

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

TUESDAY, 29 JUNE 2021 AT 14:00 HOURS

IN BMI MAIN HALL, 9 MARGARET STREET, BIRMINGHAM, B3 3BS

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) 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 25 May 2021 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 2022.

Labour Group (5):-

Councillors Fred Grindrod (Chair), Sir Albert Bore, Marje Bridle, Safia Akhtar and Hendrina Quinnen.

Conservative Group (2):-

Councillors Meirion Jenkins and Simon Morrall.

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.

4 **APOLOGIES**

To receive any apologies.

5 **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.

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 - 27 APRIL 2021**

To confirm and sign the minutes of the last meeting of the Committee held 27 April 2021.

8 **ASSURANCE SESSION – CABINET MEMBER STREET SCENE & PARKS PORTFOLIO**

(45 minutes allocated) (1415 – 1500)

Verbal discussion

The Cabinet Member Street Scene & Parks with the Director of Neighbourhoods.

- 17 - 64**
- 9 **BIRMINGHAM AUDIT ANNUAL REPORT 2020/21**
- (15 minutes allocated) (1500 – 1515)
- Report of the Assistant Director Audit and Risk Management.
- 65 - 86**
- 10 **ANNUAL GOVERNANCE STATEMENT 2020/21**
- (10 minutes allocated) (1515 – 1525)
- Report of the Interim Director of Council Management.
- 87 - 102**
- 11 **CIPFA FINANCIAL MANAGEMENT CODE SELF-ASSESSMENT**
- (10 minutes allocated) (1525 – 1535)
- Report of the Interim Director of Council Management.
- 103 - 116**
- 12 **DRAFT STATEMENT OF ACCOUNTS 2020/21 PROCESS & TIMINGS BRIEFING**
- (10 minutes allocated) (1535 – 1545)
- Report of the Interim Director of Council Management.
- 117 - 146**
- 13 **AUDIT FINDINGS REPORT UPDATE**
- (5 minutes allocated) (1545 – 1550)
- Report of the Interim Director of Council Management.
- 147 - 148**
- 14 **SCHEDULE OF OUTSTANDING MINUTES**
- Information for noting.
- 15 **DATES OF MEETINGS 2021/2022**
- To approve the schedule of dates for the Committee meetings during 2021/22 taking place at 1400 hours in the Birmingham & Midlands Institute.
- | 2021 | 2022 |
|----------------------|---------------------|
| Tuesday 29 June | Tuesday 25 January |
| Monday 26 July | Tuesday 15 February |
| Tuesday 28 September | Tuesday 29 March |
| Tuesday 19 October | Tuesday 26 April |
| Monday 29 November | |
- 16 **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.

17 **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'.

AUDIT COMMITTEE

Purpose

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.

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.

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 27 APRIL 2021
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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 27 APRIL 2021 AT 1400 HOURS - ONLINE MEETING

PRESENT:-

Councillor Grindrod in the Chair;

Councillors Akhtar, Bridle, Jenkins, Morrall, Quinnen and Tilsley

NOTICE OF RECORDING/WEBCAST

- 312 The Chair advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's Internet site (www.civico.net/birmingham) and members of the press/public could record and take photographs except where there were confidential or exempt items.

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

DECLARATIONS OF INTEREST

- 313 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.

Councillors Quinnen, Tilsley, Bridle and Jenkins declared they had a pecuniary interest with the West Midlands Pensions Fund however, Councillor Jenkins highlighted City Council had previously decided there was no need for Councillors to declare this interest during Council meetings.

At this juncture, the Chair sought guidance from the Interim Chief Finance Officer and from the Legal Services representative.

The Interim Chief Finance Officer informed members, the Audit Committee do not make decisions around pension matters therefore, declaring a pecuniary interest was not required.

The Assistant Director, Legal Services confirmed the explanation given by the Interim Chief Finance Officer was correct. He reminded members recent

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guidance had been provided to all Councillors around this area via the Interim City Solicitor & Monitoring Officer. Any interests around pensions should be stated on the declaration of interest form.

APOLOGIES

314 There were no apologies submitted.

EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

Members agreed there were no items on the agenda that contained exempt information.

315 **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 – 30 MARCH 2021

316 **RESOLVED:-**

That the public minutes of the last meeting having been circulated, were agreed by the Committee.

MATTERS ARISING

The Assistant Director Audit and Risk Management referred to minute 301 (Assurance session - discussion on Highways PFI) and minute 308 (External Auditors Informing the Audit Risk Assessment update). The minutes noted there was a difference in opinion with regards to the recommendation made by Grant Thornton on Highways PFI. The Assistant Director Audit and Risk Management provided context around the comments made during the discussions. She highlighted there would be debate and challenge around recommendations made via internal or external audits however, this would take place before the recommendations were accepted and ratified before the Committee. She assured the Committee and the External Auditors that the Highways PFI recommendation had been accepted and implemented.

The Key Auditor Partner, External Auditor welcomed the update and assured the Committee Grant Thornton stood by their report and relevant consultation took place during the draft stages. He noted, though the conclusion may not have been agreed upon, the facts within the conclusion were based upon a true

position at that time. Members were informed as part of this year's value for money audit, the External Auditors would be engaging with officers at an early stage. In addition, specialists would be overlooking the work in this area in conjunction with Grant Thornton.

No comments were made by members.

317

RESOLVED:-

The Committee noted the statements made by the Assistant Director Audit and Risk Management and the Key Auditor Partner, External Auditor.

RISK MANAGEMENT UPDATE

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

(See document No.1)

The Assistant Director, Audit and Risk Management informed members this report would be presented to the Audit Committee in; April, July, October and January. She added regular meetings with the Directorate representatives and the Deputy Leader were taking place and all the feedback on the risks was incorporated. The Corporate Leadership Team (CLT) reviewed and challenge the risks on a monthly basis and the Directorate Risk representatives reviewed and updated the Strategic Risks on a monthly basis. Members were notified risk 7.1 (Service Improvement) had been reinstated and a revised action plan had been established.

