

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 18 OCTOBER 2022
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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY, 18 OCTOBER 2022 AT 1400 HOURS IN COMMITTEE
ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB**

PRESENT:-

Councillor Fred Grindrod in the Chair;

Councillors Shabrana Hussain, Meirion Jenkins, Bruce Lines, and Paul Tilsley

NOTICE OF RECORDING/WEBCAST

- 508 The Chair advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's You Tube site (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.

The business of the meeting and all discussions in relation to individual reports was available for public inspection via the web-stream.

APOLOGIES

- 509 Apologies were submitted on behalf of Councillor Miranda Perks for her inability to attend the meeting.
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DECLARATIONS OF INTEREST

- 510 Members were reminded that they must declare all relevant pecuniary and non-pecuniary interests relating to any items of business to be discussed at this meeting. If a pecuniary interest was declared a Member must not speak or take part in that agenda item. Any declarations would be recorded in the minutes of the meeting.

At this juncture, Councillor Tilsley declared a non-pecuniary interest. He was noted as the non-executive director for Birmingham Airport.

EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

The Chair informed he had been notified of two items under this section.

- Item 6 – Assurance Session – Cabinet Member Digital, Culture, Heritage & Tourism Portfolio the second part of the presentation will be in private.

Part ii) of the presentation is exempt due to paragraphs 3 of schedule 12A of the Local Government Act 1972.

- Item 9 – Equal Pay Update –
Exempt appendix due to paragraphs 3, 4 & 5 of schedule 12A of the Local Government Act 1972.

This was seconded by Councillor Paul Tilsley and agreed by the Committee.

Upon consideration, it was:

511

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.

MINUTES – AUDIT COMMITTEE – 28 SEPTEMBER AND MATTERS ARISING

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That the public minutes of the last three meetings, 28 September having been circulated, were agreed by the Committee.

ASSURANCE SESSION - CABINET MEMBER DIGITAL, CULTURE, HERITAGE & TOURISM PORTFOLIO

The Cabinet Member for Digital, Culture, Heritage & Tourism attended the meeting accompanied by Dawn Beaumont, Head of Library Services, Cheryl Doran, Assistant Director, Digital & Customer Services and Symon Easton, Head of Cultural Development & Tourism.

(See document No.1)

An in-depth presentation was given with the use of slides. An overview was given around the portfolio responsibilities and there were no issues highlighted in the Annual Governance Statement. Members were informed the portfolio title

had changed from Cabinet Member for Education, Skills, and Culture to include Digital, Heritage and Tourism (Education had been removed).

A summary was provided around Libraries; Commonwealth Games Legacy (CWG); Culture, Heritage, and Tourism capacity and IT & Digital.

Additional points made by the Cabinet Member and officers in attendance:

- Last week, the Commonwealth Games, Culture & Physical Activity Overview and Scrutiny Committee had a full update on the CWG Legacy. This was provided by Cat Orchard, Head of Community Partnerships, CWG and attended by the Leader of the Council and available for public viewing.
- Culture, Heritage & Tourism: Capacity issues - there was a national challenge on recruitment and it was important to recruit the right people to deliver services.
- IT & Digital – This was a new area of the portfolio with a particular focus on data breaches and cyber-attacks. The External Auditors report had highlighted area as an issue and the Assistant Director, Digital & Customer Services would be updating the Committee during the private session.

In response to questions raised by Members around; the maintenance of the buildings and the challenges the Council faced around cost, public safety; issues around the maintenance of the heritage estate and what was being done to mitigate against any risk; queries around the library service diminishing and if there was still a requirement; the learnings around libraries and if this was applied to the rest of the heritage portfolio; concerns around theft in libraries and working with the police to catch perpetrators and how this was tackled, the following points were made;

Heritage & Libraries maintenance of buildings and challenges around cost, public safety - The Cabinet Member recognised the libraries estate had been neglected over the years and this had been exacerbated during the pandemic. The main issues for libraries were around their roofs, boilers, lifts, asbestos, and other ongoing maintenance issues of the buildings. Finances and spend were focused on maintenance that was a priority. A piece of work was taking place around libraries and being fit for purpose. The Head of Library Services informed members, Safety Services were carrying out risk assessments on the libraries to ensure every site were risk assessed post-covid (i.e., the conditions of the building were of a good standard as well as the working conditions for staff). Work was also taking place to explore which other services could be delivered and transformed through libraries.

Libraries Service and delivery - Digital delivery was noted as the way forward and further options were being explored to ensure there was value for money for citizens. Libraries usage increased during covid and there was a statutory duty for a library service to be provided - in a building or digitally. Local Authorities across the country were looking at their libraries and exploring

options of how to deliver a service differently in conjunction with different partners.

