and held in one place.

In May 2021, the Council was reassessed against CIPFA's five-star Financial Management Model of best practice and was rated as being three stars.

The Statement of Accounts for the year ending 31<sup>st</sup> March 2021 is still in draft, as the audit has not yet been completed by the Council's External Auditor. However, based upon their work so far, the External auditor is likely to issue an unqualified opinion. The External Auditor is currently unable to provide an opinion on the accounts due to a national issue with Infrastructure Assets, the CIPFA LASSAAC Local Authority Code Board has announced an urgent consultation on temporary proposals to update the Code of Practice on Local Authority Accounting for Infrastructure Assets.

Within the External Auditor's draft Annual Audit Letter (March 2022), the Council has not been issued with any 'Statutory Recommendations,' however, there are four Key recommendations, two around the service delivery and assurance mechanisms in the Home to School Transport Service, one around the delivery and governance of the SEND services and another on IT issues relating to system access and changes to the General Ledger.

### **Payroll and Human Resources (HR)**

The gross payroll cost has reduced in line with staffing resources. However, the payroll related expenditure still represents a significant cost to the Council. The gross payroll cost for 2021/22 was £780.5m. The payroll system continues to be stable and functioning well.

Processes and controls are in place and operated by HR and Payroll staff to ensure that the payroll is accurate and that employees are paid correctly and on time, and statutory and voluntary deductions accurately made. However, employees and their line managers are also responsible for accurately updating the system via Employee Self-Service and Manager Self-Service. In some cases, this can affect pay e.g. claims for overtime / additional hours worked, reductions in working hours, unpaid leave taken, maternity leave and sickness absences. Whilst the number of directorate overpayments remains low in comparison to the number of payments made, £159.5k, managers still need to ensure all changes are actioned on a prompt basis. Robust procedures are in place to recover any overpayments or agree appropriate payment plans.

Work undertaken on starters and leavers found that in the main that all the correct checks and controls are taking place. However, we were unable to confirm that all appropriate recruitment checks had been completed for casual workers from the documentation held within employee Digital Personnel Files (DPFs). Whilst this does not mean that the appropriate checks were not completed by managers, we are unable to gain sufficient evidence to prove that they were. People Services have put arrangements in place to strengthen the casual worker's process.

### **COVID-19 Grant**

We have continued to provide support in the processing of COVID19 Support grants administered by the Council. Inevitably, a number of potentially false applications have been identified and these are being investigated.

### **Accounts Payable (AP)**

The Accounts Payable (AP) team is responsible for the payment to suppliers for goods and services ordered by directorates and non-Academy schools. Processes and controls are in place to ensure that the council discharges its responsibilities and accurate payments are made to the correct supplier (target 95% of invoices paid within 30 days).

In 2021/22 8,866 vendors were paid, totalling £1.43bn including feeder file transactions. Purchase card spend across the Council was approximately £7.1m. 93.86% of invoices were paid within 30 days of the invoice date.

The processes and procedures reviewed during the year were found to be operating as expected. Procedures and process have been strengthened to detect and prevent fraudulent payment divisions attempts and ensure that only legitimate changes are made to the vendor master data file.

### **Procurement**

Our audit on the Engagement of Consultants and Interims identified non-compliance i.e. a lack of approval by the Commissioning Gateway Panel, non-compliance with procurement governance, and employment status checks (IR35) not always being available.



Our audit on the Commissioning and Payment Monitoring Arrangements for an external provider of day 6 provision identified concerns around the commissioning arrangements. Payment monitoring arrangements were significantly limited due to there being a lack of records maintained by the Council of places commissioned.

Our audit on Waste Management identified that there was spend where there were no contracts in place, and quotes were not being obtained through Find it in Birmingham. A number of contracts had expired but the suppliers continued to be used.

Our third follow-up review of the arrangements in place within the Council's procurement and contract management processes, to ensure compliance with the Data Protection Act 2018, identified that although progress has been made, bespoke training for procuring officers and contract managers has still not been delivered.

### **Accounts Receivable (AR)**

The invoicing and recovery of sundry debt is an essential part of the Council's financial management processes and reliance is placed on services achieving their sundry income targets. The value of sundry debts raised in 2021/22 was £645m (excluding Housing Benefit Overpayment debts). Overdue sundry debts (over 90 days old) as at 04/04/2022 was £50.6m, including Housing Benefit overpayments.

Overall, processes were found to be operating effectively within the areas reviewed, with appropriate systems in place for raising bills and recovering debts. However, there was a need to recommence the debt write off processes, which had been temporarily put on hold whilst revised assurance arrangements were established.

### **Benefits Service**

The Benefit Service is responsible for the administration and payment of Housing Benefit (HB) and Council Tax Support (CTS). Housing benefit payments are returned to the Council through the subsidy grant. The subsidy claim must be accurate as a 1% error could cost the Council £5.22m reduction from Government. The Housing benefit caseload has seen a steady decrease (approximately 21%) over the last 3 three years. This decrease is due to the introduction of Universal Credit which replaces means tested benefits for working age people, one of which is Housing Benefit. Housing Benefit Overpayments (HBOs) have seen a corresponding reduction, reducing from approximately £10.6Mm to £9.6M between March 2021 and March 2022. HBOs for citizens migrating over to Universal Credit can no longer be recovered via Housing Benefit and must be reclaimed through Universal Credit payments. The overall level of Housing Benefit debts as at the end of March was £41.7m.

Council Tax Support (CTS) applications increased at the start of the pandemic from 119,636 in March 2020, to 122,149 in May 2021 and has since reduced with 118,672 in March 2022. COVID-19 has placed increased demand and pressure on the service this has been compounded by the need to administer COVID business grants and social isolation payments, Household support fund and a 200-400% increase in Local Welfare Payment applications

The processes and procedures reviewed were found to be operating as intended.

### **Council Tax & Non-Domestic Rates**

Council Tax is one of the ways the Council receives money to provide local services. The amount paid is based upon the value of the property. In 2021/22 properties with a full year liability were raised totalling £454m with a year-end collection target of £421m (92.75%). The total amount collected as at 31/03/22 was £417.3m (91.92%).

Non-domestic rates, or business rates, collected by Local Authorities are the way that those who occupy a non-domestic property contribute towards the cost of local services. Apart from properties that are exempt from business rates, each has a rateable value (RV) which is set by the Valuation Office Agency. There are various exemptions and reliefs that can be applied to empty properties, charities, and small businesses. In 2021/22 an annual liability of £364.5m was raised against properties with a year-end collection target of £338.1m (92.75%). The total amount collected as at 31/03/22 was £342.5m (93.95%).

The processes and procedures reviewed were generally found to be operating as intended. There are issues identified with the recovery and enforcement processes due to current resources, however a solution is being sought.

### **Rents**

At March 2022 there were 55,776 city tenancies with 18,620 arrears cases (33.38%) including those in receipt of Universal Credit. Rent accounts in receipt of Universal Credit equate to 21,762 accounts totalling approximately £9.798m (55.85% of the total arrears figure). The current tenancy arrears at 31st March 2022 are approximately £17.544m.

Recovery action is targeted based on the level of arrears to help in ensuring that accounts with an arrears balance are actively monitored and acted upon. Court action and evictions have recommenced, although eviction is considered a last resort and all appropriate support is offered right up to and including the date of the eviction.

## **6. Information Governance / Technology (IT) Issues**

The New Ways of Working Programme is continued to support an agile workforce using Microsoft Office 365 tools. The IT landscape remains complex and presents significant challenges to ensure it remains secure and is available when required. The Council has continued with its Cyber security programme and is constantly strengthening information governance arrangements through the Information Assurance Board.

The Council has undertaken several major IT change programmes including refreshing the technical infrastructure, implementation of a new Social Care system, and has recently gone live with a new Finance and HR system – 1B. The implementation of 1B has not been without its challenges, hyper care arrangements are currently in place to work through the process and system issues that are currently being encountered.

Information Governance processes continue to be aligned to the Information Assurance Maturity Model (IAMM) and are being embedded across the organisation with the assistance of the relevant Information Asset Owners.

Key findings from our work are summarised below:

- Performance in responding to Freedom of Information and Subject Access Requests continues to be challenging.
- Compliance with the Data Classification policy is not readily evident.
- There is a need to continue to embed Data Protection Impact Assessments and refresh the information asset register.
- Data processing and sharing agreements need to be reviewed on a regular basis
- IT applications continue to be managed on an effective basis but there is a need to ensure that movers and leavers are processed on a timely basis
- Information Security and IT Acceptable Usage policies are in place. The Technical Security Policy is being taken forward as a component of the Cyber Security Programme

As part of their opinion work the Council's External Auditors identified several concerns surrounding the previous Finance system which were addressed at the time. A project to ensure similar issue do not exist in the replacement system is currently underway.

## Final Reports Issued During 2021/22

### Audit Reviews (89 Reports):

Key to Council priorities and nature of assurance provided.

#### Outcomes

1. Birmingham is an entrepreneurial city to learn, work and invest in.
2. Birmingham is an aspirational city to grow up in.
3. Birmingham is a fulfilling city to age well in.
4. Birmingham is a great city to live in.
5. Birmingham residents gain the maximum benefit from hosting the Commonwealth Games.
6. Birmingham is a city that takes a leading role in tackling climate change.

#### Assurance Type

7. Good Governance.
8. Strategic Risk.
9. Financial Assurance.
10. Business Control Assurance.

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
Commissioning and Payment Monitoring Arrangements – Day 6 Provision	High	Level 4			✓	✓	✓						✓
Recruitment and Selection - Casual Workers	High	Level 4		✓								✓	✓
Housing Repairs - Capital Works	High	Level 3			✓	✓	✓					✓	✓
Adults Social Care - Safeguarding	High	Level 3				✓	✓						✓
The Active Wellbeing Society - Service Changes During the Pandemic	Medium	Level 4			✓	✓					✓		✓
Waste Management Procurement Compliance	Medium	Level 4					✓			✓		✓	
HMO Licensing	Medium	Level 4					✓			✓			✓
Assessment and Support Planning	Medium	Level 3			✓	✓						✓	✓
Information Governance - Data Loss Prevention	Medium	Level 3		✓	✓	✓	✓	✓	✓				✓
Vat Improvement Plan	Medium	Level 3		✓								✓	
Financial Control Review	Medium	Level 3		✓								✓	
Waste Management Services - Independent Review	Medium	Level 3					✓					✓	✓
Ethics	Medium	Level 3		✓						✓			
Financial Savings Plan	Medium	Level 3		✓								✓	
Implementation of Corporate DBS Policy	Medium	Level 3			✓	✓	✓						✓
Direct Payments - Embedding Operational Practice (Stage Two)	Medium	Level 3			✓	✓							✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
Accounts Payable - Vendor Changes	Medium	Level 3		✓								✓	
IT Project Governance	Medium	Level 3		✓						✓			✓
GDPR Compliance - Education and Skills Directorate	Medium	Level 3			✓	✓							✓
Accounting for HRA Assets	Medium	Level 3					✓					✓	✓
Information Governance - GDPR Compliance City Ops	Medium	Level 3			✓	✓							✓
Funeral and Property Protection	Medium	Level 3					✓						✓
Landscape Construction Framework	Medium	Level 3			✓	✓	✓			✓			✓
Financial Management - CIPFA Budget Sufficiency Exercise	Medium	Level 3		✓								✓	
Eclipse Project Assurance Review Stage 1	Medium	Level 3			✓	✓							✓
Kenrick Centre	Medium	Level 3					✓			✓	✓	✓	✓
Housing Visiting Programme	Medium	Level 3					✓						✓
Council Tax / NNDR Suppressions	Medium	Level 3		✓	✓	✓	✓					✓	✓
Contract Monitoring - Governance & Scrutiny, BCT	Medium	Level 3			✓					✓		✓	✓
Information Governance - GDPR Compliance Article 39	Medium	Level 3		✓									✓
Transitions to Adulthood	Medium	Level 3			✓	✓							✓
Voids and Lettings	Medium	Level 3					✓						✓
Commonwealth Games - Volunteer Programme	Medium	Level 3						✓					✓
Online Service Delivery - Intranet	Medium	Level 3		✓	✓	✓	✓						✓
Rent Service - Current and Former tenancy arrears	Medium	Level 2					✓					✓	✓
Revenues Payments and Posting Delays	Medium	Level 2		✓			✓					✓	✓
IT Procurement	Medium	Level 2		✓	✓	✓	✓			✓		✓	✓
IT Projects - Capita Retained Services	Medium	Level 2		✓	✓	✓	✓						✓
IT Projects - Application Platform Modernisation (APM)	Medium	Level 2		✓	✓	✓	✓						✓
Homelessness - HOC Prevention Model	Medium	Level 2					✓						✓
Hospital Discharges, Pathway 2, Rehabilitation Beds	Medium	Level 2			✓	✓							✓
RBIS	Medium	Level 2			✓	✓	✓			✓		✓	✓
IT Governance	Medium	Level 2		✓	✓	✓	✓			✓			✓
Debt Write Off Compliance	Medium	Level 2		✓	✓	✓	✓					✓	
Eclipse Project Assurance Review Stage 2	Medium	Level 2			✓	✓							✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
CareFirst IT Review	Medium	Level 2			✓	✓	✓						✓
Pupil Premium Free School Meals Data Issues	Low	Level 3			✓	✓						✓	✓
Public Health Procurement	Low	Level 3			✓	✓	✓						✓
Management of Reservoirs	Low	Level 3				✓							✓
City Operations - Section 106 Funding	Low	Level 3					✓					✓	✓
Supplier Relief - Leisure Centres	Low	Level 3				✓							✓
Financial Management - Control Account	Low	Level 3		✓	✓	✓	✓	✓	✓	✓		✓	
Public Health - Safeguarding, Attendance at Statutory Death Panels	Low	Level 3			✓	✓	✓						✓
Schools Financial Value Standard	Low	Level 3			✓	✓							✓
IT Policies	Low	Level 2		✓						✓			✓
CareFirst IT Review	Low	Level 2			✓	✓	✓						✓
Perry Barr Regeneration Scheme - Project and Contract Management	Low	Level 2			✓	✓	✓			✓		✓	✓
IT Applications - Decommissioning Applications	Low	Level 2		✓									✓
Accounts Receivable - Instalment Plans	Low	Level 2			✓	✓	✓					✓	✓
Corporate Payroll Temporary Changes to Contracts Allowances	Low	Level 2		✓								✓	
Accounts Payable - Fuel Cards	Low	Level 2		✓								✓	
SAP Security	Low	Level 2			✓	✓	✓			✓		✓	
Flood Risk Management	Low	Level 2					✓						✓
Corporate Payroll - Starters & Leavers	Low	Level 2		✓								✓	
Benefit Service - Procedures	Low	Level 2				✓	✓			✓		✓	✓
Health and Safety Community Libraries - Controls Assurance	Low	Level 2			✓	✓							✓
Fixed Assets IT Systems	Low	Level 2		✓								✓	
Birmingham City Laboratories	Low	Level 2			✓	✓	✓			✓			✓
Customer Journey - Delivery of Outcomes	Low	Level 2			✓	✓	✓						✓
Council Tax - Property Completion Notices	Low	Level 2					✓					✓	
Accounts Payable - Directorate responses to PI Reports	Low	Level 2		✓								✓	
Accounts Payable - Vendor Master Data	Low	Level 2		✓								✓	
Commissioning Equipment Loan Contract	Low	Level 2			✓	✓							✓
Northgate Housing - IT Controls	Low	Level 2					✓			✓			✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10.
Data Centres	Low	Level 2			✓	✓	✓	✓	✓				✓
Accounts Receivable - Employee related debts, current and former employees	Low	Level 2			✓	✓	✓					✓	
Public Health - Governance, Supporting Arrangements for Health and Wellbeing Boards	Low	Level 2			✓	✓	✓						✓
Rents Service - Housing Stock Analyse	Low	Level 2					✓					✓	✓
SAP Security	Low	Level 2			✓	✓	✓						
Corporate Payroll - Recovery of Overpayments for Leavers	Low	Level 1		✓								✓	
Housing Benefit Accuracy Awards (DWP)	Low	Level 1			✓	✓	✓					✓	✓
Accounts Payable - Payments over £75k	Low	Level 1		✓								✓	
Accounts Payable - Winshuttle Payments	Low	Level 1		✓								✓	
Accounts Receivable - Invoices raised within 10 days of service rendered	Low	Level 1		✓								✓	
Commonwealth games Legacy Programme Ward Funding	Low	Level 1						✓		✓		✓	✓
Benefit Service - Social Isolation Payments	Low	Level 1			✓	✓	✓					✓	
Account Receivable - Debt Collection Agencies (DCAs)	Low	Level 1		✓								✓	
Corporate Payroll - Reconciliations gross to net pay	Low	Level 1		✓								✓	
Revenues - Printing and Posting Reconciliations	Low	Level 1			✓	✓	✓					✓	✓