Members commented on the report and the Assistant Director, Audit and Risk Management responded thereto.

Key points noted from discussions;

- It was important to have a culture of promoting risk management throughout the Council. In order to embed this, it was essential to; i) ensure the correct risks were indicated ii) deep dive into the risks.
- Various risk management was taking place throughout the Council on a strategic level, operational level, Covid related risks, programmes etc therefore, the culture of risk management was embedded throughout the organisation where there was proactive maintenance of the various risk registers.
- The Assistant Director, Audit and Risk Management to explore how the culture of risk management could be demonstrated to the Committee.
- Level of risk attached to Commonwealth Games (CWG) – The risk had been positioned according to the council without the complexity of all the interrelationships of funding. There were concerns around the risk rating on the CWG and this would be escalated back to Corporate Leadership Team as Members felt this should be rated as severe (high) as there was a commitment to finance this upfront.
- The Interim Chief Finance Officer noted comments around the CWG. She highlighted the CWG had their own governance in place which signposted to

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a comprehensive CWG risk register and it was regularly monitored. In addition, she was a part of the Finance Directors Group that managed the risks and potential funding gaps. She assured the Committee that the governance, strategic and operational management was in place. Furthermore, she sat on the CWG Audit Committee and suggested for the Chair of the CWG Audit Committee be invited to a future committee to discuss the Birmingham City Council elements of the CWG. This was welcomed by the Chair.

The Chair requested for a formal statement to the Committee in order for members to understand the reasoning to the rating of the risks related to the CWG.

Upon consideration, it was:

318

RESOLVED:-

Audit Committee Members:

- i) Noted the progress in implementing the Risk Management Framework and the assurance and oversight provided by the Council Leadership Team (CLT).
- ii) Reviewed the strategic risks and assessed whether further explanation / information is required from risk owners in order to satisfy itself that the Risk Management Framework has been consistently applied.
- iii) A formal statement to be provided to the Audit Committee around the reason to the rating of the risks related to the Commonwealth Games.
- iv) The Chair of the Commonwealth Games (CWG) Audit Committee to be invited at a future meeting to discuss Birmingham City Council elements of the CWG.

BCC APPROACH TO SIGNIFICANT ESTIMATES IN THE 2020/21 STATEMENT OF ACCOUNTS

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

(See document No.2)

The Interim Chief Finance Officer informed members this report was presented to the Committee on an annual basis and it set out the approach planned for significant accounting estimates in the 2020/21 Statement of Accounts.

The Finance Reporting Council had issued a revised International Standard for Accounting (ISA) 540 “Auditing accounting estimates and related disclosures”, which contained a significant change to the audit risk assessment process for accounting estimates. The External Auditors were required to undertake more work around the controls in place with accounting estimates. In addition, they would focus on the detailed areas where significant judgement was required.

The Interim Head of Financial Strategy gave an overview to the six key areas that were deemed as material estimates which would be included in Birmingham's statement of accounts. He added, appendix 1 of the report contained information provided to the External Auditors (as part of their audit planning) relating to significant estimates. This would outline the processes and internal controls that would take place.

The Chair requested for briefings on the accounts to be made available for members. The Interim Head of Financial Strategy agreed to host any additional support in this area to enhance members understanding around the detail contained within the accounts.

No comments were made by the members.

Upon consideration, it was:

319

RESOLVED:-

That Audit Committee

- i) Considered and noted the approach to accounting for significant estimates as set out in the paper and the offer of further briefings and training.
- ii) Noted the implication on audit work, and the audit timetable as a result of the change in international standards on auditing.

EXTERNAL AUDITORS PROGRESS UPDATE

The Engagement Lead, Grant Thornton gave a verbal update on the following two areas;

- 1) Development on the value for money work
A broader reporting would replace the exception reporting approach from previous years. The audit opinion would no longer be rated via a binary conclusion but replaced by a holistic narrative report (Auditors Annual Report). This would require further detailed work where experts would support the Audit Team (where appropriate). Due to the impact of Covid, the audit work had started later than previous years. As a result, the National Audit Office had permitted auditors to have flexibility to report the Annual Auditors report.
- 2) Fees
The Redman Review recognised Audits were very complex, and the right level of fees were required. The External Auditors had written the Interim Chief Finance Officer setting out the fee variations this year. He highlighted, some of the fee variations would be a similar reoccurrence to previous years i.e. if they were related to factors that continue like increased regulatory focus (continuing feature). The fee variations would need to apply to the new value for money work and any additional work for audit standards.

The Ministry of Housing, Communities and Local Government (MHCLG) had recognised the additional costs of audit were necessary therefore, funded £15

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million pounds across local government to be allocated to support extra costs. MHCLG were currently in consultation on how the additional funding would be distributed.

Members commented on the report and the Engagement Lead, Grant Thornton responded thereto.

Key points noted from the debate were around;

- Comparative information – Explore other local authorities' approach on value for money work to gain a benchmark.
- The External Auditors advisory team had designed the methodology to support the repository of best practise.
- Annual Governance Statement (AGS) – Noted there was a CIPFA requirement for Senior Leadership Team of the Council to provide the Audit Committee information around key risks, governance developments arising from Covid arrangements. It was highlighted by Councillor Bridle the Audit Committee had to explore how effective the Covid arrangements had been via AGS.
- Internal Audit would support the production of the AGS and the External Auditors would check if the statement complies with the disclosure requirements.
- Total proposed fee from the External Auditors was £366k.

The Senior Manager, Grant Thornton provided a verbal summary on the progress of the audit to date. Regular conversations were taking place with Birmingham's Finance Team and a detailed timetable was in process of being agreed. There were no issues or concerns raised by the External Auditors at this update.

Upon consideration, it was:

320

RESOLVED:-

That Audit Committee noted the content of the External Auditors, progress update.