Learnings around libraries and application to the rest of the heritage portfolio

- Libraires were a part of the Early Intervention and Prevention programme and this was a step forward of exploring this area further. There was a noticeable increase in the use of libraries amongst the younger users. It was essential for staff to be comfortable working in the libraries and the conditions of the buildings (i.e., the temperature). The Cabinet Member and Head of Library Services had confidence that the management and staff working in the buildings within the portfolio understood risk management and reporting arrangements. This relationship had improved during the pandemic however, further work had to be done (this was moving in the right direction).

The Interim Head of Financial Strategy added that the Capital programme includes £4 million for libraries Emergency works on boilers and roofs were undertaken in the last financial year at a number of local libraries. The release of the remaining funds was now pending a Strategic Review.

Theft in libraries and working with the Police - Theft were reported and appropriate investigations take place. It was essential to secure the estate and to prevent further theft from taking place. It was noted libraries would be a part of the Corporate Landlord.

The Head of Cultural Development & Tourism gave a summary of movements within his team and the capacity issues.

At 1432 hours, the Committee moved into a private session to cover the Part ii) of the presentation (as indicated under exempt information above). However, following the private session, Members questioned the reasoning as to why discussions took place in private. It was felt the information could have been shared in public.

At this juncture, the City Solicitor and Monitoring Officer informed the Committee she had not seen the content of the presentation and therefore gave advice to the Committee. She did not see there was any sensitive information to share therefore discussions should have taken place in public.

Following advice, the Committee agreed in conjunction with the City Solicitor and Monitoring Officer and the Deputy Section 151 Officer that this section of the presentation would be shared on the public domain on CMIS as well as noted in public minutes.

Therefore, discussions in private session have been accounted for in the public minutes. The Chair explained this agreement once the Committee moved back into the public session.

Notes taken in the private session but accounted for in the public minutes

The Assistant Director for IT and Digital shared a presentation on protecting the Council's Data and Information Assets.

(See document No.2)

The presentation gave an overview on: Data accountabilities (GDPR and Information Assurance Board); Loss of Data; where the risks come from and their impacts (i.e., Cyber-attacks, People, Process, Technology) and Mitigating risks – key activities and processes.

In response to questions raised by Members around; Oracle implementation, budget and timescale; cyber attack risks and working closely with other local authorities; protecting ourselves with evolving technology and new updates on systems; data breaches - training and how are those that have not undertaken training captured and members who were not engaging in training, how this would be tackled and the benchmark of information management – where does stand for Birmingham City Council in line with other local authorities the following points were made;

Oracle Implementation - The system was live and there was a plan to address areas that had not been tackled. It was envisaged this would be addressed over the next few months. Oracle was at the post-implementation period and officers were working through issues. The SAP system would still be supported until the final accounts were audited. Once this was completed, the SAP system would be switched off. The SAP contract had been renegotiated in April 2022 to ensure minimum use was available.

The Committee requested for details on the final expenditure for Oracle Implementation to be provided and to include any additional expenditure; ongoing expenditure; start of project figures; what actual spend was; how late was the delivery and the learnings from the process.

Cyber attacks Risks – Birmingham City Council were on the alert lists and regular learnings were shared (including engaging with Department of Levelling Up. A third party undertook Annual Penetration tests. The Cabinet Member assured Members during her briefing sessions; she was satisfied that all steps were taken on this area. There was clear communication with the team and across the Directorate.

The Annual Penetration tests looked at new techniques hackers would use to gain access to systems. An Action plan would be placed together before live systems were up and running. Staff throughout the organisation were supported to ensure there was a smooth transition to live systems. Mandatory training was available to support this

Data Breaches & Security – At present the data indicated 85% of employees completed cyber security training. Work was taking place around the 15% of

employees who had not completed this training. The aim was for this figure to be in the high 90's. Details around this work would be shared with Members.

The City Solicitor and Monitoring Officer added the training uptake for the Local Authority also included elected members. It was therefore crucial all members undertook their annual training of how to protect data. Elected members were also data handlers as well as staff and were encouraged to undertake training in their role as a Councillor. Data management was everyone's business. Members requested for a briefing note on the risk associated with Councillors and non-compliance with training (especially in their role on the Audit Committee).

Maturity model for information management improved from 1/5 to 3/5 in the last two years – This was based on risk on strategic budgets and the Assurance Board get regular updates. There was a need to do further work on staff and training. Birmingham was working at the right level in terms of maturity over the last two years.

Upon consideration, it was:

513

RESOLVED:-

That the Audit Committee :

- (i) Noted the presentation and updates received on the Cabinet Member for Digital, Culture, Heritage and Tourism Portfolio.
- (ii) Agreed for a briefing note to be shared on the implementation of Oracle; including details on the final expenditure (i.e. additional expenditure; ongoing expenditure); start of the project figures; what actual spend was; how late was the delivery and the learnings from this process.
- (iii) Agreed for a briefing note to be shared on data breaches, security training and work undertaken to capture the 15% of the Council who had not undertaken this training.
- (iv) Agreed for a briefing note to be shared on the uptake of the annual training across the Council, non-compliance and risks associated with the roles of an elected member (in particular to Audit Committee).