**Follow Up Reports (33 Reports, 5 Progress Reports):**

Title	Risk Rating Council	RAG
GDPR - Procurement and Contract Management Second Follow-up	High	
Supplier Financial Risk - Embedding the Methodology	High	
GDPR - Procurement and Contract Management Follow-up	High	
Information Assets Register Follow Up	Medium	
Information Governance - Data Privacy Impact Assessments	Medium	

Title	Risk Rating Council	RAG
Anti-Virus - Malware	Medium	
Information Governance - Remote Working GDPR Compliance and Security	Medium	
Information Governance - Article 33 Breach Notification	Medium	
Use of IT Shared Drives	Medium	
Direct Payments - Progress of Reviews in Excess of 12 Months Plus	Medium	
Information Governance - Data Loss Prevention	Medium	
Public Services Network Follow Up	Medium	
Commercial Activities - CityServe	Medium	
Section 117	Medium	
Contract Extensions	Medium	
Non-Treasury Investments	Medium	
User Account Management - SLAM Process Follow Up	Medium	
The Birmingham and Solihull Youth Promise Plus Funding Programme Management Arrangements Follow Up	Medium	
Northgate Data Quality	Low	
Corporate Payroll - IR35 Compliance	Low	
IT Governance - Housing Repairs	Low	
IT Applications - Impulse and CV Hub Follow Up	Low	
Logotech Treasury Management System	Low	
Information Governance - Access to Information	Low	
Advantage Impact	Low	
Register of Electors Online	Low	
Abritas	Low	
IT Applications - Civica Pay PIR	Low	
IT Policies Follow Up	Low	
IT Applications - Decommissioning Follow Up	Low	
Council Tax - Payment and Posting Delays	Low	
Shelforce - Procurement	Low	
City wide Follow Up	Low	
Enablement Second Progress Review		
In-Year School Admission Progress Update		
Revenues and Benefits Recruitment		



Title	Risk Rating Council	RAG
Assessment and Support Planning - 1st Progress Review		
Assessment and Support Planning Progress Review		

**Investigation Reports (13 Reports)**
**School Visits (34 Reports, 4 Follow-up Reports, 14 Progress Reports)**

**Internal Audit Charter 2022/23****1. Introduction****1.1 This charter sets out Birmingham Audit's:**

- purpose, authority, and responsibilities;
- establishes Birmingham Audit's position within the organisation, including reporting relationships with the 'board';
- covers the arrangements for appropriate resourcing;
- defines the scope and role of Internal Audit in any fraud-related work; and
- includes arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

It also sets out the objectives, framework and services delivered by Birmingham Audit (which are in accordance with the mandatory Public Sector Internal Audit Standards (PSIAS)). The detailed actions to deliver the charter are contained within the Birmingham Audit Service Plan.

**Notes:**

1. *The term the 'board', is defined as the Council's Audit Committee.*
2. *Statutory officer roles with regards to Internal Audit:*

*Chief Executive - ensure there is an open, honest, transparent, and accountable culture in operation within the Council and are records and explanations are available as and when required by Internal Audit.*

*Director of Council Management (Section 151 Officer) - is responsible for ensuring the sound financial administration of the Council and effective systems of Internal Audit. They are also responsible for deciding on the action to be taken to investigate suspected financial irregularities, including referring the matter to the Police.*

*Monitoring Officer - has a specific duty to ensure that the Council, its officers, and its Elected Members, maintain the highest standards of conduct in all they do.*

## **2. Purpose, Authority & Responsibilities**

- 2.1 Birmingham Audit's primary purpose is to provide independent and objective assurance to the Council on the control environment (risk management, internal control, and governance) by evaluating its effectiveness in achieving the organisations objectives.

Birmingham Audit's helps the Council meet high standards of Service delivery, conduct and governance and assist in driving down the levels of fraud which achieved by examining, evaluating and reporting on the effective use of resources, reviewing the whole system of internal control and implementation of the intelligence led investigations regime.

- 2.2 In accordance with the Council's Constitution, Part D – D1 Financial Regulations, section FC4 Financial Governance directors must:

*“(v) Providing open and unfettered access to internal and external auditors.*

*(vi) Implementing agreed internal audit recommendations within agreed timescales.”*

- 2.3 Birmingham Audit's responsibilities include looking at how risk management, control, governance processes, and other resources are managed, and working with managers to add value, and improve the security, efficiency, and effectiveness of their processes.

- 2.4 Individual auditors are responsible for ensuring that they operate with due professional care. This means that Birmingham Audit staff will:

- be fair and not allow prejudice or bias to override objectivity;
- declare any interests that could potentially lead to conflict;
- sign a confidentiality statement;
- not accept any gifts, inducements, or other benefits from employees, clients, suppliers or other third parties;
- use all reasonable care in obtaining sufficient, relevant, and reliable evidence on which to base their conclusions;

- be alert to the possibility of intentional wrongdoing, errors and omissions, inefficiency, waste, lack of economy, ineffectiveness, failure to comply with management policy, and conflicts of interest;
- have sufficient knowledge to identify indicators that fraud may have been committed;
- disclose all material facts known to them which if not disclosed could distort their reports or conceal unlawful practice subject to confidentiality requirements; and
- disclose in reports any non-compliance with these standards; and not use information that they obtain in the course of their duties for personal benefit or gain.

### **3. Position within the Organisation (including reporting relationship with the board)**

- 3.1 Birmingham Audit will remain independent of the areas audited to ensure that auditors perform their duties impartially, providing effective professional judgements and recommendations. Where appropriate audit staff will be rotated to avoid and conflict of interests. Birmingham Audit will not have any operational responsibilities.
- 3.2 Subject to any statutory responsibilities and overriding instructions of the Council, accountability for the response to advice, guidance and recommendations made by Birmingham Audit lies with management. Management can either accept the advice and implement recommendations or reject them. Any advice, guidance or recommendations made by Birmingham Audit will not prejudice the right to review the relevant policies, procedures, controls, and operations at a later date.
- 3.3 The Assistant Director Audit and Risk Management will report the results of audit work in accordance with the Birmingham Audit Protocol.

**4. Resourcing**

- 4.1 The service will be delivered to professional standards by appropriately qualified and skilled staff. Birmingham Audit has achieved the ISO27001:2013 Information Security Standard. The Information Security Standard is subject to regular external review.
- 4.2 During 2022/23 we will continue to seek more efficient and effective ways to deliver the audit service, provide assurance to Members, and help identify new ways of working that will bring about service improvements and deliver efficiencies. The Audit data warehouse and data analysis will be used to support our assurance work and provide intelligence in respect of allegations of non-benefit related fraud referrals or data anomalies identified, and to carry out exception reporting, to identify samples and review data quality.
- 4.3 We will work with private sector partners as necessary to ensure we have the right skills and resources to deliver a quality driven professional service to the Council.
- 4.4 We will work in partnership with other inspection bodies to ensure that we get the maximum audit coverage from the resources invested; taking assurance from each other's work where appropriate.
- 4.5 If the Assistant Director Audit and Risk Management, or those charged with governance, consider that the adequacy and sufficiency of internal audit resources or the terms of reference in any way limit the scope of Birmingham Audit, or prejudice the ability of Birmingham Audit to deliver a service consistent with the definition of Internal Audit, they will advise the Council accordingly.

**5. Scope**

- 5.1 The scope of the internal audit function will embrace the internal control system of the Council. It covers all financial and non-financial related activities of the Council at all levels of its structure.

- 5.2 The internal control system is defined as including the whole network of systems and controls established by management to ensure that the objectives are met. It includes both financial and other controls for ensuring that corporate governance arrangements are satisfactory and best value is achieved. In determining where effort should be concentrated, the Assistant Director Audit and Risk Management will take account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving its objectives.
- 5.3 Birmingham Audit will consider the results of the Council's risk management processes. Where the results indicate adequate action has already been undertaken to manage the risks / opportunities Birmingham Audit will take this into account. Where the results indicate that insufficient work has been done then Birmingham Audit may undertake a separate review.
- 5.4 The scope of audit work extends to services provided through partnership arrangements. The Assistant Director Audit and Risk Management will decide, in consultation with all parties, whether Birmingham Audit conducts the work to derive the required assurance or rely on the assurances provided by other auditors. Where necessary, the Assistant Director Audit and Risk Management will agree appropriate access rights to obtain the necessary assurances.
- 5.5 Birmingham Audit will not undertake tasks which are likely to compromise its independence, internal control functions, or certification processes.
- 5.6 Birmingham Audit will participate and contribute to Council and Directorate policy development as required through attendance at relevant events and working groups.
- 5.7 Other Work

Where appropriate resources exist, Birmingham Audit will make provision within the plan for the review of key systems or key services provided by:

- the Council on behalf of other organisations; and

- others on behalf of the Council. In order to achieve this Birmingham Audit will require access to partner records, systems, and staff. This access should form part of any partnership contract between the Council and the partner.

The decision to include it in the plan will be dependent on the level of risk identified and whether reliance can be placed on opinions provided by others.

## 5.8 Fraud & Corruption

In accordance with the Birmingham City Council Constitution, Part D – D1 Financial Regulations, FC6 Delivery and Adherence to Core Strategies, directors must:

*“(i) Directors will maintain appropriate systems to enable the Director of Council Management to collect information on the adherence to core strategies.*

*The Council core strategies that support Sound Financial Management including:*

- (i) Anti-Fraud & Corruption Strategy*
- (ii) Anti - Money Laundering Policy*
- (iii) Whistle-blowing Strategy*
- (iv) Risk Management Strategy*
- (v) Insurance Strategy*
- (vi) Contracts and Procurement Regulations”*

Birmingham Audit will assist managers in minimising the scope for fraud by evaluating the Council’s systems of internal financial control and reporting thereon. Where irregularities are suspected, Birmingham Audit will, in appropriate cases, undertake an investigation and report to management or will promptly provide advice and guidance to assist managers with their investigation. All investigations undertaken by Birmingham Audit will adhere to all Council policies.

Where Directorates require Birmingham Audit to attend disciplinary hearings as a management witness, sufficient notice, i.e.: 10 working days, should be given.

## **6. Avoiding Conflicts of Interest**

- 6.1 Birmingham Audit staff will maintain an impartial, unbiased attitude to their work and will avoid conflicts of interest.
- 6.2 Birmingham Audit will maintain a register of interests for Audit staff. Any interests declared will be considered when planning and delivering work.
- 6.3 Where appropriate audit staff will be rotated to avoid any conflict of interests.

## **7. The Audit Committee**

- 7.1 Our support to the Audit Committee helps to demonstrate the highest standards of corporate governance, public accountability, and transparency in the Council's business. We will maintain an effective working relationship with the Audit Committee, this will include:
  - their approval of the internal audit charter and audit plan, and monitoring of progress against them;
  - the provision of training and technical support to keep Members informed of relevant legislation, good practice and governance issues;
  - access to all reports. Those considered to be of the highest risk will be highlighted and brought to their attention; and
  - performance management information will be provided.
- 7.2 We will attend the committee meetings and contribute to the agenda.
- 7.3 We will participate in the committee's review of its own remit and effectiveness, and ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives.



- 7.4 Our progress reports will include the outcomes of internal audit work in sufficient detail to allow the committee to understand what assurance it can take from that work, and / or what unresolved risks or issues it needs to address.
- 7.5 Annual / half year update reports will be produced. The annual report will include an overall opinion on the control environment, the extent to which the audit plan has been achieved, and a summary of any unresolved issues.

## **8. Birmingham Audit Business Plan – 2022/23**

- 8.1 The Business Plan sets out Birmingham Audits vision to be a highly respected and valued team for insight, analysis, and advice.

### **8.2 Objectives:**

- Deliver an internal audit service that meets professional and mandatory standards and delivers an informed and evidenced assurance to the Council.
- Deliver an effective counter fraud service to prevent, detect and deter fraud and error and to assist law enforcement agencies through the provision of intelligence.
- Enhance awareness and management of risk across the Council by embedding the risk management framework and co-ordinating the production of the Strategic Risk Register.
- Add value and insight by understanding the risks and challenges that we, and our clients face and identifying opportunities to deliver improvements for the citizens of Birmingham.

## **9. Statutory Requirements**

- 9.1 There is a statutory requirement for Local Authorities to have a counter fraud and internal audit function. This service is provided for the Council in-house by Birmingham Audit working in partnership with a number of external bodies. The Assistant Director Audit and Risk Management provides a continuous internal audit and counter fraud service and reviews the Council's controls and operations.

9.2 The services we provide are in accordance with the following legal and professional requirements:

Legal:

- Accounts and Audit Regulations 2015
- Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013
- Criminal Justice Act 2003
- Criminal Procedures Investigation Act 1996
- GDPR/Data Protection Act 2018
- Fraud Act 2006
- Freedom of Information Act 2000
- Human Rights Act 1998
- Local Government Act 2002
- Police & Criminal Evidence Act 1984
- Proceeds of Crime Act 2008
- Regulation of Investigatory Powers Act 2012
- Social Housing Fraud (Power to Require Information) Regulations 2014
- The Protection of Freedoms Act 2012
- Theft Act 1978
- Welfare Reform Act 2012

Professional Requirements:

- Relevant CCAB professional guidance including the Public Sector Internal Audit Standards
- Relevant IIA guidance

- Information Security - BS EN ISO27001:2013
- 9.3 Birmingham Audit reports to the Section 151 Officer under the Local Government Act 2002. The legislative drivers for internal audit and counter fraud continue to evolve.
- 9.4 The Council has adopted the CIPFA / SOLACE code of corporate governance. This code together with the Statement of Recommended Practice (SORP) introduced the requirement for an annual statement of assurance to be made. The Council has subsequently reviewed / revised their Local Code of Governance in accordance with the CIPFA Framework - Delivering Good Governance in Local Government. This means that the Chief Executive and Leader are required to sign a formal corporate assurance statement (known as the Annual Governance Statement (AGS)) on the effectiveness of the Council's governance arrangements and identify any significant governance issues.
- 9.5 We have a role to play in advising Directors regarding the processes, and reporting mechanisms needed to compile their own assurance statements, which the AGS will be based on. An integrated assurance framework is established which places greater reliance on 'management assurance'. This is obtained from individual officers around specific areas of risk and the assurance documentation completed annually at both directorate and business unit level.
- 9.6 The audit plan is risk based and delivered to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place. Our opinion will be prepared using the following sources of assurance: Internal / External Audit work, the AGS process and Risk Management processes. We will work with the External Auditors to improve overall coverage and avoid duplication of effort.
- 9.7 We give an opinion on the internal control environment which forms part of the AGS, which the Council is legally required to produce as part of the final accounts. The work undertaken by Birmingham Audit makes an important contribution to providing assurance around the control environment, and the content of the AGS. The categories of work include:
- Section 151 work around the major and significant financial systems;
  - IT Governance;

- audit around the major risks and the risk management process;
- audit of corporate governance / business control assurance arrangements;
- counter fraud activities; and
- school activities.