ASSURANCE SESSION – CABINET MEMBER FOR HEALTH & SOCIAL CARE PORTFOLIO

The Chair welcomed the Cabinet Member for Health and Social Care to the Assurance Session of the Committee.

Part 1: Portfolio overview

The Cabinet Member for Health and Social Care shared a short presentation via her screen and gave an overview to the portfolio. The portfolio covered the following key areas Adult Social Care & Health; Public Health; Health Communities and Domestic Violence (taking the lead on the health implications of domestic violence).

Part 2: Responding to National Emergency

Covid – 19 Pandemic – The last year had been a challenging year for businesses and citizens of Birmingham where support was required from the Local Authority and Public Health Service. Protecting and supporting Birmingham's most vulnerable citizens was a priority. The pandemic highlighted capacity issues within Adult Social Care and partner agencies however, this allowed an opportunity to create innovative ideas around digital platforms to ensure there was contact with citizens.

A major national emergency plan was put into place from 23 March 2020 where a Strategic Cell (Gold Command) was supported by a Tactical Cell and several thematic cells to manage the Council's emergency response. In February 2021, this structure was replaced by a single co-ordinated response group as new legislation enabled democratic decision-making to resume remotely, with meetings webcast on a priority basis. The Council were operating under its Emergency Plan, with decisions being made on a 'command and control' basis. It was highlighted the pandemic posed unprecedented public health and operational challenges across the council services.

Part 3: Directorate Assurance Statement (DAS) & Strategic Risk Register

The impact of the pandemic was highlighted in the DAS and covered the following areas; Engagement with Service Users and Carers; Day Opportunities; Acute hospital and Community social Work; Support with employment (PURE); Third Sector Prevention and support providers; neighbourhood Networks and Commissioning support to Care Sector.

A comprehensive overview of the strategic risks associated with portfolio was shared. These were around; engagement with citizens; inability to fully meet social care need; view of BCC by Regulator CQC for Care Centres and home care enablement and rising demand for services negatively impacts in the Council's priority outcomes. Examples of mitigations and actions to the risks were presented to the Committee.

Members were informed staff retention was another key area where a close oversight was taken by the Cabinet Member. Social Workers in Birmingham were paid lower rates compared to other neighbouring authorities therefore, work was taking place on retention of Social Workers and reduce the reliance on agency staff.

The Cabinet Member for Health and Social Care was able to keep a strong oversight over the portfolio during the pandemic as there were regular meetings with the Directors and interim Directors of Adult Social Care and Public Health. In addition, weekly Cabinet Member Briefings and fortnightly Public Health Cabinet briefings took place to keep updates on Health and Wellbeing. The Health and Wellbeing Board continued to ensure there was oversight of key areas around Covid, e.g. vaccine take up. Close work with partners locally and nationally was taking place in response to the pandemic.

The main concerns highlighted by the Cabinet Member for Health & Social Care were around;

- Funding of Adult Social Care going forward
- The present system of funding for Mental Health Services

- Public health – Health Inequalities

Members response

The Committee then asked questions of the Cabinet Member for Health and Social Care. These were around; ensuring not to lose sight of the right services whilst working at pace; safeguarding vulnerable adults; implementation of the Suicide Prevention Strategy; concerns around the Integrated Care Systems and staff retention.

In response to Members questions, the Cabinet Member for Health and Social Care and the Interim Chief Executive made the following points;

Risk Register – The Cabinet Member had oversight of any concerns within the Department and this was monitored regular via Performance Management. The Interim Chief Executive information and updates were communicated to members and citizens through various channels e.g. letters, emails and through partners within the sector and the Cabinet Member was briefed routinely on all issues around the pandemic.

Safeguarding – The Adult Social Care service kept regular contact with the residents via ‘safe and well’ checks. Residents were notified of updates via text messages and written communications. The Cabinet Member commended social workers and senior management within the service as any safeguarding concerns were addressed promptly. The Interim Chief Executive added all staff within the council were trained on safeguarding. In addition, a dedicated Safeguarding Team undertook investigations and the Birmingham Safeguarding Adults Board reviewed serious situations.

Mental Health – Suicide Prevention Strategy – The strategy had been applied throughout the pandemic. The view was for regular reporting around suicide prevention and mental health to be shared though various Committees.

Adult Social Care – Integrated Care System (ICS) - the Cabinet Member for Health and Social Care assured the Committee that Adult Social Care would not disappear within the Integrated Care System. She had been involved in this work with the Leader, Interim Chief Executive, various senior officers. In addition, the Cabinet Member sat on the Board of the ICS and there was no intention for Social Care to disappear. However, she highlighted there was a national issue of funding for social care as currently, social care was delivered via grants and pots of funding. As a result, making any long-term decisions was difficult. The ICS was developed to ensure a strong governance system was in place to ensure this was a seamless system across the partners. Social Care and Public Health within the council would have a strong voice within the ICS.

The Interim Chief Executive added the pandemic highlighted how important adult social care was. He had been invited by the Chair of the ICS to develop a proposal on ‘Place’ which was at the heart of the ICS. It was important to engage with communities, neighbourhood network services and third sector groups to ensure the service was sustainable for the future. Furthermore, Birmingham was leading on prevention and early intervention within ‘Place.’

Staff Retention – Social Workers pay was highlighted at the Star Chamber. The Interim Chief Finance Officer notified members a new pay and grading structure for local authority was under review. The aim was to deliver this in 2022 – 2023 and an in-depth consultation would take place. This would be an opportunity explore career development and incentivise staff development. Currently, work was taking place to retain staff via various routes e.g. Clean Air Zone – support employees via car leasing to avoid additional charges. The Interim Chief Executive added there was a differential within Adult Social Care across local authorities therefore the review must be undertaken council wide. In the meantime, other areas were being developed to make Birmingham attractive place and maximise staff retention. The view was to reduce Adult Social Care agency staff and ensure there was a stable inhouse workforce.

At this juncture, the Chair noted Councillor Jenkins additional questions around pay for social workers. He suggested any further questions to be placed in writing to the Chair.