BIRMINGHAM AUDIT ANNUAL FRAUD REPORT 2021/22

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

(See document No.3)

The Assistant Director, Audit & Risk Management, made introductory comments relating to the report. Following this, the Group Auditor, Corporate Fraud gave an overview to the report.

In response to questions raised by Members around; the value of the three payment diversions; access to bank accounts, court orders and the role and powers financial investigators had; where Birmingham stood against other Core cities in this area; how are we working against the CIPFA code of practice outcomes; investigations - what was the actual portion of fraud compared to system/human error and how this could be prevented in the future, the following points were made;

The value of the three payment diversions – This was approximately £179K.

Access to Bank accounts (Financial Investigators) – Details of the role and powers of financial investigators would be shared with Members of the committee. It was noted the National Crime Agency assign a Government Security Classification of Official to this information.

At this juncture, the City Solicitor and Monitoring Officer advised the Chair and Committee, that as there were discussions taking place around bank accounts and access and details around financial investigators, the Committee may want to move into a private session to discuss this in detail. There may be discussions taking place on strategies on how to prevent fraud and therefore assurances and protect internal Audit may need to take place in private. The Chair and the Committee agreed for a briefing note on the role and powers for financial investigators to be shared rather than hold a private session.

Comparison with other Core Cities - There was no specific data to match against however, integrating a Council wide system would take place. A future report on this area would be valuable for the Committee to evidence this comparison. A prevention strategy for Social Housing Fraud was in place.

CIPFA - A Strategy Framework was in place where detection and prevention work took place. A small intelligence hub dealt with enquiries and were constantly looking at where improvements could be made in order to identify issues early on.

Actual portion of fraud compared to system/human error – Procedural and accidental errors had taken place by managers. Reoccurrences had to be stopped. Constant review would take place with recommendations. Common trends feed into the Audit Plan.

Upon consideration, it was:

514

RESOLVED:-

That the Audit Committee :

- (i) Noted the work undertaken during the year and drew assurance from the policies and procedures that were in place to prevent and detect fraud and error.

- (ii) Agreed for a briefing note on Financial Investigators role and powers to be provided.

INFORMING THE AUDIT RISK ASSESSMENT 2021/22

The following report of the External Auditors was submitted: -

(See document No.4)

Nicola Coombe, Grant Thornton gave an overview to the report. This document was refreshed every year and the Committee were made aware of any changes or updates noted by the External Auditors. The report set out the considerations of the Councils arrangements and oversight over several areas.

The report consisted of a series of sections including Council's Management response. Fraud risk was referred to and earlier discussions and management commentary would evidence that there was this awareness. The External Auditors had asked management to set their approach to the estimates to financial statements. The Audit Committee were asked to consider the management responses and to see if these were consistent with their understanding or make any other additional comments.

BCC Finance and the External Auditors would be hosting a joint training session in the coming weeks to assist them with technical points around the accounts.

Upon consideration, it was:

515

RESOLVED:-

That the Audit Committee noted the External Auditors Update.

EQUAL PAY UPDATE

The following report of the Report of the City Solicitor & Monitoring Officer was submitted: -

(See document No.5)

The City Solicitor & Monitoring Officer made introductory comments to the report. Surina Aujla, Head of Employment Law and Robert Harris, Senior Solicitor Employment Law in Legal Services were introduced to the Committee. They had been leading on the Equal Pay for the Council.

At 1541 hours, the Committee moved to a private session.

EXCLUSION OF THE PUBLIC

516

RESOLVED:-

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

Exempt appendix due to paragraphs 3, 4 & 5 of schedule 12A of the Local Government Act 1972.

Item 9 – Equal Pay Update

At 1618 hours, following discussions on Exempt appendix – Equal Pay Update, the Committee moved back into the public meeting.

Upon consideration, it was:

518

RESOLVED:-

The Audit Committee Members noted the contents of this report and the exempt appendix.

SCHEDULE OF OUTSTANDING MINUTES

The following Schedule of Outstanding Minutes was submitted:-

(See document No. 7)

Updates were shared with the Committee and the discharged actions would be removed.

519

RESOLVED:-

That the Schedule of Outstanding minutes be noted.

DATE OF THE NEXT MEETING

520

The next meeting is scheduled to take place on Tuesday, 22 November 2022 at 1400 hours in the Committee Room 6, Council House, Birmingham.

OTHER URGENT BUSINESS

521 There was no other urgent business.

AUTHORITY TO CHAIRMAN AND OFFICERS

522 **RESOLVED:-**

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

The meeting ended at 1620 hours.

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CHAIR