## **10. The Annual Audit Plan**

10.1 We will contribute to protecting and enhancing organisational value, supporting the Council's aim to make a positive difference, every day, to people's lives. We will provide an enterprise wide perspective when carrying out audit work, constantly considering the challenging financial situation, and ensuring our planning process is future focused, adds value and insight, and improves organisational operations. We will continue to provide independent assurance and advice that supports healthy transparency in the risk management process. We will place emphasis on the responsibility taken by management to recognise their key risks and take ownership and accountability to manage these effectively, understanding risk appetite to properly accept / mitigate risks to achieve the best outcome.

10.2 The audit plan for 2022/23 has been compiled based on a number of factors, i.e.:

- the level of risk associated to each entity;
- the level of assurance associated to each entity;
- any reviews that fall under the 'must do' categorisation, i.e.: those which are required to be undertaken as part of the minimum internal audit standard.

On an annual basis each entity will be reassessed based on the results of the previous year's internal audit work and other assurance gained regarding the control environment.

10.3 All the risks contained within the Strategic Risk Register are included within the Council's Assurance Framework, which is updated prior to producing the audit plan, and some or all of these will be audited on the basis of their likelihood and impact. The focus of the audits will be

the testing of the systems, controls and action plans put in place by the nominated risk owner to mitigate the risk. If other significant risks / opportunities are identified either through audit work, new / changing legislation, or other change mechanisms they may, subject to resource availability, be added to the audit plan.

- 10.4 Following guidance from the External Auditors each of the systems they designate as 'main financial systems' will feature in the audit plan, unless otherwise directed.
- 10.5 We will continue to develop our approach to systems audit work to put more emphasis on reducing the risk of fraud. Counter fraud activity will include both reactive and proactive fraud work and providing further assistance to officers to better manage the risk of fraud through prevention, detection, and deterrence. This will include work in relation to the National Fraud Initiative (NFI). And ongoing development of anti-fraud database.
- 10.6 Follow up audits will be undertaken in accordance with the agreed policy.
- 10.7 Consultancy work will be undertaken within the limitations of existing resources and where it does not introduce a conflict of interest.

Consultancy work is defined as:

*"The provision of objective advice and assistance relating to the strategy, structure, management and operations of an organisation in pursuit of its long-term purposes and objectives."*

Consulting services may include but are not limited to:

- facilitation of workshops;
- assistance in the completion of financial returns; and
- representation on Boards etc.

The purpose, scope, and approach for each piece of consultancy work will be agreed prior to commencement of the work.

A Charging Policy has been implemented. This means that some elements of work will only be undertaken if resource is available and the client is willing to incur the cost e.g. grant claim certification.

**Internal Audit Plan 2022/23**

	Days	Total
<b><u>Financial Controls / System</u></b> (including computer audits where appropriate)		
Accounts Payable	50	
Accounts Receivable	50	
Payroll/HR	50	
Main Accounting	50	
Asset Management	50	
Procurement, Contract Audit and PFI	140	
Cash Income / Cashiers	30	
Direct Payments	30	
Carefirst / Eclipse	30	
Benefits	50	
Housing Rents	25	
Revenue (Council Tax and NNDR)	60	
Audit Letter	5	
IT Related Financial Systems Work (including Oracle controls)	85	<b>705</b>
<b><u>Business Controls Assurance</u></b>		
Estimated Work in Progress b/fwd. from 2021/22	55	
Data Analysis	200	
Corporate Risk Management Facilitation	50	
Chargeable Work - Acivico	40	
Chargeable Work – Grant Certification	80	
IT Related Systems and Processes	360	<b>785</b>
<b><u>Adults Social Care</u></b>		
Disabled Facilities Grant (DFG)	20	
Early Intervention Community Team	20	
Assessment & Support Planning	20	
Commissioning	20	
Liberty Protection Standard	10	
Placements	20	
Enablement	15	
Day Centres	15	<b>140</b>
<b><u>City Housing</u></b>		
Homelessness	15	
Tenant Management Organisations	20	
Dispersed Temp Accom Properties	20	
Tenant Engagement – Response to TPAS Review	15	
Housing Repairs – Contract Compliance / Assurance (funded through HRA)	180	<b>250</b>
<b><u>City Operations</u></b>		
Resilience	20	
Environmental Health	15	
Leisure Facilities Managed Internally	20	

	Days	Total
Leisure Facilities External Management Arrangements	20	
Markets	20	
Grounds Maintenance	20	
Waste Management	25	
Fleet Management	20	<b>160</b>
<u>Council Management</u>		
Accountable Body	30	
Project Management	30	
Governance	10	
Corporate Performance Indicators	10	
Ethics	10	
Delivery Plan / Improvement Agenda	20	
Commercial Strategy / Activities	10	
Risk Management	10	
Self-Assessment - AGS Process	10	
Acivico Contract Monitoring	10	
Customer Services	10	<b>160</b>
<u>Children and Families</u>		
Safeguarding Corporate Overview	30	
Home to School Transport	25	
Directorate Contract Management	20	
SEND – Sufficiency Strategy	15	
SEND – Ofsted Improvement Plan	10	
Children Not in Education	10	
Birmingham Children's Trust – Contract Management	20	
Safeguarding & Development – BCSB	20	
Directorate Compliance - Corporate DBS Process	15	
Increasing Capacity in Mainstream Education for SEND Children	15	
EHCPs – Monitoring & Managing Completion		<b>195</b>
<u>Place, Prosperity and Sustainability</u>		
Air Quality / Climate Change	10	<b>10</b>
<u>Strategy, Equalities and Partnerships</u>		
Public Health	30	
Equality and Cohesion	15	<b>45</b>
<b>Investigations</b>		
Reactive investigations	430	
Proactive work	200	
Fraud Awareness	200	<b>830</b>
<b>Schools - Non-Visits</b>		



	Days	Total
Admissions and Appeals	15	
Responding to the Challenge of Improving Financial Management in Schools	12	<b>27</b>
<b>Schools – Visits</b>	540	<b>540</b>
<b>Follow Up Work</b>		<b>175</b>
<b>Ad Hoc Work / Contingency</b>		<b>259</b>
<b>Planning and Reporting</b>		<b>130</b>
<b>City Initiatives</b>		<b>5</b>
<b>TOTAL</b>		<b>4416</b>



# Birmingham City Council audit plan

**Year ending 31 March 2022**

Birmingham City Council  
30 June 2022



# Contents

## Your key Grant Thornton team members are:

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## The Key Audit Partner for the Authority's Material Subsidiary is:

### Kerry Brown

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Financial position

The whole local government sector faces pressure owing to cuts, funding pressures and service demands. The Council's Quarter 3 monitoring report, reports a forecast net revenue overspend of £4.2m, which is an improvement of £6.0m on the Quarter 2 position. This comprises various under and overspends, but the main driver of the overspend, is £11.4m in relation to Inclusion and SEND, and in particular Home to School transport, with £9.4m of the Financial Resilience Reserve being used to alleviate the pressures on Travel Assist. It is not yet known how long the pandemic will go on for or what the level of future support required will be. This, coupled with the recent local government financial settlement being for one year only, means that forecasts and assumptions made are clouded by economic uncertainty.

### Recovery from COVID-19 pandemic

The Council has received central funding and has been administering support grants in 21/22. The majority of funding is not ringfenced and can be recognised as income when received. Additionally the Council has responded well to remote working and has been agile in delivering services, diverting office staff to frontline services where required. Internal controls have not changed significantly in relation to the business processes that feed into the financial statements. Management continue to factor in COVID-19 income and expenditure into budgets and cash flow forecasts, and the Council makes applications for additionally funding when available and relevant.

It continues to have a grip on costs arising, as well as income received, that is both directly and indirectly related to COVID-19, which will be key in any determining any future budget strategies and service delivery decisions, as society learns to live with the ongoing impacts of the pandemic.

### Changes in IT systems

As part of our work to support the audit of the 2020/21 financial year, Grant Thornton's IT Audit team completed a design and implementation review of IT General Controls for applications identified as relevant to the audit. A number of deficiencies and significant deficiencies were identified through this review, relating to security management and individuals' access levels. These findings were discussed with management at the time, who have put in place an action plan to remediate the issues raised. The Council is in the process of implementing a new general ledger by moving from SAP to Oracle, which is anticipated to address the legacy findings raised. However, as the financial statements have been produced using the SAP ledger, any deficiencies deemed to still be in place are likely to have a impact on our approach and is likely to lead to extended testing.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work, as set further in our Audit Plan, has been agreed with the s151 Officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We will consider your arrangements for managing the implementation programme and design relevant audit procedures to ensure that any impacts from this change are taken into account.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Birmingham City Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Birmingham City Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- Birmingham City Council
- Birmingham Children's Trust CIC
- National Exhibition Centre (Developments) Plc
- Acivico Limited
- Birmingham City Propco Limited
- InReach (Birmingham) Limited
- PETPS (Birmingham) Limited
- PETPS (Birmingham) Pension Fund SLP
- Birmingham Airport Holdings Limited (Associate)
- Paradise Circus General Partner Limited (Joint Venture)

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation of pension fund net liability
- Valuation and completeness of the equal pay liability

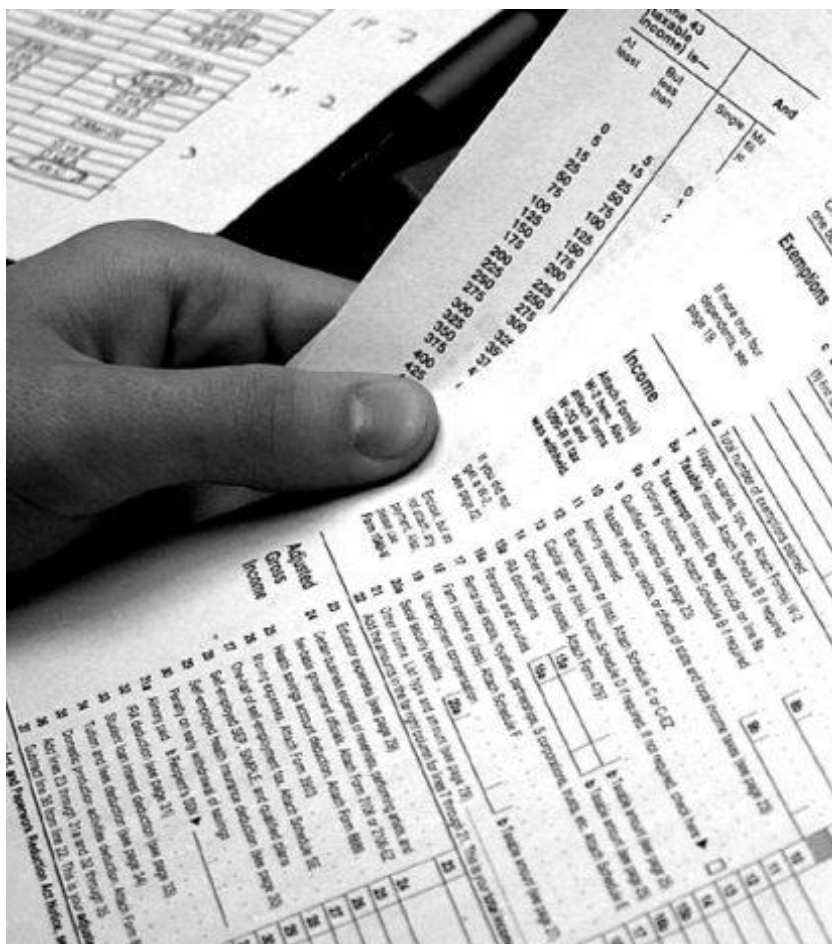
We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £36.0m (PY £34.4m) for the group and £35.9m (PY £34.3m) for the Council, which equates to 1.2% of the prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.8m (PY £1.7m).



# Introduction and headlines cont.



## Value for Money arrangements

We have not yet undertaken our planning assessment pending completion of our 2020/21 audit, and therefore cannot formally confirm the risks we will be considering. However, we anticipate following up on the risks and findings we are currently in the process of finalising in discussion with officers as part of our Auditor's Annual Report for 2020/21. These are:

Areas of significant weakness:

- Independent reports into issues related to the Home to School Transport Service
- Arrangements in relation to required improvements in SEND services
- IT Audit findings and planned changes to the Council's general ledger

Areas where improvement recommendations were made:

- Contractual arrangements relating to the highways PFI scheme
- Potential impact of a lack of stable leadership due to significant level of turnover of key staff and officers
- Waste service continuity and industrial relations

In addition to the above items, we will consider the Council's arrangements in relation to financial sustainability, governance and improving economy, efficiency and effectiveness, to include ongoing consideration of the arrangements in relation to the financial impact of equal pay claims and the Commonwealth Games.

## Audit logistics

Our planning work has taken place during March and April and our final visit will start in July. Finance officers anticipate providing a draft set of accounts at the end of July in line with the statutory deadline, but where we can we will commence work earlier, provided we have assurances that the relevant balances will not change in the finalisation of the draft accounts. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit has not yet been confirmed (PY proposed fee was £365,909 with final fee yet to be confirmed) for the Council. We will discuss this with management and those charged with governance in due course.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit scope	Risks identified	Planned audit approach
Birmingham City Council	Yes		Risks set out on pages 8 to 10 of this report	Full scope audit performed by Grant Thornton UK LLP
Birmingham Children's Trust CIC	No		<p>We have not identified any significant risks of misstatement of the group financial statements, but the following balances are expected to be material to the group and will attract audit effort:</p> <ul style="list-style-type: none"> <li>• Expenditure</li> <li>• Net pension liability</li> </ul>	<p>Specific scope procedures on these balances, as well as on the Trust's cash balances if they are deemed to be material to the group as at 31 March 2022, by the component auditor, Crowe UK LLP.</p> <p>The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of their audit documentation and meeting with appropriate members of management.</p>
National Exhibition Centre (Developments) Plc	No		We have not identified any significant risks of misstatement of the group financial statements, but the company's loan stock is expected to be material to the group and will therefore attract audit effort.	Specific procedures will be completed on these balances by Grant Thornton UK LLP.
Other entities as set out on page 4			None	Analytical review performed by Grant Thornton UK LLP.