The Cabinet Member for Health and Social Care recognised staff were an asset to the organisation and there were concerns around pay which would be reviewed citywide.

At this juncture, the Chair thanked the Cabinet Member for Health and Social Care and the Interim Chief Executive for their attendance.

Upon consideration, it was:

321

RESOLVED:-

That the Committee noted the updates received on the Cabinet Member for Health and Social Care Portfolio.

ASSURANCE SESSION – CABINET MEMBER FOR SOCIAL INCLUSION, COMMUNITY SAFETY & EQUALITIES PORTFOLIO

The Chair welcomed the Cabinet Member for Social Inclusion, Community Safety & Equalities to the Assurance Session of the Committee.

Part 1: Portfolio overview

The Cabinet Member for Social Inclusion, Community Safety & Equalities highlighted two observations to his portfolio. These were;

- i) The risks associated with this portfolio sat across the Directorates and Cabinet portfolio's i.e. equality representation or ineffective approach to inequalities – These touched various aspects of council activity and delivered Corporately as well as within individual Directorates and Portfolio's.
- ii) The risks associated with this portfolio were dependant on the strengths of the partnerships and the ability of partners to deliver alongside BCC. e.g. risk 3.6 – preventing crime agenda and risk 2.3 Financial insecurity and inequality this was wider work across partners.

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The Cabinet Member focussed on three specific areas within the portfolio and gave an overview of actions taken to mitigate the challenges. These were;

- 1) Community Safety – Birmingham Community Safety Partnership (BCSP) membership had been strengthened and there was a robust partnership between Birmingham City Council and West Midlands Police.

During the pandemic, fortnightly Core Group meetings took place to monitor and address emerging issues arising through the lockdown and from the changes to the regulations. A new Birmingham Community Safety Partnership Strategic Assessment had been published where various workstreams were focussing on key areas such as violence; reoffending, serious unorganised crime, victims and vulnerabilities, place and communities. Additional statutory duties would be taken onboard such as serious violence duty through the Domestic Abuse Bill (led by Domestic Abuse Partnership Board).

- 2) Equalities – Addressing issues around health inequalities had been a key focus for the Cabinet Member and there were two keynote responses to the pandemic. These were;
 - i) Publication of ‘Everyone’s battle, everyone’s business’ statement of intent.
 - ii) Workforce Race Equity Review & Action Plan – This would update on actions to eradicate the race pay gap and secure a representative workforce.

A report would be shared with Cabinet in May 2021.

- 3) Poverty
 - i) There was an immediate response to the pandemic which allowed mobilisation across the sectors to provide emergency food, accommodation, and support people during the height of the pandemic. This was now transitioning into a Community Recovery Framework and work would take place with partners such as BVSC to capture the response to the crisis.
 - ii) Partnership work on health inequalities was taking place around specific communities. A joint review of the African Caribbean community was taking place with the London Borough of Lewisham.
 - iii) Community Wealth Building work - The council was working with Birmingham University, Aston University, the Police and Crime Commissioners Office, Pioneer Group and Bournville Village Trust to explore how to spend locally and to see how to support businesses.

Part 2: Governance

The Cabinet Member for Social Inclusion, Community Safety & Equalities had direct oversight on all aspects of the work through weekly briefings and 1:1 with lead officers and Cabinet colleagues.

- Community Safety – A robust reporting and accountability arrangements were taking place through the CSP Executive Board.

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- Equalities – An internal Star Chamber had been established. The Equalities Cohesion Team support this area of work across the organisation.

Members response

The Committee then asked questions of the Cabinet Member for Social Inclusion, Community Safety & Equalities. These were around; how risk is managed through partnerships; resilience of the third and community sector; race and ethnic disparities; community safety; failures around governance; accountability in partnerships; concerns around opportunities for Black, Asian and Minority Ethnic (BAME) communities and what work would be undertaken for disadvantaged people.

In response to Members questions, the Cabinet Member for Social Inclusion, Community Safety & Equalities and the Assistant Chief Executive made the following points;

Partnerships - The community, voluntary sector supported citizens immediately in response to the pandemic and it was important to retain this ethos during the recovery stage from the pandemic and it was a part of the Community Recovery Framework as a lot of learning can be drawn from the emergency response. The Community Board were important to ensure there was a shared strategic understanding with the action plan and risks associated across partnerships. The work of the Community Recovery Framework could be shared at future committee.

The Assistant Chief Executive added, historically, the Audit Commission provided a good piece of guidance for Local Authorities around managing risk with partners. This was applied when the work was mapped out i.e. the same level of rigor was placed on finance, legal and procurement and any decisions made in partnership would go through the same method as council decisions. He referred to the Assurance Statement and there was a delay of six months to the recruit staff to the Equalities Team however, this was now in place.

Race and ethnic disparities – The Cabinet Member was aware of the disparities affecting white working-class boys. It was important to ensure all inequalities were addressed across the board. An example of the living wage was referred to, as this would impact and change the quality of life for people from all communities as well as provide jobs opportunities.

Governance (Equalities, Community Safety) – The Cabinet Member for Social Inclusion, Community Safety & Equalities was accountable for equality matters and community safety issues as he was the political lead. However, the council were accountable for the equalities agenda hence the reason why tackling health inequality was at the centre of the revised delivery plan. The Equality Star Chamber was in place to improve the corporate equalities impact practice. In respect of the police, a different governance structure was in place and this was shared by the Cabinet Member. The Cabinet Member was currently exploring ways to strengthen accountability and engagement with local delivery partnerships.

Opportunities for Black, Asian and Minority Ethnic (BAME) – The inequalities around opportunities for BAME were there prior to the pandemic and this would be captured via the ‘Everyone’s battle, everyone’s business’ statement of intent for which an extensive consultation would take place with citizens of Birmingham. This would allow the council to see how the workforce represents the diversity of the city by extending opportunities to all communities. He highlighted the work around the living wage was very important.

At this juncture, the Chair thanked the Cabinet Member for Social Inclusion, Community Safety & Equalities and the Assistant Chief Executive for their attendance.

Upon consideration, it was:

322 **RESOLVED:-**

That the Committee noted the updates received on the Cabinet Member for Health and Social Care Portfolio.

SCHEDULE OF OUTSTANDING MINUTES

323 Members were provided with updates to the outstanding actions.

**Minute 260 25/11/2020 – Independent Advisor to Audit Committee
Additional Recommendation**

iii) Agreed to receive further updates on the progress of the work on the Independent Advisor role. This would be provided at a future Committee.

An update would be provided under other urgent business.

**Minute 279 26/01/2021 - Assurance Session – Cabinet Member for
Children’s Wellbeing Portfolio
Additional Recommendation:**

iv) The Council’s Transformation Programme to be shared at a future Committee.

To be shared at a future committee.

**Minute 305 30/03/2021 – Informing the Audit Risk Assessment – Group
Company Governance
Additional Recommendation:**

ii) Noted for an information briefing to be arranged on the Group Company Governance. Information on the scale of the BCC subsidiaries and any guarantees given to be provided to Members.

Awaiting steer from the Interim Chief Finance Officer.

Minute 307 30/03/21 – External Auditors – Audit Plan 2020 - 21

Additional Recommendation:

- ii) The External Auditors to provide the Audit Committee details of the fees charged to BCC for 2020-21.

An update was provided at this meeting as part of the External Auditors progress update, therefore, following the approval of the minutes of the meeting this action can be discharged.

324 **DATE AND TIME OF NEXT MEETING**

The next meeting is scheduled to take place Tuesday, 29 June 2021 at 1400 hours.

OTHER URGENT BUSINESS

Independent Advisor process

The Chair notified the Committee, he had received CV's and informal conversations would take place with the candidates selected. Formal interviews would take place within the next few weeks. He invited the opposition groups to nominate a member to participate in the interview process.

Councillor Tilsley confirmed he would be involved. Councillor Jenkins would discuss with his political group and feedback to the Chair.

325 **RESOLVED: -**

Members of opposition groups to nominate a member of their political group to participate in the independent advisor interviews.

AUTHORITY TO CHAIRMAN AND OFFICERS

326 **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 1604 hours.

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CHAIR

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	AUDIT COMMITTEE
Report of:	Assistant Director, Audit & Risk Management
Date of Meeting:	29th June 2021
Subject:	Birmingham Audit Annual Report 2020/21
Wards Affected:	All

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 2021. It highlights any significant issues that have arisen from internal audit activity during the year.
- 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 2020/21, 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 2021/22.

2. EXECUTIVE SUMMARY

- 2.1 As a result of the COVID-19 pandemic it has not been possible to deliver the full programme of work set out at the beginning of the year. We have prioritised our resources on supporting the Council and concentrating on emerging systems and procedures. The plan set at the beginning of the year was prioritised on Must / Should / Could basis to ensure our assurance resources were appropriately targeted at significant systems and risks.
- 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.
- 2.3 Birmingham Audit has complied with the requirements laid out within mandatory professional standards during the year.

2.4 The Internal Audit Charter is a key document that sets out the purpose, authority and responsibility of the internal audit function.
3. RECOMMENDATIONS 3.1 Members accept this report and the annual assurance opinion for 2020/21. 3.2 Members approve the 2021/22 Internal Audit Charter.
4. LEGAL AND RESOURCE IMPLICATIONS 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. 4.2 The Internal Audit service has complied with the requirements laid out in the Public Sector Internal Audit Standards. 4.3 The work is carried out within the approved budget.
5. RISK MANAGEMENT & EQUALITY ANALYSIS ISSUES 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. 5.2 Equality Analysis has been undertaken on all strategies, policies, functions and services used within Birmingham Audit
6. COMPLIANCE ISSUES 6.1 Council policies, plans, and strategies have been complied with.

Sarah Dunlavey
Assistant Director, Audit & Risk Management

Contact officer: Sarah Dunlavey, Assistant Director, Audit & Risk Management

Telephone No: 0121 675 8714

E-mail address: sarah_dunlavey@birmingham.gov.uk

Birmingham Audit Annual Report 2020/21

29th June 2021

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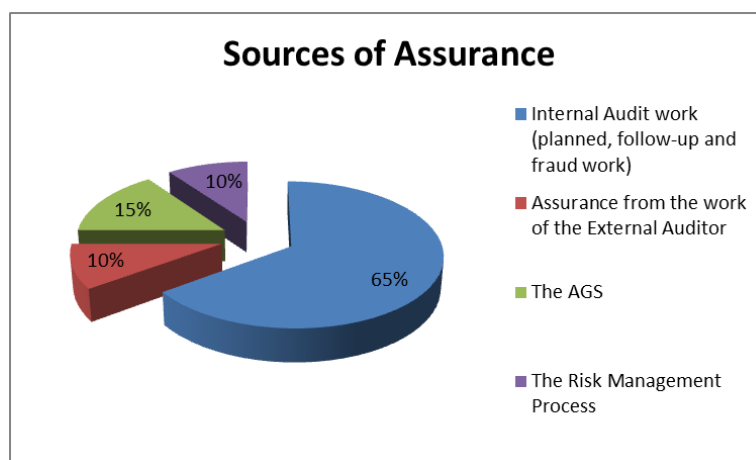
1. Background

- 1.1 The 2020/21 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). It also had due regard for the protocol with the External Auditors and took account of responsibilities under section 151 of the Local Government Act 1972.
- 1.2 As a result of the national pandemic the Council has faced significant challenges during 2020/21. It has had to work closely with the NHS, universities, schools and businesses across Birmingham to maintain critical services in order to protect and support citizens. During this state of emergency, it has had to react quickly and revise well established operating procedures and systems. Inevitably the pandemic has had an adverse impact on the delivery of services and Internal Audit. During the year we have had to prioritise resources into supporting the Council's response and helping to ensure that proportionate controls are built within emerging systems and procedures.