## Audit scope

- Audit of the financial information of the component using component materiality
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level



# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240, and the nature of the revenue streams of Birmingham City Council, we have determined that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of public sector bodies, including Birmingham City Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for the Council.</p>	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council and group's revenue streams, as they are material. We will:</p> <p><u>Accounting policies and systems</u></p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code</li> <li>• update our understanding of the Council's business processes associated with accounting for income</li> </ul> <p><u>Fees, charges and other service income</u></p> <ul style="list-style-type: none"> <li>• agree, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence</li> </ul> <p><u>Taxation and non-specific grant income</u></p> <ul style="list-style-type: none"> <li>• income for national non-domestic rates and council tax is predicable and therefore we will conduct substantive analytical procedures</li> <li>• for other grants we will sample test items back to supporting information and subsequent receipt, considering accounting treatment where appropriate.</li> </ul> <p>We will also design tests to address the risk that income has been understated, by not being recognised in the current financial year.</p>
Risk of fraud related to expenditure recognition PAF Practice Note 10	<p>In line with the Public Audit Forum Practice Note 10 (PN10), in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>Having considered the nature of the expenditure streams of Birmingham City Council, and on the same basis as that set out above for revenue, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.</p>	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council and group's expenditure streams, as they are material and in recognition of PN10. We will:</p> <p><u>Expenditure</u></p> <ul style="list-style-type: none"> <li>• update our understanding of the Council's business processes associated with accounting for expenditure</li> <li>• agree, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence</li> </ul> <p>We will also design tests to address the risk that expenditure has been overstated, by not being recognised in the current financial year. Further detail in this respect is set out on page 10.</p>

# Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgement applied and made by management and consider their reasonableness with regard to both corroborative and any contradictory evidence that may exist</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>We note from our work in prior audits that senior officers (ie Heads of Service) have access to the ledger, which does not reflect best practice. We do note however, that historically we have obtained assurance that in practice they do not use this access to post journals. We will design specific procedures as part of this year's work to conclude that this practice is extant, which we would consider mitigates the risk.</p> <p>Control findings have been raised in prior audits with respect to a number of users with multiple accounts as well as a number of accounts with high-level access. We will take this into account as part of our approach to our journals testing and perform enhanced procedures to ensure that this access has not led to material instances of management override.</p>
Valuation and completeness of the equal pay liability	Group and Council	<p>Under ISA (UK) 540 (Auditing Accounting Estimates, including Fair Value Accounting estimates and Related Disclosures) the auditor is required to make a judgement as to whether any accounting estimate with a high degree of estimation uncertainty gives rise to a significant risk.</p> <p>We identified the valuation and completeness of the equal pay provision as a risk requiring special audit consideration, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to estimate the equal pay provision</li> <li>• review the assumptions on which the estimate is based</li> <li>• assess the accuracy and completeness of the information used as the basis of estimating the liability, and reperform the calculation of the estimate, on a sample basis where appropriate</li> <li>• confirm that the estimate has been determined and recognised in accordance with accounting standards</li> <li>• determine how management have assessed the estimation uncertainty</li> <li>• consider events or conditions that could have changed the basis of estimation and the potential impact of any transactions or events after the balance sheet date up to the date of signing of the financial statements.</li> </ul>

# Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Group and Council	<p>The Council revalues its land and buildings on a rolling, five-yearly basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management will need to ensure that the carrying value in the Council's and group's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p><u>Land and Buildings</u></p> <p>Within the valuation of the Council's Other Land and Buildings, the valuer's estimation of the value has several key inputs, which the valuation is sensitive to. These include the build cost of relevant assets carried at depreciated historic cost and any judgements that have impacted this assessment and the condition of the current assets.</p> <p>For assets valued at existing use value and fair value, the key inputs into the valuation are the yields used in the valuation, including estimated future income from the asset.</p> <p>We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p><u>Council Dwellings</u></p> <p>Within the valuation of the Council Dwellings where the valuer's estimation of the value is on a discounted cash flow basis, the inputs and assumptions, particularly the maintenance costs, are still subject to review and discussion as part of the 2020/21 audit. We therefore have identified that the accuracy of the key inputs driving the valuation of Council Dwellings is a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met</li> <li>• challenge the information and assumptions used by the valuer within all valuations to assess the completeness and consistency with our understanding</li> <li>• engage our own valuer to assess the instructions issued by the Council to its valuer, the scope of the Council's valuer's work, the Council's valuer's reports and the assumptions that underpin the valuations</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. Such procedures will also be required in relation to those assets which have been valued during the year but not as at the year-end, as we will need to be assured that there is no material difference between the valuation date and the balance sheet date.</li> </ul>

# Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability (IAS 19 estimate)	Group and Council	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We do not believe there is a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in its calculation or due to the source data used in its calculation as no significant events have occurred, such as significant levels of redundancies, bulk transfers or outsourcing or other material transfers or material membership movements which the actuary may not have taken into account.</p> <p>However, we have concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in its calculation. The actuarial assumptions used are the responsibility of the Council but should be set on the advice given by the actuary. The appropriateness of the assumptions proposed by the actuary is covered by the TAS actuarial standards. However, the Council may choose to use different assumptions than those proposed by its actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation</li> <li>• assess the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• obtain assurances from the auditor of the West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund's financial statements.</li> </ul>

# Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Operating expenses	Group and Council	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses.</p> <p>Management uses judgement to estimate accruals of un-invoiced costs. During the course of the three previous audits, there have been instances of expenditure not being accrued for which has led to further testing being conducted to ensure that no material misstatement existed.</p> <p>We therefore identified completeness of non-pay expenses as a risk requiring particular audit attention, but not a significant risk.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness</li> <li>• gain an understanding of the Council's system for accounting for non-pay expenditure</li> <li>• test a sample of balances included within trade and other payables</li> <li>• test a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period</li> <li>• test a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period.</li> </ul>
Oracle system implementation	Group (as impacts Birmingham Children's Trust CIC) and Council	<p>The Council is implementing a new ledger by moving from SAP to Oracle Fusion from 7 April 2022. Given the date of implementation, clearly this will predominantly impact the financial statements in respect of the year ending 31 March 2023 but there is also a specific impact on the audit for the year ending 31 March 2022:</p> <ul style="list-style-type: none"> <li>• Management is ensuring that the new ledger can be appropriately mapped to the SAP ledger in order to provide us with assurance over the completeness of expenditure/payables and revenue/debtors, as the transaction listings we will be testing to determine that they have been accounted for in the correct period will come from the new ledger.</li> </ul> <p>Additionally, the implementation of a new ledger is a significant change and therefore is likely to lead to workforce pressure around year end that may impact on the 2021/22 financial statements preparation.</p> <p>We have therefore identified this as a risk requiring particular audit attention, but not a significant risk.</p>	<p>We have had discussions with the finance team, and our IT Audit team are in the process of reviewing the implementation strategy, which will be ongoing into the new financial year, as the third party provider and finance team undertake their reviews and reconciliations to ensure all relevant data has transferred completely and accurately.</p> <p>We have discussed the need to be able to map the new ledger to the old for the purposes of our cut-off testing and have been assured by officers that the trail will be readily available.</p>

# Other risks identified continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Infrastructure assets	Group and Council	<p>The CIPFA Code of Practice on Local Authority Accounting prescribes the accounting treatment and disclosure requirements for infrastructure assets. The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. The Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. These requirements of the Code derived from IAS 16 Property, Plant and Equipment.</p> <p>The Council has material infrastructure assets and there could therefore be a potential risk of material misstatement related to this balance.</p>	<p>In order to be able to conclude whether there is a risk of material misstatement we will:</p> <ul style="list-style-type: none"> <li>• assess risks of material misstatement related to infrastructure assets</li> <li>• update our understanding of the process to explain the Council's current approach to capitalisation, derecognition and depreciation of infrastructure assets and how it complies with the Council's fixed asset register to confirm that the processes are being applied in practice</li> <li>• for a sample of assets or additions to infrastructure, we will enquire as to the basis of the asset life and conclude on whether this is reasonable and correctly factored into depreciation calculations</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- how management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- how the entity's risk management process identifies and addresses risks relating to accounting estimates;
- the entity's information system as it relates to accounting estimates;
- the entity's control activities in relation to accounting estimates; and
- how management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- evaluate how management made the accounting estimates?





# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this auditing standard, which was revised last audit year, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings
- Depreciation
- Provisions
- Accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

These are the material estimates likely to be present in the financial statements, but do not necessarily represent areas of material estimation uncertainty. Similarly, there may be areas of material estimation uncertainty that do not relate to these likely material estimates. Therefore this list of likely material estimates may not correspond to the list of material estimation uncertainties that the Council is required to disclose as a separate note within its financial statements.

## The Council's information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- all accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate; and
- there are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.





### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- how management understands the degree of estimation uncertainty related to each accounting estimate; and
- how management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- what the assumptions and uncertainties are;
- how sensitive the assets and liabilities are to those assumptions, and why;
- the expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- an explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures, we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc.

Responses to these enquiries are completed by management and confirmed by those charged with governance at an Audit Committee meeting. For our 2021/22 audit we have made additional enquiries on your accounting estimates in a similar way.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £36.0m (PY £34.4m) for the group and £35.9m (PY £34.3m) for the Council, which equates to 1.2% of your prior year gross expenditure for the year.

We design our procedures to detect errors in specific accounts at a lower level of precision. In particular, errors noted in disclosures relating to senior officers' remuneration and related party transactions will be considered on a case by case basis.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. This will include consideration of the uncorrected misstatements arising from the 2020/21 audit, once concluded upon, as these will have implications on our determination of materiality for the 2021/22 audit. It is important to note that where uncorrected misstatements rolled forward impact on the 2021/22 figures, these will also "count" towards the 2021/22 uncorrected misstatement levels.

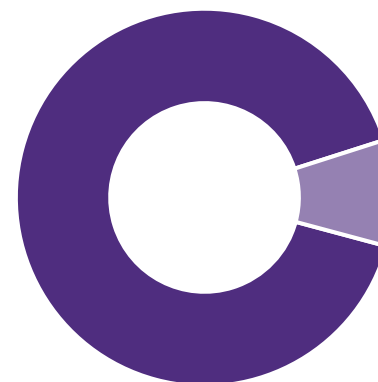
## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.8m (PY £1.7m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

## Prior year gross operating costs

£2,992m group  
£2,994m Council



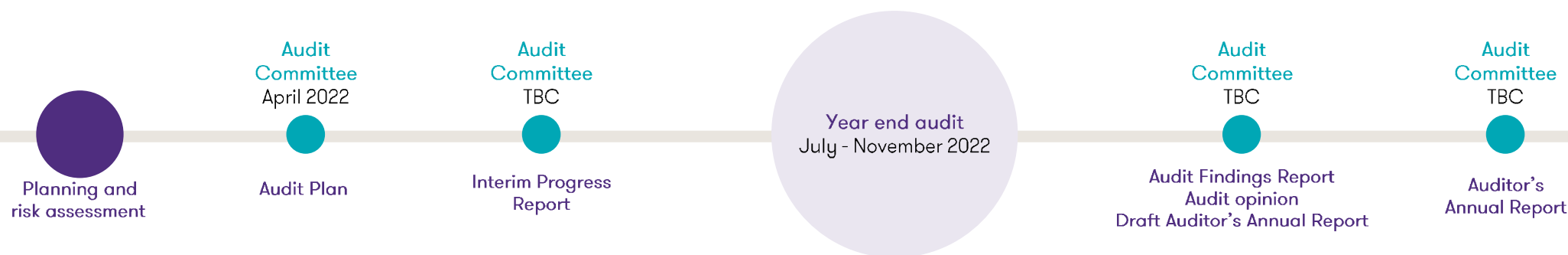
■ Prior year gross operating costs

## Materiality

£36.0m  
group financial  
statements  
materiality  
(PY £34.4m)  
£35.9m  
Council financial  
statements  
materiality  
(PY £34.3m)

£1.8m  
Misstatements  
reported to the  
Audit Committee  
(PY £1.7m)

# Audit logistics and team



## Jon Roberts, Key Audit Partner



Jon will be the main point of contact for officers and committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice, ensuring that our audit is tailored specifically to the Council. Jon is responsible for the overall quality of our audit work, and will sign your audit opinion.

## Nic Coombe, Senior Manager



Nic will work with senior members of the finance team, ensuring that any issues that arise are addressed on a timely basis. She will attend Audit Committee and liaison meetings with Jon, undertake reviews of the team's work and ensure that our reports are clear, concise and understandable.

## Kirsty Lees, Manager



Kirsty will assist Nic in ensuring that testing is delivered. She will perform initial reviews of the team's output and work with Will to ensure that liaison with the finance team on a day-to-day basis ensures that any issues identified are raised on a timely basis.

## Will Howard, Assistant Manager

Will will work directly with the finance team and manage the day-to-day work of the more junior members of our audit team. He will complete work on the more complex areas of the audit, and will provide support to Kirsty and Nic as necessary.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

PSAA awarded a contract of audit for Birmingham City Council to begin with effect from 2018/19. The scale fee agreed in the contract was £241,909. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on pages 13-15 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2021/22 has not yet been finalised pending the completion of our 2020/21 audit. We will discuss this with management and those charged with governance in due course.

	Proposed fee 2020/21	Actual fee 2020/21	Proposed fee 2021/22
Fee for the Council audit	£365,909	£TBC	£TBC
Audit of subsidiary companies			
• NEC (Developments) plc	£35,000	£35,000	£35,750
Total audit fees (excluding VAT)	£441,909	£TBC	£TBC

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the Council.

## Other services

Other services provided by Grant Thornton UK LLP have been identified, as set out on the next page.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

# Independence and non-audit services

Service	Fees £	Threats	Safeguards
Audit related			
Certification of 2020/21 Teachers' Pension Return (November 2021 – January 2022)	7,500	For these three audit-related services, we consider that the following perceived threats may apply:	The level of these recurring fees taken on their own are not significant in comparison to the confirmed scale fee for the audit of £252,309 ( <a href="#">AuditorDirectoryforWebsite2021-2022_3-February-2022.xlsx (live.com)</a> ) and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors mitigate the perceived self-interest threat to an acceptable level.
Certification of 2020/21 Housing Benefits subsidy (June 2021 – January 2022)	22,500	<ul style="list-style-type: none"> <li>Self-interest (because these are recurring fees)</li> <li>Self review</li> </ul>	Our team have no involvement in the preparation of the relevant form which is certified, and we do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements.
Certification of 2020/21 Housing capital receipts (January – February 2022)	5,500	<ul style="list-style-type: none"> <li>Management</li> </ul>	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagement sin line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
AMSCI reasonable assurance engagements (April 2021)	15,000	Self-interest (because these are recurring fees)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the confirmed scale fee and in particular to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to any of them. These factors mitigate the perceived self-interest threat to an acceptable level.
Homes England Compliance Checklist (August – September 2021)	6,000	Self-Interest (because this is a recurring fee)	The level of recurring fees taken on their own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the confirmed scale fee for the audit of £252,309 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
BEIS grants assurance 2019/20 and 2020/21 (November – December 2021)	22,000	None	The level of recurring fees taken on their own is not considered a significant threat to independence as the fee for this work is £22,000 in comparison to the confirmed scale fee for the audit of £252,309 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
There were no non-audit related services.			



# Appendix 1:

## Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

### Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

### Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.



# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



**BIRMINGHAM CITY COUNCIL****PUBLIC REPORT**

**Report to: AUDIT COMMITTEE**

**Report of: Director of the Adults and Social Care Directorate**

**Date of Meeting: 30 June 2022**

**Subject: Ombudsman Public Interest Report concerning a complaint about the Disabled Facilities Grant Complaint**

**Wards Affected: All**

**1. Purpose of Report**

- a) In December 2006, the Audit Committee endorsed a framework for informing and involving Members of the Council when the Local Government and Social Care Ombudsman issues a report.
- b) The aim of this report is to inform members about the Ombudsman's report, issued on 19 May 2022, regarding the Council's handling of home adaptations under the Disabled Facilities Grant (DFG) as set down in the Housing, Grants, Construction and Regeneration (HGCR) Act 1996.
- c) As the Ombudsman has found fault causing injustice and have made recommendations to remedy the injustice caused, it should be considered by this Committee on behalf of the City Council.