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. During the year it has been necessary to flex and reprioritise work in order to support the Council's response to the emergency and help ensure that proportionate controls are built within changing systems and procedures.
- 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 2020/21 is based on the following sources of assurance and weightings:



- 2.5 Due to the need to reprioritise resources to support the Council's response to the COVID-19 pandemic it has not been possible to deliver the full programme of work set out at the beginning of the year. During the year we have supported the Council by concentrating resources on emerging systems and procedures. This has included areas such as COVID-19 support grants to individuals and businesses. The plan set at the beginning of the year was prioritised on Must / Should / Could basis to ensure our assurance resources were appropriately targeted at significant systems and risks.

- Must – minimum work required to support the annual opinion (i.e. financial, governance, risk management).
- Should – would significantly add to the opinion, systems and processes may have changed as a result of COVID-19.
- Could – would add to the opinion and the management of risks and issues.

- 2.6 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.
- 2.7 Within their Audit Findings Report and Annual Audit Letter for the year ending 31st March 2020 the Council's External Auditors gave an unqualified opinion on the Council's financial statements, but did state that an emphasis of matter paragraph was included in their report in respect of the uncertainty over the valuations of the Council's land and buildings and the property assets of its pension fund given the Coronavirus pandemic. Additionally the External Auditors were satisfied that, in all significant respects, except for specific matters identified in the arrangements relating to the Commonwealth Games and the Council's Highways PFI agreement that the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.
- 2.8 Whilst restrictions are now beginning to be lifted the Council's emergency response arrangements remain in place. Recovering from the pandemic will be a significant challenge for the forthcoming year.

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:
- Supporting the Council's response to COVID through the provision of proactive advice and secondment of staff to support the Track and Trace service. This has included the processes for awarding COVID support grants to individuals and businesses, pre-payment assurance checks and responding to fraud allegations.
 - Continued to develop and extend the Audit Data Warehouse and use of data insight. This has included supporting:
 - the Government's national Breathing Space Debt scheme, designed to relieve some of the pressure and stress caused by being in debt;

- providing analysis to support the Voyager / 1B data migration and trial balance reconciliation;
 - identification of anomalies in housing applications and Council Tax liability assessments.
- Joint working with Regulatory Services Financial Investigators to identify and recover fraudulently diverted creditor payments and business grants.
- Contributing to the management of Cyber risks and improvements to the Information Assurance Governance Framework. Including participation in the management of a serious data breaches.
- Work closely with the Education and Skills Directorate to support delivery of improvement across Birmingham Schools. This has included regular attendance at the Schools Causing Concern Board, the Schools in Financial Difficulty Focus Groups (including chairing the Special School Focus Group, and the Nursery Federation.
- Supporting School and Governor Support in delivering the advanced financial management training for Governors, and HR with the annual new Head Teacher training.
- Issue of a termly Auditor Magazine providing advice and guidance to schools and quarterly Fraud Spotlight providing advice and guidance to help minimise the risk of fraud.

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 1st 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. This will be completed during 2021/22. The result of this review will be reported to Committee once finalised.
- 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 2021. 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 ensure that we are providing appropriate insight and added value we have undertaken, with support from an external partner, an Internal Audit Total Impact Review. This review was designed to capture independent feedback on the impact of internal audit and identify areas for development. The development road map is currently being implemented.

4.4 **Inputs**

- 4.4.1 The 2020/21 internal audit plan contained 4664 productive days. During the year 3813 days were delivered. The variance between planned and actual days has arisen due to the impact of a vacancy on the school's audit team and the secondment of resources to help support the COVID-19 Track and Trace Team.

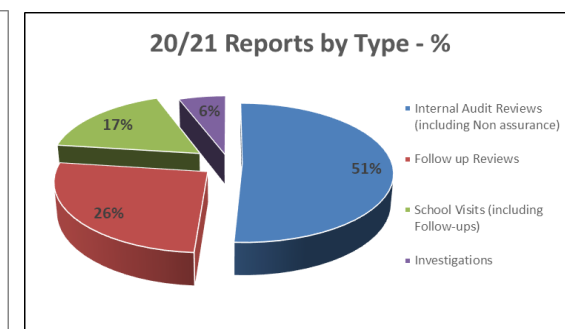
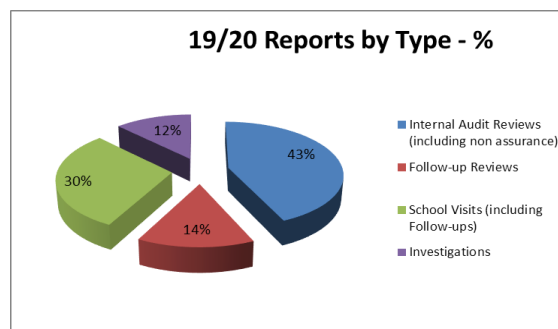
4.4.2 The actual days delivered in 2020/21 compared to those planned is detailed in the table below:

	20/21				
	Planned		Actual		Variance
Number of Audit Days in the annual plan	100%	4664	100%	3813	(851)
Main financial systems	15%	705	16%	601	(104)
Business controls assurance	38%	1780	36%	1381	(399)
Investigations	18%	830	22%	843	13
Schools (Non-Visits)	1%	30	0%	5	(25)
Schools (Visits)	15%	720	9%	332	(388)
Follow up work	4%	175	5%	172	(3)
Ad-hoc work	6%	299	6%	237	(62)
Planning & reporting	3%	120	6%	238	118
City initiatives	0%	5	0%	4	(1)

4.5 Outputs

4.5.1 During the year we issued 157 final reports, containing 899 recommendations. For comparison purposes, during 2019/20 we issued 210 final reports containing 1508 recommendations.