**2. Recommendations**

**That the Audit Committee notes the Director of Adults and Social Care's response to the Local Government and Social Care Ombudsman's recommendations.**

### **3. Background Information**

- 3.1 A copy of the Local Government and Social Care Ombudsman's report dated 8 March 2022 is appended to this report. All Ombudsman reports are anonymous, so, whilst the events described are real, the names of those involved are not included.
- 3.2 The essence of the complaint:
- Mr X complained about the Council's handling of home adaptations to meet his son's social care needs. Mr X said the building work is slow, of poor quality, and is incomplete. He says this has impacted on his son's mental health and medical condition.

### **3. The Key Events**

#### **DFG approval**

- 4.1 In 2018, the Council approved a DFG application from Mr X. The application was for a DFG to build a two storey extension, as recommended by the Council's occupational therapy (OT) assessment, to meet the needs of his disabled child.
- 4.2 The Council does not have a specific DFG policy. The Council follows the Housing Adaptations Consortium's good practice guidance. The Council has a list of approved contractors who have all been successful in a formal tendering process. The Council allocate work based on a rotation basis to ensure fair and equitable distribution of work for all contractors.
- 4.3 The Council said the contract was a 'design to build'. This meant the details of the required recommendations are sent to contractors to establish if the recommended works are reasonable and practicable. If the contractor decides the works are feasible, they complete a survey to identify the most cost-effective scheme to be provided to meet the recommended needs.
- 4.4 The contractors then use the Council's unit rates to quote for the scheme. The contractors will apply a discount on the basic rates to provide the final quote. The discount offered by contractors are agreed during the tendering process. The Council then reviews and approves the final scheme.
- 4.5 The Council received a quote for the adaptations works for Mr X's property. The quote was for just over £61,000. As the scheme exceeded the mandatory grant amount of £30,000, the Council's high cost panel reviewed the scheme in May 2019. The high cost panel noted there were no other options to meet all the requirements of the OT recommendations and approved the grant.
- 4.6 The Council wrote to Mr X to confirm it had approved the DFG. The letter did not set out the total grant amount that had been approved. The Council said it was not its normal practice to send out details of grant awards to applicants at

the start of the works, and that it would only do this if the applicant chose their own contractor.

### **Adaptation works**

- 4.7 The Council appointed Contractor A to start work on the adaptations in June 2019. Mr X said he was not involved in selecting the contractor. The Council said Mr X asked it to appoint a contractor and confirmed to the LGSCO the contract for the works was between itself and Contractor A.
- 4.8 In July 2019, Mr X said he raised concerns with the Council about the quality of Contractor A's work. The Council said Mr X had raised concerns about Contractor A's behaviour and that he had felt threatened by them, not about the quality of the works completed. The Council said it removed Contractor A from the project as it decided it was appropriate to safeguard Mr X and the contractor.
- 4.9 The Council appointed a new contractor from its approved list, Contractor B, in July 2019. The Council also sent Mr X some details about the process for choosing his own contractor. The Council set out the total grant available to him was just over £61,000 and that it would deduct the cost of the works completed so far.
- 4.10 Contractor B continued with the work already started by Contractor A. Contractor B built the extension up to the roof level. Contractor B provided the Council with daily updates on the works it completed between July 2019 to September 2019.
- 4.11 In September 2019, Mr X raised concerns with the Council about the speed and quality of the works being completed by Contractor B.
- 4.12 The Council decided to remove Contractor B from the project. The Council said it did this as it had witnessed a heated discussion between Mr X and Contractor B, and that it was evident the relationship between the two had broken down.
- 4.13 The Council asked its surveyor to complete a review of the works completed by Contractor B. The Council also asked a third contractor, Contractor C, to review the works.
- 4.14 The Council's surveyor finished their review in September 2019. The surveyor visually inspected the quality of the brickwork finish of the partially completed extension. The surveyor noted overall that while some areas were acceptable, most of the other areas were of poor quality.
- 4.15 In October 2019, Contractor C gave the Council its report of the partially completed extension. Contractor C's report highlighted concerns about the quality of some of the work. Contractor C also noted the extension had not been built in accordance with the measurements on the plans and it was too big. Contractor C recommended the extension was demolished due to the concerns identified in its report.

- 4.16 Contractor C completed the demolition in October 2019. By November 2019, Contractor C had rebuilt the extension back to roof level.
- 4.17 In November 2019, Mr X raised concerns about visible concrete blocks in the side wall of the extension. In response to Mr X's concerns, Contractor C replaced the concrete blockwork with bricks. Mr X later raised concerns with the Council about the bricks used by Contractor C. Mr X said he felt the way Contractor C had cut the bricks made them unsuitable.
- 4.18 Contractor C commissioned a structural engineer to inspect the method it used to replace the concrete blocks. The structural engineer's report noted they were happy with the method of work and standard of workmanship. They also confirmed the works would have no significant long term adverse effect on the structural integrity of the extension.
- 4.19 Mr X was not happy with this survey and commissioned his own structural engineer to inspect the side wall of the extension. Mr X's surveyor visited his property in November 2019 to inspect the side wall of the extension.
- 4.20 The Council's surveyor also completed random visits in November 2019 to review the adaptation works completed so far. The surveyor noted no concerns with the works.
- 4.21 At the end of November 2019, Contractor C confirmed all the work that it had completed to the extension so far. Contractor C confirmed it could not progress with the build until Mr X's gas and electric meters had been moved by a third party.
- 4.22 The Council said there were delays to moving the gas and electric meters in December 2019 as Mr X did not initially give permission for the works to be completed.
- 4.23 Mr X raised concerns about the progress of the adaptation works in December 2019. The Council's surveyor completed a visit to review the ongoing works. Some small concerns were noted but remedial work was agreed to rectify the concerns.
- 4.24 Throughout January 2020, Mr X continued to raise concerns with the Council about Contractor C's work. The Council's surveyor completed a visit to review the ongoing works. During this visit, Mr X agreed to complete and submit some information to the Council. The Council also noted Mr X's continued dissatisfaction with the delays to the adaptation works.
- 4.25 In January 2020, Contractor C gave notice to the Council to end its involvement with the adaptation works. Contractor C said it was giving notice due to its poor relationship with Mr X.
- 4.26 In February 2020, the Council told Mr X none of its other approved contractors were willing to take over the adaptation works. The Council asked Mr X to

source his own contractor to complete the works. The Council said it provided Mr X with details of how much of the grant was left to complete the works.

- 4.27 In March 2020, the Council arranged for a surveyor to review the partially completed adaptation works.
- 4.28 The structural engineer Mr X commissioned to survey the bricks used in the side wall of the extension provided their report in March 2020. The surveyor noted they agreed in principle with the methodology used by the contractor, but that the replacement bricks had been inserted too far and so there was poor alignment with the rest of the bricks.
- 4.29 The report recommended the brickwork be monitored for an extended period for any cracking and for Mr X to ask the Council to agree to provide an extended guarantee. The Council said it would have agreed to this recommendation, but Mr X did not want to pursue this option.
- 4.30 No work took place between April and June 2020. In June 2020, the Council's appointed surveyor issued their report. The report confirmed they had not completed a structural survey and so did not consider whether the bricks used in the side wall of the extension were appropriate. The report listed some areas of concern.
- 4.31 In August 2020, the Council confirmed to Mr X it did not consider there were any major faults in the works carried out by Contractor C. The Council said it could not offer an alternative contractor and asked Mr X to source his own contractor. The Council told Mr X it would provide just under £30,000 towards the cost of completing the adaptation works. The Council said this was the amount left from the approved grant.
- 4.32 The Council explained it did not carry out regular checks or inspection of works. Instead, it relied on certification from a building control body, Company T, to review the quality of the works. The Council said it regarded these certifications as confirmation works have been completed to a satisfactory standard and meet building regulations.
- 4.33 In September 2020, Mr X told the Council he had approached Company T to complete an inspection on the side wall of the extension to consider the specific point about whether the bricks used were suitable.
- 4.34 In November 2020, Company T visited Mr X's property. The inspector confirmed the area in question was not exposed, and that visibility was extremely limited. The inspector also said he had not seen the bricks in-situ at the time of the inspection. Instead, he was shown a sample of the bricks used by Mr X. The inspector told Mr X it was his opinion the bricks used, if they were the same as the sample shown to him by Mr X, were unsuitable.
- 4.35 The inspector initially told Mr X the solution was to replace the likely defective bricks, with solid bricks. However, the inspector noted the practicalities of this was near impossible due to the limited space between the wall and the

neighbouring property. The inspector noted that until this work was completed, Company T would not issue a completion certificate.

- 4.36 In December 2020, the Council told Mr X it was agreeable to holes being made to the extension wall to check what bricks had been used throughout the length of the wall. The Council told Mr X none of its contractors were willing to complete the work and asked him to source his own contractor. The Council confirmed it would pay for the cost of this work.
- 4.37 Mr X told the Council he could not find a contractor to take on the project. The Council asked Mr X to provide evidence he had approached contractors. Mr X did not provide this.

### **Mr X's shed**

- 4.38 As part of the adaptation works, Mr X's shed had to be moved. There is evidence Contractor A told Mr X to empty the shed so that they could move it to start building works.
- 4.39 Contractor A provided a statement which noted when it arrived at Mr X's property for the first day, the shed was still full of its contents. Contractor A emptied the shed to move it as far as possible to allow work to start. Contractor A then replaced the contents back into Mr X's shed.
- 4.40 The Council said it had agreed to provide a replacement storage unit to Mr X. The Council said before the replacement unit was delivered, Mr X had emptied the shed and left the contents outside. The items had then been damaged by the weather.
- 4.41 The Council asked Mr X to provide evidence of the items damaged and any supporting evidence that would help the Council determine the market value of the items.
- 4.42 Mr X provided the Council with a list of the items with his estimated costs. Mr X provided a couple of photos of the items, but not in their damaged state.
- 4.43 The Council said without the evidence requested, it could not decide what the market value of the items damaged was and so could not compensate Mr X for the damaged items.

## **5. The Ombudsman's Findings - Fault found causing injustice**

### **DFG approval**

- 5.1 As the Council do not have a written DFG policy it was difficult for the LGSCO to properly scrutinise the Council's action with regards to the approval of the DFG grant. This is fault. One of the key principles for good administrative practice is for councils to be open and clear about policies and procedures.



- 5.2 The LGSCO do not consider that the fault identified has caused any injustice to Mr X. This is because the Council made a positive decision in his favour to approve the DFG application.
- 5.3 There was no evidence the Council told Mr X of the amount it had approved. The Council had sent Mr X a letter noting the DFG had been approved, but there were no details of the amount that had been approved.
- 5.4 Again, it would have been good administrative practice for the Council to have provided Mr X with clear and accurate information about how much money had been approved for the adaptation works. However, the LGSCO do not consider this caused Mr X any injustice at this stage as he was happy for the Council to appoint a contractor to complete the adaptation works.

### **Appointment of contractors and quality of works**

- 5.5 The Council is obliged to provide the funding for adaptation works, not to complete the works. Councils can require an applicant to arrange their own contractor. Therefore, there is no requirement for councils to appoint a contractor to complete adaptation works.
- 5.6 However, the way adaptations are provided will depend on the council's own policies and practices. As already identified, the Council does not have any specific DFG policies outlining how it will approve and deliver DFGs. This also means the Council has no policies outlining what it is responsible for. This is fault.
- 5.7 The evidence available suggests the Council appointed the contractors to complete the adaptation works on Mr X's behalf. Therefore, the LGSCO are satisfied the Council commissioned the contractors. As the Council has no policies setting out its responsibilities for when it commissions contractors, the LGSCO are satisfied the Council has overall responsibility for the contractors' work, including whether the works are of an acceptable standard.
- 5.8 Mr X's evidence is that he was not happy with the works completed by Contractors A and B. There is evidence he raised concerns about their work with the Council.
- 5.9 The Council said it removed Contractors A and B because Mr X had raised concerns about their behaviour, not because of the quality of the works completed. However, there was no evidence to set out this rationale at the time the contractors were removed from the project. There is also no evidence the Council told Mr X this was the reason it had removed the contractors. This is fault.
- 5.10 The evidence shows the Council's surveyor noted most of the work was of poor quality. This was supported by Contractor C's inspection which, due to the concerns identified, recommended demolishing the extension.

- 5.11 The Council told the LGSCO it agreed to demolish the extension because it was too large and was not in line with the approved plans. However, this does demonstrate the work was not of an acceptable standard as it was not built in line with the approved plans. This is fault.
- 5.12 A consequence of this fault was delay. The delay has caused an injustice to Mr X and his family.
- 5.13 The evidence also shows there were some concerns with the works completed by Contractor C. The survey the Council commissioned in March 2020 highlights some issues that need to be addressed. At this stage, this is fault. However, there is some mitigation as the LGSCO acknowledge the survey does note some of the problems listed would likely have been corrected by Contractor C if they had completed the project.
- 5.14 As the Council appointed Contractor C, it is responsible for the works they completed. Therefore, the LGSCO are satisfied it is the Council's responsibility to put this right.
- 5.15 The Council explained it cannot appoint another contractor to complete the adaptation works as none of its remaining approved contractors will accept the project. The LGSCO acknowledge and accept this position. The LGSCO are now of the view it would not be of any benefit to Mr X for them to recommend the Council appoint a contractor to complete the works. This is because it has already exhausted all its options and to source another contractor, the Council would need to complete a procurement process. This is a lengthy process which would only further delay completion of the adaptation works.

### **Side extension wall**

- 5.16 Mr X had concerns about the bricks Contractor C used to build the side extension wall. In total, there has been three surveys commissioned to address Mr X's concerns about the method and bricks used by Contractor C to build the side extension wall.
- 5.17 From Company T's inspection in November 2020 it was that further work was needed to identify what bricks have been used to construct the side wall. Until this work is completed, Company T said it would not issue a completion certificate because it cannot be satisfied the extension wall meets building regulations. It is the Council's responsibility to take the action required so that a completion certificate can be issued.
- 5.18 The Council told Mr X it would pay for the work needed to expose the brickwork, and that it would pay for any remedial work recommended by Company T. This demonstrates the Council accepts its responsibility to complete the works to an acceptable standard.
- 5.19 The Council has also explained its reasons why it could not appoint a contractor to complete the necessary work to expose the brickwork.

- 5.20 The LGSCO are now of the view it would not be of any benefit to Mr X for them to recommend the Council appoint a contractor to complete the works.

### **Delays**

- 5.21 Three different contractors carried out adaptation works between June 2019 and June 2020. The LGSCO note that Contractor C had left the project before completing the adaptation works and that the works remain incomplete to date.
- 5.22 The LGSCO found fault with the Council as it had to demolish the extension as it had not been built in line with the approved plans. While the Council has mostly remedied this fault by rebuilding the extension, a consequence of this fault is delay.
- 5.23 The LGSCO consider the delay caused by the need to demolish and rebuild the extension caused Mr X distress and time and trouble. They also consider the delay would have had a significant impact on Mr X's son. This is because he has had to live in accommodation that is unsuitable for his needs for longer than he should have if the fault had not occurred.
- 5.24 No works were completed to the extension after January 2020, when Contractor C gave notice on the project.
- 5.25 The Council appointed a surveyor in March 2020 to complete the review. Again, this demonstrates the Council's willingness to cooperate with Mr X to move the project forward. Therefore, the LGSCO are satisfied the Council took appropriate action in March to progress the adaptation works.
- 5.26 The Council's surveyor only provided its report at the end of June 2020. This was around two months after the survey took place. Further, there is no evidence the Council chased the surveyor for the report. However, the LGSCO acknowledge the survey took place at the start of the COVID-19 pandemic. Therefore, it is likely this would have had a significant impact on the Council while it adapted to the new way of working. Given the unprecedented circumstances of the global pandemic, the LGSCO do not consider two months to be an excessive delay.
- 5.27 One of the main barriers to progressing with the adaptation works was the dispute around the bricks used in the construction of the side wall of the extension. It is clear Mr X is concerned about the integrity of the structure and this has caused the greatest delay with the adaptation works.
- 5.28 Mr X decided to approach Company T for its view on the brickwork in September 2020. Company T did not complete its inspection until November 2020. The LGSCO consider this to be a reasonable timeframe. In any case, this action was outside the Council's control. Therefore, the Council was not at fault for the delay in progressing the adaptation works while Company T completed its inspection.

- 5.29 Once Company T had told the Council of the options, the Council took a month to decide it was agreeable to paying for the works recommended. The LGSCO consider this to be a reasonable timeframe. Therefore, the LGSCO are satisfied the Council took appropriate action to progress the adaptation works in November and December 2020.
- 5.30 The Council asked Mr X to source his own contractor to complete the work as it was unable to appoint a contractor. The LGSCO now accept the Council had valid reasons for why it could not appoint a contractor. Therefore, the LGSCO now consider it was appropriate in the circumstances for the Council to ask Mr X to appoint his own contractor. The LGSCO consider this was the quickest and most proportionate option to getting the adaptation works completed. Mr X declined to appoint a contractor. Therefore, it is clear the Council and Mr X were not able to agree on a way forward to resolve the issues.
- 5.31 One option available to Mr X to resolve the dispute was to pursue a complaint with the LGSCO, which he has taken. While the LGSCO investigated the complaint, no works took place to progress the adaptation works due to the dispute over who was responsible for appointing the contractor. This has inevitably caused further delays to the adaptation works. However, the LGSCO do not consider the delays are due to any fault of the Council. Instead, it is a consequence of the LGSCO considering the complaint.
- 5.32 The LGSCO note Mr X's own surveyor, in March 2020, recommended the brickwork be monitored for an extended period and for Mr X to get the Council to agree to an extended guarantee. The LGSCO acknowledge the Council said it would have agreed to this option, but that Mr X declined this. However, there is no evidence the Council discussed this option with Mr X at the time.
- 5.33 It is good administrative practice for the Council to keep accurate and appropriate records. Therefore, the Council is at fault for not keeping an accurate record of its discussions with Mr X at the time. The fault identified has caused uncertainty.

### **Completion of the adaptation works**

- 5.34 It is the Council's responsibility to complete the adaptation works. This is because it appointed Contractor C, who left the project in an incomplete state. The Council accepts this.
- 5.35 The Council has no obligation to appoint another contractor. The Council's obligation is to provide the funding in the form of a DFG.
- 5.36 While the Council originally agreed to appoint a contractor, it has outlined why it cannot appoint another contractor to complete the adaptation works. This is because it can only approach contractors on its approved list and they have all declined to continue the project.
- 5.37 The LGSCO consider at this stage, the Council was at fault for how it decided the amount of money left for Mr X, £29,000, to complete the adaptation works.

While the Council did approve a grant of just over £61,000, there is no evidence of any written agreement with Mr X stating this is the final grant.

- 5.38 The LGSCO have not seen evidence of how the Council reached the figure of £29,000. The LGSCO believe the Council has not considered whether the amount is realistic to complete the adaptation works given the project is partially completed and that the initial grant had contractor discounts applied. It is not clear whether these discounts would be available to Mr X from private contractors. It is the LGSCO's view that these would be reasonable factors to consider before deciding on the final amount available to Mr X to complete the adaptation works. Therefore, the LGSCO are not satisfied the Council has demonstrated it followed a proper decision making process before telling Mr X of the amount of money left available to him.
- 5.39 The fact the Council did not have any specific DFG policies likely contributed to this fault as there is no written procedure or process on what to do in these situations.
- 5.40 The LGSCO consider the fault has caused some uncertainty. This is because it is not clear whether there is enough money to complete the adaptation works. However, the LGSCO do not consider this caused Mr X any injustice. This is because there is no evidence Mr X approached any contractors to take on the project or that he had to decline contractors due to being unable to meet their costs.

### **Shed**

- 5.41 There is evidence Contractor A told Mr X to empty his shed of its contents so that it could move the shed to allow work on the extension to start. There is also evidence to suggest Mr X had not emptied the shed as requested ready for Contractor A.
- 5.42 Given there is evidence Mr X was happy not to remove the items from the shed initially, it is not clear to the LGSCO why Mr X emptied the contents of the shed before the replacement storage unit had arrived. Especially given the shed had been moved so that works could start. There is also no evidence Contractor A rushed or insisted Mr X empty the shed or that he had to leave his items outside uncovered. Therefore, on balance, it is the LGSCO's view it was Mr X's choice to empty the shed before the replacement storage unit had arrived.
- 5.43 The Council had agreed to provide some financial remedy to Mr X to cover the cost of the damaged items. The Council appropriately asked Mr X to provide supporting evidence of the damaged items to help it determine their market value. Mr X did not provide the evidence the Council requested but instead provided a list of the damaged items with his estimated costs. There is no evidence to show how Mr X reached his figures. In the LGSCO's view, some of the figures Mr X provided are the cost of the items when bought new, not the market value of second-hand goods.

- 5.44 It is the LGSCO's view is that is not appropriate for the Council to provide a financial remedy. This is because the Council was not at fault for the damage to the items as it was Mr X's decision to remove the items and leave them outside where they were susceptible to the weather.

## **6. The Ombudsman's Recommendations**

- 6.1 To remedy the injustice caused by the faults identified, the Council has agreed to complete the following:

### **Personal remedy**

- Apologise to Mr X for the injustice caused by the faults identified.
- Pay Mr X £200 to recognise the distress and uncertainty caused by the faults identified.
- Pay Mr X £800 to recognise the significant impact the delays and the lack of adaptations will have had on his child.
- Ask Mr X to obtain three quotes from contractors he chooses to complete the works needed to expose an area of the wall which will allow Company T to review the brickwork in the side wall of the extension. Mr X will provide the Council with a copy of the three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has the documents, it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work.
- Following the inspection, should Company T recommend any remedial works, the Council will ask Mr X to obtain three quotes from contractors he chooses to complete the remedial works as recommended. Mr X will provide the Council with a copy of the three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has a copy of the quotes, it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work.
- Once the issue of the brickwork has been resolved, the Council will ask Mr X to obtain three quotes from contractors he chooses to complete the works needed to finish the adaptation. Mr X will provide the Council with a copy of the three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has a copy of the quotes it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work.

### **Service improvement**

The Council should implement a DFG policy which covers the following.

- An outline of the process for approving DFGs.
- An outline of how the Council will deliver the approved DFG and recommended adaptation works.
- An outline of the process for how applicants can choose their own contractor.

- The criteria the Council should consider when deciding on discretionary top up assistance for adaptations costing more than £30,000.
- For cases where the Council has appointed the contractor to complete the adaptation works, an outline of the:
  - process for reviewing and inspecting the works throughout the whole of the build;
  - the role and responsibilities of the Council to rectify poor quality work;
  - the role and responsibilities of the applicant; and
  - the role and responsibilities of the Council to resolve disputes between the contractor and applicant.

The Council should remind relevant staff of the importance of keeping accurate records made at the time of all communications and discussions with an applicant. If meetings are held to discuss matters, the Council should keep a record of the minutes of the meeting. This will help to ensure the Council has evidence to demonstrate its decision making and rationale at the time for decisions made.

## **7. The Council's View**

- 7.1 The Council accepted the Ombudsman's recommendations at the draft report stage.
- 7.2 The Council has subsequently carried out the following actions:

As a result of this report following this complaint steps are being taken to ensure all recommendations made are being complied with and embedded into the ongoing development of the service delivering major adaptations, through the disabled facilities grant. This includes ongoing review and learning to ensure future compliance and any new national direction is incorporated to the major adaptations policies and procedures.

Actions have been taken to comply with Local Government Ombudsman's recommendations:

- A written apology has been made to Mr X for the injustices caused.
- Ongoing attempts are being made to compensate Mr X as detailed in the recommendations, however, to date Mr X has not provided confirmation of where he would like this compensation paid too.
- Mr X has been supported to move forward with the adaptation works, the department has liaised directly with Company T to ensure that their standards are met and that works can continue. Company T have advised that they will not come out to inspect anything other than the planned staged inspections the next one being completion of the roof. They have instead advised they will require a structural survey. Mr X has

failed to provide three quotes for the exposure work and has instead advised that he has arranged for this work to take place at his own cost, alongside obtaining a structural engineers survey and report.

- To support accurate record keeping in April 2021, the DFG team commenced using a bespoke system for managing adaptations
- The public notices were placed in the Birmingham Mail and the Birmingham Post on 19 May 2022 and 26 May 2022.
- On 30<sup>th</sup> May 2022 Mr X submitted three quotes for the remaining building works, with a copy of his structural survey however, supporting documents remain outstanding and once received formal confirmation can be provided to Mr X as to which contractor he can proceed with.

## **8. Legal and Resource Implications**

The agreed payments will be made from an appropriate budget.

## **9. Risk Management & Equality Impact Assessment Issues**

- 9.1 Disabled Facility Grants are awarded to support disabled citizens remain in their home and live as independently as possible, a key vision for Adult Social Care. The learning from this case will be implemented on the revision of the DFG policy's and should learning from this complaint not be used to develop the future delivery of Major Adaptations the main risk to the service would be delivering poor quality adaptations to vulnerable citizens of Birmingham. Resulting in poor service delivery which would reflect negatively on the Council.

## **10. Compliance Issues**

- 10.1 On 22<sup>nd</sup> March 2022 the Staying Independent at Home (SIAH) Policy was approved at cabinet and outlines the mandatory and discretionary provision of the Disabled Facilities Grant. In addition, approval to proceed to an integrated service provision for minor and major adaptations was agreed. The process of setting up this service is currently at the commissioning stage to support the future delivery model.

Adult Social Care are working closely with the internal audit team to review the DFG service during 2022.

## **11. Recommendations**

That the Audit Committee notes the actions being taken in response to the Local Government and Social Care Ombudsman's report.

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**Report by the Local Government and Social Care  
Ombudsman**

**Investigation into a complaint about  
Birmingham City Council  
(reference number: 21 000 323)**

**8 March 2022**

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## The Ombudsman's role

For more than 40 years the Ombudsman has independently and impartially investigated complaints. We effectively resolve disputes about councils and other bodies in our jurisdiction by recommending redress which is proportionate, appropriate and reasonable based on all the facts of the complaint. Our service is free of charge.

Each case which comes to the Ombudsman is different and we take the individual needs and circumstances of the person complaining to us into account when we make recommendations to remedy injustice caused by fault.

We have no legal power to force councils to follow our recommendations, but they almost always do. Some of the things we might ask a council to do are:

- > apologise
- > pay a financial remedy
- > improve its procedures so similar problems don't happen again.

Section 30 of the 1974 Local Government Act says that a report should not normally name or identify any person. The people involved in this complaint are referred to by a letter or job role.

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## **Report summary**

### **Disabled Facilities Grant (DFG)**

Mr X complained about the Council's handling of home adaptations to meet his son's social care needs. Mr X said the building work is slow, of poor quality, and is incomplete. He says this has impacted on his son's mental health and medical condition.

### **Finding**

Fault found causing injustice and recommendations made.

### **Recommendations**

#### **Personal remedy**

To remedy the injustice caused, we recommend the Council:

- apologise to Mr X for the injustice caused by the faults identified;
- pay Mr X £200 to recognise the distress and uncertainty caused by the faults identified;
- pay Mr X £800 to recognise the significant impact the delays and the lack of adaptations will have had on his child;
- ask Mr X to obtain three quotes from contractors he chooses to complete the works needed to expose an area of the wall which will allow Company T to review the brickwork in the side wall of the extension. Mr X will provide the Council with a copy of the three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has the documents, it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work;
- ask Mr X to obtain three quotes from contractors he chooses to complete any remedial works Company T recommends following the inspection. Mr X will provide the Council with a copy of the three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has a copy of the quotes, it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work;
- ask Mr X to obtain three quotes from contractors he chooses to complete the works needed to finish the adaptation (once the issue of the brickwork has been resolved). Mr X will provide the Council with a copy of the three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has a copy of the quotes, it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work.

It is worth noting our view that while the Council is selecting which quote to approve, it is completely Mr X's choice as to which contractors he asks to quote on the works, and which quotes he provides to the Council. Mr X therefore has full control over deciding what contractors he considers suitable to complete the required works.

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### **Service improvement**

The Council should implement a DFG policy which covers the following.

- An outline of the process for approving DFGs.
- An outline of how the Council will deliver the approved DFG and recommended adaptation works.
- An outline of the process for how applicants can choose their own contractor.
- The criteria the Council should consider when deciding on discretionary top up assistance for adaptations costing more than £30,000.
- For cases where the Council has appointed the contractor to complete the adaptation works, an outline of the:
  - process for reviewing and inspecting the works throughout the whole of the build;
  - the role and responsibilities of the Council to rectify poor quality work;
  - the role and responsibilities of the applicant; and
  - the role and responsibilities of the Council to resolve disputes between the contractor and applicant.

The Council should remind relevant staff of the importance of keeping accurate records made at the time of all communications and discussions with an applicant. If meetings are held to discuss matters, the Council should keep a record of the minutes of the meeting. This will help to ensure the Council has evidence to demonstrate its decision making and rationale at the time for decisions made.

The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members and we will require evidence of this. (*Local Government Act 1974, section 31(2), as amended*)

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## The complaint

1. Mr X complained about the Council's handling of home adaptations to meet his son's social care needs. Mr X said the building work is slow, of poor quality, and is incomplete. He says this has impacted on his son's mental health and medical condition.

## Legal and administrative background

### The Ombudsman's role and powers

2. We investigate complaints about 'maladministration' and 'service failure'. In this report, we have used the word 'fault' to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. We refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1), as amended*)
3. We cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it. We must consider whether there was fault in the way the decision was reached. (*Local Government Act 1974, section 34(3), as amended*)

### Disabled Facilities Grant

4. The legislative framework for Disabled Facilities Grants is set down in the Housing, Grants, Construction and Regeneration (HGCR) Act 1996.
5. The purpose of a Disabled Facilities Grant (DFG) is to enable disabled people to continue to live independently, safely, and well in their own home. Legislation distinguishes between the applicant, who is the person who has a legal interest in the property to be adapted, and the 'relevant person' who is the disabled person or persons who will benefit from the adaptation. The relevant person is described in the legislation (Section 20) as the 'disabled occupant' meaning 'the disabled person for whose benefit it is proposed to carry out any relevant works'. The relevant person can be of any age.
6. A DFG must be awarded (subject to a test of resources which does not apply to applications for children and young people aged 19 or under who are in 'ordinary, non-advanced, full-time education') for any 'relevant works' which meet one of the purposes laid down in the HGCR Act 1996 (Section 23) and which are deemed both 'necessary and appropriate' and 'reasonable and practical'.
7. It is the responsibility of the Housing Authority to decide if the relevant works are 'necessary and appropriate' to meet the needs of the disabled occupant and that it is 'reasonable and practicable' to carry out the relevant works.
8. The law sets out the maximum grant available in England is £30,000. Councils have discretion to consider a further grant if adaptations will cost more than £30,000. (*The Disabled Facilities Grants (Maximum Amounts and Additional Purposes) (England) Order 2008*)
9. Detailed guidance about how legislation should be applied was published by the Housing Adaptations Consortium (HAC) in 2013. (*Home Adaptations for disabled people: a detailed guide to related legislation, guidance and good practice*)

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10. The good practice guidance notes a central issue in getting building work done is to ensure the processes adopted are fit for purpose.