Reports by Type	19/20	20/21
Internal Audit Reviews	91	80
Follow-up Reviews	30	41
School Visits (including Follow-ups)	63	27
Investigations	26	9
Total	210	157

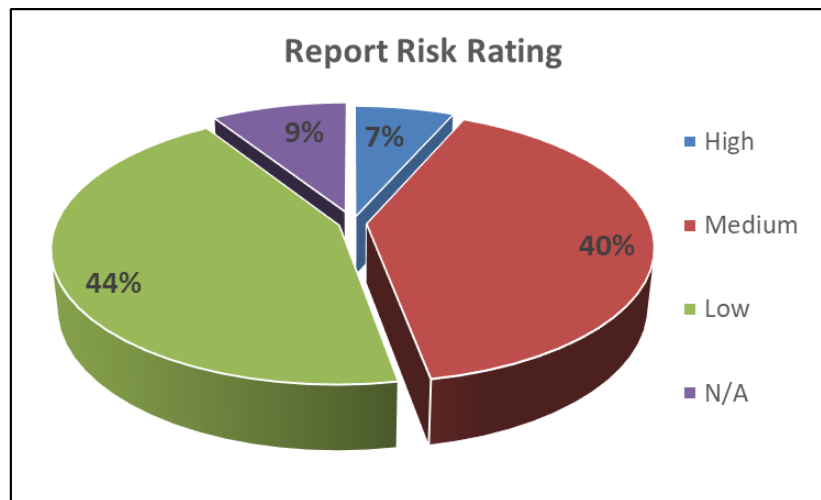


A full list of the audit reports issued, together with risk and assurance ratings, during the year is detailed in Appendix B.

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 121 reports (80 Internal Audit and 41 Follow-up Reviews) issued during the year, 8 were given a high-level rating, 49 had a medium level rating, 53 had a low rating, and 11 related to non-assurance 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 Council 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 2021 we had completed 89% of planned jobs to draft report stage, against an annual target of 95%. Although this reduces to 77% when taking into account audits that have been deferred until 2021/22 or cancelled as they could not be completed due to the pandemic (e.g. school visits).

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:

‘.....this has saved both organisations significant time and effort and highlights what can be done when we work together.’

‘.....Many thanks for the extremely valuable and professional support you have provided to us through this transitional period. I’m confident we will reach our goal thanks to the hard work of the team and the focus and guidance you have provided, thank you.’

‘.....has been an absolute star in our COVID-19 response team. Despite not having a Public Health background, she has excelled at supporting education settings. Her organisation, communication and attention to detail has been exactly what we needed to respond to COVID....’

‘.....This has been invaluable to Birmingham’s programme and has greatly assisted our evidencing of outcomes for families.....’

‘.... Your work has played an important role in enabling my colleagues and I to fast-track and target improvements’

4.7 Corporate Fraud Team

4.7.1 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.

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

	2019/20	2020/21
Number of outstanding investigations at the beginning of the year	14	30
Number of fraud referrals received during the year	105	124
Number of cases concluded during the year	89	101
Number of investigations outstanding at the end of the year	30	53

4.7.3 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. We have continued to ensure that our processes are as lean as possible to ensure we can balance the caseload against available resources.

- 4.7.4 During the year the Team have worked closely with Regulatory Services Financial Investigators to investigate potential business grant fraud and trace payments through the banking system. Additionally, 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.
- 4.7.5 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. Our investigations have been significantly hampered by COVID-19 restrictions. Despite these restrictions the team have still managed to recover 14 properties and stop 591 inappropriate housing applications prior to letting. The team also identified additional Council Tax liability of £332K. 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.
- 4.7.6 Our annual fraud report will be presented to Committee Members at the September meeting.

5. The Internal Audit Charter

- 5.1 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.
- 5.2 On an annual basis Members are asked to approve the Internal Audit Charter. The Charter for 2021/22 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.

6. Internal Audit Plan

- 6.1 The 2021/22 plan was developed following the completion of a risk assessment and was due to be approved by Members at the March Audit Committee meeting. The 2021/22 plan contains 4427 days. This compares to 4,664 in 2020/21. This reduction of 237 days principally relates to the suspension of recruitment to one vacant school auditor post as part of the Council's corporate workforce savings programme.

- 6.2 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.

	20/21	20/21 Days	21/22	21/22 Days
Number of Audit Days in the annual plan	100%	4664	100%	4427
Main financial systems	15%	705	16%	705
Business controls assurance	38%	1780	39%	1711
Investigations	18%	830	19%	830
Schools (Non-Visits)	1%	30	1%	42
Schools (Visits)	15%	720	12%	540
Follow up work	4%	175	4%	175
Ad-hoc work	6%	299	6%	289
Planning & reporting	3%	120	3%	130
City initiatives	0%	5	0%	5

- 6.3 The plan was agreed by the Audit Committee at the March meeting.

7. COVID-19 Restrictions

- 7.1 COVID-19 restrictions have had a significant global impact. Whilst measures are being taken to slowly and safely lift the restrictions across the UK there is no doubt that the impact of the pandemic will continue to influence how the Council operates and the services it delivers to the communities and citizens of Birmingham for the foreseeable future. The restrictions have had a significant impact on the delivery of the 2020/21 audit plan. Our focus during the year has been on assisting the Council in responding to the pandemic and continuing to maintain critical services. The 2020/21 plan was prioritised to focus our activity on the areas required to support the delivery of an annual opinion on the systems of internal control. However, the overall level of coverage was lower than anticipated at the beginning of the year, this is particularly in areas such as school visits.

- 7.2 As the Council recovers from the incident and begins to normalise systems and processes we will need to consider any new or emerging risks together with any potential changes to priorities. The audit plan will be updated to reflect these emerging issues to ensure our work is appropriately targeted. Any changes made to the plan will be reported to Audit Committee.

8 Grant Certification

- 8.1 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.

Grant Certificates
Troubled Families
Scambusters
Growth Hub
Primary School Grant
Local Transport Capital Grant

- 8.2 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.