### **The Ombudsman's principles of good administrative practice**

11. [This guidance](#) is the benchmark we use for the standards we expect when we investigate the actions of local authorities.
12. One principle is getting it right. This means taking reasonable, timely decisions, based on all relevant considerations. A proper decision making process allows the council to account for the decisions it makes, which is particularly important in ensuring proper management of public funds. Ensuring a proper decision making process also gives confidence a council has made its decision properly as there will be a clear rationale and justification for why funding has been agreed.
13. Another principle is being open and accountable. This means being open and clear about policies and procedures, and ensuring information and advice provided, is clear, accurate and complete. It is also about keeping proper and appropriate records and taking responsibility for actions.

### **The Council's policy**

14. The Council does not have a specific DFG policy. It says it follows the Housing Adaptations Consortium's good practice guidance.

## **How we considered this complaint**

15. We spoke with Mr X and considered the information he provided.
16. We made enquiries with the Council, met with Council officers, and considered the information it provided.
17. We produced this report after examining relevant documents.
18. We gave the complainant and the Council a confidential draft of this report and invited their comments. We issued an amended draft report after considering their comments.

## **What we found**

### **What happened**

#### **DFG approval**

19. In 2018, the Council approved a DFG application from Mr X. The application was for a DFG to build a two storey extension, as recommended by the Council's occupational therapy (OT) assessment, to meet the needs of his disabled child.
20. The Council explained its process for delivering DFGs. The Council has a list of approved contractors who have all been successful in a formal tendering process. The Council said it allocated work based on a rotation basis to ensure fair and equitable distribution of work for all contractors.
21. The Council said the contract was a 'design to build'. This meant the details of the required recommendations are sent to contractors to establish if the recommended works are reasonable and practicable. If the contractor decides the works are feasible, they complete a survey to identify the most cost-effective scheme to be provided to meet the recommended needs.
22. The contractors then use the Council's unit rates to quote for the scheme. The contractors will apply a discount on the basic rates to provide the final quote. The



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discount offered by contractors are agreed during the tendering process. The Council then reviews and approves the final scheme.

23. The Council explained to us it did not carry out regular inspections of works being completed. Instead, it relied on building regulations inspections to confirm whether works are of an acceptable standard.
24. The Council received a quote for the adaptations works for Mr X's property. The quote was for just over £61,000. As the scheme exceeded the mandatory grant amount of £30,000, the Council's high cost panel reviewed the scheme in May 2019. The high cost panel noted there were no other options to meet all the requirements of the OT recommendations and approved the grant.
25. The Council wrote to Mr X to confirm it had approved the DFG. The letter did not set out the total grant amount that had been approved. The Council said it was not its normal practice to send out details of grant awards to applicants at the start of the works, and that it would only do this if the applicant chose their own contractor.

### **Adaptation works**

26. The Council appointed Contractor A to start work on the adaptations in June 2019. Mr X said he was not involved in selecting the contractor. The Council said Mr X asked it to appoint a contractor and confirmed to us the contract for the works was between itself and Contractor A.
27. In July 2019, Mr X said he raised concerns with the Council about the quality of Contractor A's work. The Council said Mr X had raised concerns about Contractor A's behaviour and that he had felt threatened by them, not about the quality of the works completed. The Council said it removed Contractor A from the project as it decided it was appropriate to safeguard Mr X and the contractor. There was no record made at the time of the Council's decision or rationale. There was also no record it told Mr X why it removed Contractor A from the project.
28. The Council did not inspect the work Contractor A completed and there was no record it took any position on whether the work was of an acceptable standard before it removed them from the project.
29. The Council appointed a new contractor from its approved list, Contractor B, in July 2019. The Council also sent Mr X some details about the process for choosing his own contractor. The Council set out the total grant available to him was just over £61,000 and that it would deduct the cost of the works completed so far.
30. Contractor B continued with the work already started by Contractor A. Contractor B built the extension up to the roof level. There is evidence Contractor B provided the Council with daily updates on the works it completed between July 2019 to September 2019.
31. In September 2019, Mr X raised concerns with the Council about the speed and quality of the works being completed by Contractor B. The Council said Mr X had raised these concerns at a late stage during a home visit.
32. The Council decided to remove Contractor B from the project. The Council said it did this as it had witnessed a heated discussion between Mr X and Contractor B, and that it was evident the relationship between the two had broken down. There was no record made at the time of the Council's decision or rationale. There was also no record it told Mr X why it was removing Contractor B from the project.

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33. The Council asked its surveyor to complete a review of the works completed by Contractor B. The Council also asked a third contractor, Contractor C, to review the works.
  34. The Council's surveyor finished their review in September 2019. The surveyor visually inspected the quality of the brickwork finish of the partially completed extension. The surveyor noted overall that while some areas were acceptable, most of the other areas were of poor quality.
  35. In October 2019, Contractor C gave the Council its report of the partially completed extension. Contractor C's report highlighted concerns about the quality of some of the work. Contractor C also noted the extension had not been built in accordance with the measurements on the plans and was too big. Contractor C recommended the extension was demolished due to the concerns identified in its report. The Council said the extension was demolished because it had been built too large and was not in line with the plans.
  36. Contractor C completed the demolition in October 2019. By November 2019, Contractor C had rebuilt the extension back to roof level.
  37. In November 2019, Mr X raised concerns about visible concrete blocks in the side wall of the extension. In response to Mr X's concerns, Contractor C replaced the concrete blockwork with bricks. Mr X later raised concerns with the Council about the bricks use by Contractor C. Mr X said he felt the way Contractor C had cut the bricks made them unsuitable.
  38. Contractor C commissioned a structural engineer to inspect the method it used to replace the concrete blocks. The structural engineer's report noted they were happy with the method of work and standard of workmanship. They also confirmed the works would have no significant long term adverse effect on the structural integrity of the extension.
  39. Mr X was not happy with this survey and commissioned his own structural engineer to inspect the side wall of the extension. Mr X's surveyor visited his property in November 2019 to inspect the side wall of the extension.
  40. The Council's surveyor also completed random visits in November 2019 to review the adaptation works completed so far. The surveyor noted no concerns with the works.
  41. At the end of November 2019, Contractor C confirmed all the work that it had completed to the extension so far. Contractor C confirmed it could not progress with the build until Mr X's gas and electric meters had been moved by a third party.
  42. The Council said there were delays to moving the gas and electric meters in December 2019 as Mr X did not initially give permission for the works to be completed. We have seen evidence that shows Mr X was unhappy with some of the works needed to complete the move. We have also seen evidence which highlighted Mr X had stopped the third party from completing the work to move the meters.
  43. Mr X raised concerns about the progress of the adaptation works in December 2019. The Council's surveyor completed a visit to review the ongoing works. Some small concerns were noted but remedial work was agreed to rectify the concerns.
  44. Throughout January 2020, Mr X continued to raise concerns with the Council about Contractor C's work. The Council's surveyor completed a visit to review the

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ongoing works. During this visit, Mr X agreed to complete and submit some information to the Council. The Council also noted Mr X's continued dissatisfaction with the delays to the adaptation works.

45. In January 2020, Contractor C gave notice to the Council to end its involvement with the adaptation works. Contractor C said it was giving notice due to its poor relationship with Mr X. The Council said it met with Mr X to discuss the matter and to try and find a solution.
46. In February 2020, the Council told Mr X none of its other approved contractors were willing to take over the adaptation works. The Council asked Mr X to source his own contractor to complete the works. The Council said it provided Mr X with details of how much of the grant was left to complete the works. We have not seen evidence of this.
47. In March 2020, the Council arranged for a surveyor to review the partially completed adaptation works.
48. The structural engineer Mr X commissioned to survey the bricks used in the side wall of the extension provided their report in March 2020. The surveyor noted they agreed in principle with the methodology used by the contractor, but that the replacement bricks had been inserted too far and so there was poor alignment with the rest of the bricks. The report noted that carrying out calculations to demonstrate whether the bricks could carry the weight of the brickwork above was beyond the scope of the survey.
49. The report recommended the brickwork be monitored for an extended period for any cracking and for Mr X to ask the Council to agree to provide an extended guarantee. The Council said it would have agreed to this recommendation, but Mr X did not want to pursue this option.
50. No works took place between April and May 2020. In June 2020, the Council's appointed surveyor issued their report. In the report, the surveyor confirmed they had not completed a structural survey and so did not consider whether the bricks used in the side wall of the extension were appropriate. The report listed some areas of concern.
51. No works took place in June 2020. In August 2020, the Council confirmed to Mr X it did not consider there were any major faults in the works carried out by Contractor C. The Council said it could not offer an alternative contractor and asked Mr X to source his own contractor. The Council told Mr X it would provide just under £30,000 towards the cost of completing the adaptation works. The Council said this was the amount left from the approved grant.
52. The Council explained it did not carry out regular checks or inspection of works. Instead, it relied on certification from a building control body, Company T, to review the quality of the works. The Council said it regarded these certifications as confirmation works have been completed to a satisfactory standard and meet building regulations.
53. In September 2020, Mr X told the Council he had approached Company T to complete an inspection on the side wall of the extension to consider the specific point about whether the bricks used were suitable.
54. In November 2020, Company T visited Mr X's property. The inspector confirmed the area in question was not exposed, and that visibility was extremely limited. The inspector also said he had not seen the bricks in-situ at the time of the inspection. Instead, he was shown a sample of the bricks used by Mr X. The

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inspector told Mr X it was his opinion the bricks used, if they were the same as the sample shown to him by Mr X, were unsuitable.

55. The inspector initially told Mr X the solution was to replace the likely defective bricks, with solid bricks. However, the inspector noted the practicalities of this was near impossible due to the limited space between the wall and the neighbouring property. The inspector noted that until this work was completed, Company T would not issue a completion certificate.
56. The inspector later had a conversation with the Council. During this conversation, he confirmed:
  - the inspection was to consider Mr X's concern about the bricks used in the side wall of the extension;
  - the area concerned had not been exposed before the inspection, so visibility was extremely limited. The inspector agreed he had to make a series of assumptions to reach his findings; and
  - the brick Mr X showed him was not in-situ at the time of the inspection.
57. The inspector also confirmed to the Council there were three possible outcomes to ensure building regulations compliance which would allow Company T to issue a completion certificate.
  - Commission a further structural surveyor report to confirm no further movement had taken place.
  - Expose an area of the bricks in question to the rear of the side wall to confirm whether the alleged bricks have been used throughout the length of the wall.
  - Demolish the wall and rebuild.
58. In December 2020, the Council told Mr X it was agreeable to holes being made to the extension wall to check what bricks had been used throughout the length of the wall. The Council told Mr X none of its contractors were willing to complete the work and asked him to source his own contractor. The Council confirmed it would pay for the cost of this work.
59. Mr X told the Council he could not find a contractor to take on the project. The Council asked Mr X to provide evidence he had approached contractors. Mr X did not provide this.
60. In January 2021, the Council confirmed to us that if, following an inspection once the holes were made, further work was needed to meet building regulations compliance, it would pay for the required works.
61. In response to our draft report, the Council confirmed to us that it could not source another contractor to complete the adaptation works as all its approved contractors had declined the project. The Council confirmed it could not approach other contractors outside of its approved list due to procurement rules.

### **Mr X's shed**

62. As part of the adaptation works, Mr X's shed had to be moved. There is evidence Contractor A told Mr X to empty the shed so that they could move it to start building works.
63. Contractor A provided a statement which noted when it arrived at Mr X's property for the first day, the shed was still full of its contents. Contractor A emptied the shed to move it as far as possible to allow work to start. Contractor A then replaced the contents back into Mr X's shed.

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64. The Council said it had agreed to provide a replacement storage unit to Mr X. The Council said before the replacement unit was delivered, Mr X had emptied the shed and left the contents outside. The items had then been damaged by the weather.
65. The Council asked Mr X to provide evidence of the items damaged and any supporting evidence that would help the Council determine the market value of the items.
66. Mr X provided the Council with a list of the items with his estimated costs. Mr X provided a couple of photos of the items, but not in their damaged state.
67. The Council said without the evidence requested, it could not decide what the market value of the items damaged was and so could not compensate Mr X for the damaged items.

## **Analysis**

### **DFG approval**

68. The Council has explained to us its process for approving and delivering DFGs. The Council has not explained its criteria for approving discretionary support over the mandatory amount of £30,000. There is evidence the Council obtained a quote for the adaptation works and sent the quote to its high cost panel to approve. This was in line with the process the Council outlined to us.
69. The Council does not have this process outlined in a written policy. This has made it difficult for us to properly scrutinise the Council's actions with regards to the approval of the DFG grant. This is fault. One of the key principles for good administrative practice is for councils to be open and clear about policies and procedures.
70. However, we do not consider the fault identified has caused any injustice to Mr X. This is because the Council made a positive decision in his favour to approve the DFG application.
71. Further, at this point, there is no evidence the Council told Mr X of the amount it had approved. The Council had sent Mr X a letter noting the DFG had been approved, but there were no details of the amount that had been approved.
72. Again, it would have been good administrative practice for the Council to have provided Mr X with clear and accurate information about how much money had been approved for the adaptation works. However, we do not consider this caused Mr X any injustice at this stage as he was happy for the Council to appoint a contractor to complete the adaptation works.

### **Appointment of contractors and quality of works**

73. The Council is obliged to provide the funding for adaptation works, not to complete the works. Councils can require an applicant to arrange their own contractor. Therefore, there is no requirement for councils to appoint a contractor to complete adaptation works.
74. However, the way adaptations are provided will depend on the council's own policies and practices. As already identified above, the Council does not have any specific DFG policies outlining how it will approve and deliver DFGs. This also means the Council has no policies outlining what it is responsible for. This is fault.
75. The Council has explained to us its process is to appoint contractors to complete the adaptation works. However, the Council said it does not carry out regular

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- inspections of the works being completed. Instead, it relies on the building regulations inspections to confirm whether works are of an acceptable standard.
76. The evidence available suggests the Council appointed the contractors to complete the adaptation works on Mr X's behalf. Therefore, we are satisfied the Council commissioned the contractors. As the Council has no policies setting out its responsibilities for when it commissions contractors, we are satisfied the Council has overall responsibility for the contractors' work, including whether the works are of an acceptable standard.
77. Mr X's evidence is that he was not happy with the works completed by Contractors A and B. There is evidence he raised concerns about their work with the Council. As established above, it was the Council's responsibility to satisfy itself with the standard of work being completed by its commissioned contractors.
78. The Council said it removed Contractors A and B because Mr X had raised concerns about their behaviour, not because of the quality of the works completed. However, there is no evidence to set out this rationale at the time the contractors were removed from the project. There is also no evidence the Council told Mr X this was the reason it had removed the contractors. This is fault.
79. Given Mr X had raised concerns about the quality of the works completed by Contractors A and B, it is understandable why Mr X would have thought the Council had removed the contractors because of poor quality work.
80. The Council did not complete any investigation to review the works completed by Contractor A before removing them from the project. Therefore, it is not possible for us to comment on whether the works completed by them were of an acceptable standard. The Council did review the works completed by Contractor B after removing them from the project.
81. The evidence shows the Council's surveyor noted most of the work was of poor quality. This was supported by Contractor C's inspection which, due to the concerns identified, recommended demolishing the extension.
82. The Council told us it agreed to demolish the extension because it was too large and was not in line with the approved plans. However, this does demonstrate the work was not of an acceptable standard as it was not built in line with the approved plans. This is fault.
83. A consequence of this fault was delay. The delay has caused an injustice to Mr X and his family. We will address this in more detail below.
84. The evidence also shows there were some concerns with the works completed by Contractor C. The survey the Council commissioned in March 2020 highlights some issues that need to be addressed. At this stage, this is fault. However, there is some mitigation as we acknowledge the survey does note some of the problems listed would likely have been corrected by Contractor C if they had completed the project.
85. As the Council appointed Contractor C, it is responsible for the works they completed. Therefore, we are satisfied it is the Council's responsibility to put this right.
86. The Council has explained it cannot appoint another contractor to complete the adaptation works as none of its remaining approved contractors will accept the project. We acknowledge and accept this position. We are now of the view it would not be of any benefit to Mr X for us to recommend the Council appoint a contractor to complete the works. This is because it has already exhausted all its

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options and to source another contractor, the Council would need to complete a procurement process. This is a lengthy process which would only further delay completion of the adaptation works.

### **Side extension wall**

87. It is clear Mr X has concerns about the bricks Contractor C used to build the side extension wall. In total, there has been three surveys commissioned to address Mr X's concerns about the method and bricks used by Contractor C to build the side extension wall.
88. One survey, commissioned by Contractor C, noted there were no concerns with the bricks or methods used. Another survey, commissioned by Mr X, noted it agreed in principle with the method used by Contractor C but that the bricks had been inserted too far, resulting in poor alignment. Unhelpfully, this survey did not comment on whether the bricks were suitable to carry the weight of the brickwork above, a key concern of Mr X. A final survey, commissioned by the Council, did not consider the issue with the bricks.
89. However, it is clear from Company T's inspection in November 2020 that further work is needed to identify what bricks have been used to construct the side wall. Until this work is completed, Company T has said it would not issue a completion certificate because it cannot be satisfied the extension wall meets building regulations. It is the Council's responsibility to take the action required so that a completion certificate can be issued.
90. We note the Council told Mr X it would pay for the work needed to expose the brickwork, and that it would pay for any remedial work recommended by Company T. This demonstrates the Council accepts its responsibility to complete the works to an acceptable standard.
91. The Council has also explained its reasons why it could not appoint a contractor to complete the necessary work to expose the brickwork. The Council has explained none of its approved contractors have agreed to complete the work. We acknowledge and accept this position.
92. For the same reasons as outlined in paragraph 86, we are now of the view it would not be of any benefit to Mr X for us to recommend the Council appoint a contractor to complete the works.

### **Delays**

93. Three different contractors carried out adaptation works between June 2019 and June 2020. As above, we are satisfied the Council is responsible for completing the adaptation works as it had appointed all three contractors. We also note Contractor C had left the project before completing the adaptation works and that the works remain incomplete to date.
94. Further, we found fault with the Council as it had to demolish the extension as it had not been built in line with the approved plans. While the Council has mostly remedied this fault by rebuilding the extension, a consequence of this fault is delay.
95. We consider the delay caused by the need to demolish and rebuild the extension caused Mr X distress and time and trouble. We also consider the delay would have had a significant impact on Mr X's son. This is because he has had to live in accommodation that is unsuitable for his needs for longer than he should have if the fault had not occurred.

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96. No works were completed to the extension after January 2020, when Contractor C gave notice on the project. We are satisfied the Council was not able to appoint another contractor to complete the works and that the Council did ask Mr X to find his own contractor so that works could move forward. Therefore, the Council has tried to move the project forward as much as it was able to.
97. Mr X understandably wanted a report on the partially completed works to review the quality of the works completed. The evidence shows the Council appointed a surveyor in March 2020 to complete the review. Again, this demonstrates the Council's willingness to cooperate with Mr X to move the project forward. Therefore, we are satisfied the Council took appropriate action in March to progress the adaptation works.
98. The Council's surveyor only provided its report at the end of June 2020. This was around two months after the survey took place. Further, there is no evidence the Council chased the surveyor for the report. However, we acknowledge the survey took place at the start of the COVID-19 pandemic. Therefore, it is likely this would have had a significant impact on the Council while it adapted to the new way of working. Given the unprecedented circumstances of the global pandemic, we do not consider two months to be an excessive delay.
99. One of the main barriers to progressing with the adaptation works is the dispute around the bricks used in the construction of the side wall of the extension. It is clear Mr X is concerned about the integrity of the structure and this has caused the greatest delay with the adaptation works.
100. Mr X decided to approach Company T for its view on the brickwork in September 2020. Company T did not complete its inspection until November 2020. We consider this to be a reasonable timeframe. In any case, this action was outside the Council's control. Therefore, the Council was not at fault for the delay in progressing the adaptation works while Company T completed its inspection.
101. Once Company T had told the Council of the options, the Council took a month to decide it was agreeable to paying for the works recommended. We consider this to be a reasonable timeframe. Therefore, we are satisfied the Council took appropriate action to progress the adaptation works in November and December 2020.
102. The Council asked Mr X to source his own contractor to complete the work as it was unable to appoint a contractor. As established above, we now accept the Council had valid reasons for why it could not appoint a contractor. Therefore, we now consider it was appropriate in the circumstances for the Council to ask Mr X to appoint his own contractor. We consider this was the quickest and most proportionate option to getting the adaptation works completed. Mr X declined to appoint a contractor. Therefore, it is clear the Council and Mr X were not able to agree on a way forward to resolve the issues.
103. One option available to Mr X to resolve the dispute was to pursue a complaint with us, which he has taken. While we investigated the complaint, no works took place to progress the adaptation works due to the dispute over who was responsible for appointing the contractor. This has inevitably caused further delays to the adaptation works. However, we do not consider the delays are due to any fault of the Council. Instead, it is a consequence of us considering the complaint.
104. Finally, we note Mr X's own surveyor, in March 2020, recommended the brickwork be monitored for an extended period and for Mr X to get the Council to



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agree to an extended guarantee. We acknowledge the Council said it would have agreed to this option, but that Mr X declined this. However, there is no evidence the Council discussed this option with Mr X at the time.

105. It is good administrative practice for the Council to keep accurate and appropriate records. Therefore, the Council is at fault for not keeping an accurate record of its discussions with Mr X at the time.
106. The fault identified has caused uncertainty. This is because we cannot say whether the Council did explore the option with Mr X and whether he did decline it. This raises questions as to whether the Council did take all appropriate and reasonable steps to minimise the delay to the adaptation works.

### **Completion of the adaptation works**

107. It is the Council's responsibility to complete the adaptation works. This is because it appointed Contractor C, who left the project in an incomplete state. The Council accepts this.
108. However, the Council has no obligation to appoint another contractor. The Council's obligation is to provide the funding in the form of a DFG.
109. While the Council originally agreed to appoint a contractor, it has outlined why it cannot appoint another contractor to complete the adaptation works. We accept the Council's position and agree that any recommendation for the Council to appoint a contractor is likely to cause further delays. This is because it can only approach contractors on its approved list and they have all declined to continue the project.
110. However, we consider at this stage, the Council was at fault for how it decided the amount of money left for Mr X, £29,000, to complete the adaptation works. While the Council did approve a grant of just over £61,000, there is no evidence of any written agreement with Mr X stating this is the final grant.
111. Further, we have not seen evidence of how the Council reached the figure of £29,000. The Council has not considered whether the amount is realistic to complete the adaptation works given the project is partially completed and that the initial grant had contractor discounts applied. It is not clear whether these discounts would be available to Mr X from private contractors. Our view is these would be reasonable factors to consider before deciding on the final amount available to Mr X to complete the adaptation works. Therefore, we are not satisfied the Council has demonstrated it followed a proper decision making process before telling Mr X of the amount of money left available to him.
112. The fact the Council did not have any specific DFG policies likely contributed to this fault as there is no written procedure or process on what to do in these situations.
113. We consider the fault has caused some uncertainty. This is because it is not clear whether there is enough money to complete the adaptation works. However, we do not consider this caused Mr X any injustice. This is because there is no evidence Mr X approached any contractors to take on the project or that he had to decline contractors due to being unable to meet their costs.

### **Shed**

114. There is evidence Contractor A told Mr X to empty his shed of its contents so that it could move the shed to allow work on the extension to start. There is also

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evidence to suggest Mr X had not emptied the shed as requested ready for Contractor A.

115. Given there is evidence Mr X was happy not to remove the items from the shed initially, it is not clear to us why Mr X emptied the contents of the shed before the replacement storage unit had arrived. Especially given the shed had been moved so that works could start. There is also no evidence Contractor A rushed or insisted Mr X empty the shed or that he had to leave his items outside uncovered. Therefore, on balance, our view is it was Mr X's choice to empty the shed before the replacement storage unit had arrived.
116. The Council had agreed to provide some financial remedy to Mr X to cover the cost of the damaged items. The Council appropriately asked Mr X to provide supporting evidence of the damaged items to help it determine their market value. Mr X did not provide the evidence the Council requested but instead provided a list of the damaged items with his estimated costs. There is no evidence to show how Mr X reached his figures. In our view, some of the figures Mr X provided are the cost of the items when bought new, not the market value of second-hand goods.
117. In any case, our view is that is not appropriate for the Council to provide a financial remedy. This is because the Council was not at fault for the damage to the items as it was Mr X's decision to remove the items and leave them outside where they were susceptible to the weather.

## **Recommendations**

118. To remedy the injustice caused by the faults identified, the Council should complete the following.

### **Personal remedy**

- Apologise to Mr X for the injustice caused by the faults identified.
- Pay Mr X £200 to recognise the distress and uncertainty caused by the faults identified.
- Pay Mr X £800 to recognise the significant impact the delays and the lack of adaptations will have had on his child.
- Ask Mr X to obtain three quotes from contractors he chooses to complete the works needed to expose an area of the wall which will allow Company T to review the brickwork in the side wall of the extension. Mr X will provide the Council with a copy of the three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has the documents, it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work.
- Following the inspection, should Company T recommend any remedial works, the Council will ask Mr X to obtain three quotes from contractors he chooses to complete the remedial works as recommended. Mr X will provide the Council with a copy of the three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has a copy of the quotes, it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work.
- Once the issue of the brickwork has been resolved, the Council will ask Mr X to obtain three quotes from contractors he chooses to complete the works needed to finish the adaptation. Mr X will provide the Council with a copy of the

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three quotes as well as all the documents set out in the Council's preferred option nomination form. Once the Council has a copy of the quotes it will consider the quotes and decide which contractor Mr X can appoint. The Council will pay for the full cost of the work.

119. It is worth noting our view that while the Council is selecting which quote to approve, it is completely Mr X's choice as to which contractors he asks to quote on the works, and which quotes he provides to the Council. Mr X therefore has full control over deciding what contractors he considers suitable to complete the required works.

### **Service improvement**

120. The Council should implement a DFG policy which covers the following.
- An outline of the process for approving DFGs.
  - An outline of how the Council will deliver the approved DFG and recommended adaptation works.
  - An outline of the process for how applicants can choose their own contractor.
  - The criteria the Council should consider when deciding on discretionary top up assistance for adaptations costing more than £30,000.
  - For cases where the Council has appointed the contractor to complete the adaptation works, an outline of the:
    - process for reviewing and inspecting the works throughout the whole of the build;
    - the role and responsibilities of the Council to rectify poor quality work;
    - the role and responsibilities of the applicant; and
    - the role and responsibilities of the Council to resolve disputes between the contractor and applicant.
121. The Council should remind relevant staff of the importance of keeping accurate records made at the time of all communications and discussions with an applicant. If meetings are held to discuss matters, the Council should keep a record of the minutes of the meeting. This will help to ensure the Council has evidence to demonstrate its decision making and rationale at the time for decisions made.
122. The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members and we will require evidence of this. (*Local Government Act 1974, section 31(2), as amended*)




### **Decision**

123. We have completed our investigation into this complaint. There was fault by the Council which caused injustice to Mr X. The Council should take the action identified in paragraphs 118 and 119 to remedy that injustice. It should also take the action identified in paragraphs 120 and 121 to improve its service.



**BIRMINGHAM CITY COUNCIL****AUDIT COMMITTEE****30 June 2022****SCHEDULE OF OUTSTANDING MINUTES**

**Note: As of 30 September 2021 – Responses to outstanding actions to be made within a 2 month period unless there is an exceptional reason.**

	Completed & discharged
	Approaching 2 months
	2 months +

<b>MINUTE NO./DATE</b>	<b>SUBJECT MATTER</b>	<b>COMMENTS</b>
377 19/10/2021	<b><u>ASSURANCE SESSION – THE DEPUTY LEADER’S PORTFOLIO</u></b>  <b><u>Additional Recommendations:</u></b>  That the Audit Committee;  (ii) Agreed for a briefing to be offered to all Members of the Council on Cyber Security, GDPR and roles related to data processing.  (iii) Agreed for a briefing note to be provided to Audit Committee on the shared learnings of the Complaints area from both from Audit Committee and Coordinating O&S Committee.	Peter Bishop – Director, Digital & Customer Services to lead on responses.  (ii) Briefing will be arranged to be delivered to an early meeting of the 2022-23 Audit Committee.  (iii) Briefing note will be provided to the Committee in the early stage of the 2022-23 municipal year.  <b>Response will be provided at the 28 September meeting (tbc)</b>
412 25/01/2022	<b><u>EXTERNAL AUDITOR'S FINDINGS REPORT 2020/21</u></b>  <b><u>Additional Recommendation</u></b>  (ii) That the Managing Director Housing report on the valuation of Tower blocks in the City Housing stock.	Committee Services to ensure a response is provided to the Committee.

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
		<b>Provisionally on 28 September 2022 agenda</b>
413 25/01/2022	<p><b><u>OMBUDSMAN REPORT CONCERNING A COMPLAINT ABOUT THE REFUSE AND RECYLING SERVICE</u></b></p> <p><b><u>Additional Recommendation</u></b></p> <p>(ii) That the Chief Executive review how departments work in a joined-up way and how complaints from residents and Councillors on poor service are dealt with.</p>	<p>A letter from Councillor Grindrod inviting the Chief Executive to attend a future Audit Committee meeting was sent on 13 April 2022. Committee Services to ensure a date is agreed for the CEO to attend a meeting.</p> <p><b>Response will be provided at the 28 September meeting</b></p>
414 25/01/2022	<p><b><u>RISK MANAGEMENT UPDATE</u></b></p> <p>(iii) That the SR5.6 Safeguarding Children risk position on the strategic risk map be raised with the Cabinet Member and officers at a future meeting.</p>	<p>Sarah Dunlavey/ Sue Harrison</p> <p><b>This will be covered at the 19 July 2022 Committee meeting.</b></p>
442 29/03/2022	<p><b><u>ADOPTION OF ACCOUNTING POLICES FOR 2021/22</u></b></p> <p>(i) Members requested that Officers facilitate a future training session in relation to the valuation process associated with the Council's plant and property.</p>	<p>This training session will be arranged during the early stages of the 2022-23 municipal year.</p> <p><b>Mohammed Sajid to confirm</b></p>
443 20/04/2022	<p><b><u>2020/21 AUDITORS ANNUAL REPORT</u></b></p> <p>(i) Members requested that a future training session should be provided in relation to Member's interests</p>	<p><b>Satinder Sahota/ Rochelle Tapping to action</b></p>
444 20/04/2022	<p><b><u>2020/21 AUDITORS ANNUAL REPORT</u></b></p> <p>(i) Members requested that the relevant Service Director and Cabinet Member responsible for the Home to School Transport Service attend a future meeting to outline how the concerns</p>	<p>Sue Harrison/ Mike Fagan</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
	outlined in the External Auditors report are being addressed.	<b>This will be covered at the 19 July 2022 Committee meeting.</b>