European Grants – First Level Controller
Pure COSMOS – Public Authorities enhancing competitiveness of SMEs
Urban M – Stimulating Innovation through Collaborative Maker Spaces
Urban-Regen-Mix
TRIS – Transition Regions towards Industrial Symbiosis
SPEA – Supporting Public Procurement of Innovative Solutions
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 2020/21 we issued 6 audit reports and 2 follow-up reports where we identified a 'high' risk rating for the Council. Brief details of the issues highlighted in these reports are detailed below:

Birmingham Adult Education Service

Council Risk Rating: High Assurance: Level 4 RAG: 

Our review, undertaken at the request of management, identified deficiencies within the financial control environment. At the time of our follow up review significant progress had been made in addressing the weaknesses

Supplier Financial Risk - Embedding the Methodology

Council Risk Rating: High Assurance: Level 4 RAG: 

In 2018 Corporate Procurement relaunched the Supply Chain Risk Methodology in order to help ensure that appropriate processes in place to continuously monitor the financial health of suppliers and to be prepared if a supplier were to become insolvent. Whilst the methodology does not need to be applied to all contracts our review identified that further work was required to fully embed it within contract management arrangements.

Contract Extensions

Council Risk Rating: High Assurance: Level 4 RAG: 

Whilst appropriate arrangements existed for extending contracts in line with contractual options, we identified a need to strengthen the arrangements where no contractual option existed to extended beyond the original term existed.

Direct Payments - Progress of Completing Reviews

Council Risk Rating: High Assurance: Level 3 RAG: 

We identified that not all packages of care are being adequately reviewed and recorded on CareFirst. Due to the COVID-19 pandemic progress in implemented the agreed actions has slipped, however, we have been provided with assurance that implementation is now being taken forward.

High Value Payment Error
Council Risk Rating: High Assurance: Level 4 RAG: [REDACTED]

Due to Covid-19 there has been a large increase in the volume of invoices processed. The value of one non-purchase order invoice was incorrectly scanned and entered within the accounts payable system. The incorrect value was not identified and was eventually paid. We have concluded that the overpayment was an error and not an attempt to divert funds. The overpaid funds have now been recovered from the vendor.

Homelessness - Temporary Accommodation
Council Risk Rating: High Assurance: Level 3 RAG: [REDACTED]

Whilst the majority of the weaknesses previously reported have yet to be fully addressed, we identified evidence of strategic and operational level changes which seek to proactively strengthen the management of Temporary Accommodation. The service alone is not able to directly address some of the strategic issues facing the wider Housing Options Service, e.g. national increase in families calling upon the statutory homeless service. However, we have been informed that a Future Operating Model (FOM) and Proposed New Model Customer Journey has been developed, which will seek to secure a significant reduction in bed and breakfast use, through a focus on robust prevention and early intervention work.

Adult Education IT Systems Replacement – Follow up
Council Risk Rating: High Assurance: N/A RAG: [REDACTED]

The Council supplies a range of training programmes through Birmingham Adults Education Service. In order to drive the service forward and secure service improvement, a new IT infrastructure and supporting has been implemented. Our initial audit and subsequent follow up identified weaknesses within the project governance arrangements and raised system concerns surrounding the revised solution. Since the completion of our work we have received assurance that our recommendations have been actioned and the issues addressed.

GDPR - Procurement and Contract Management – Follow up
Council Risk Rating: High Assurance: N/A RAG: [REDACTED]

The Data Protection Act DPA came into place in May 2018 implementing the EU General Data protection regulation (GDPR). As a result, changes needed to be made to contracts to bring them in line with the new regulations and update procurement and contract management processes to ensure compliance. We have identified a need for specific GDPR training for procurement officers and contract managers, and to review and update toolkits, templates and data processing / sharing agreements.

2. School Visits

School audits were suspended between March and October 2020 due to the coronavirus pandemic which created significant pressures and nationwide school closures. Our audits restarted in November 2020 after consultation with the Directorate, Education colleagues, and school leaders. We introduced a blended approach of remote and on site working depending upon the preferences of each school selected for a visit. Despite the 3rd national lockdown most audits booked for January 2021 went ahead in agreement with the schools to be visited, but the programme was suspended again in February to the end of the financial year. This significantly reduced the number of school audits during 2020/21. Our school auditors remained busy though out the year by either supporting the public health track and trace programme or auditing other areas when appropriate.

We have continued to work with both Directorate and school colleagues to ensure we undertake a robust and added value audit of maintained schools that focuses on the systems of effective financial management. Schools are selected on a risk basis to ensure we focus our resources in the most appropriate areas and respond to the current challenges. A robust follow process is in place that supports the schools appropriately based on level of assurance and level of risk.

Overall, our work has found areas for development across all the control areas reviewed, with the exception to safeguarding. We acknowledge that our risk-based plan means that we are auditing schools with the greater challenges so this may not reflect the whole maintained school sector.

As part of the audit, Governors and Senior Leadership are asked to complete a survey on their views on financial management within their school, the appropriateness of roles, core values, and the culture of tolerance / mutual respect. No significant concerns were identified from the surveys. Any minor issues have been appropriately escalated and support provided.

The main issues identified were:

- Financial Governance – We found areas for development with the governance framework. While these do not stop schools functioning effectively, it means that there is not the required clarity around financial responsibilities.

- Adequacy of financial reporting to Governors and scrutiny / challenge by Governing Boards remains an area that requires improvement especially given the financial situation schools finding themselves in.
- The correct completion of pecuniary interest forms remains an ongoing issue, new templates and guidance have been issued to support schools.
- The majority of schools are now completing their Schools Financial Value Standard on an annual basis but not always submitting it by the deadline or recording its approval.
- Budget Planning – we continue to see an increase in schools with a deficit and not able to set a balanced budget or are forecasting deficits in future years. While most Governors and Schools Senior Leadership are looking to establish and agree mitigation action plans to address this risk, often these have not been formalised or do not go far enough to address the problem.
- Purchasing – Compliance with the school's financial procedures manual purchasing procedures continues to be an issue. In particular, ordering and receipting of goods.
- Delegated Powers – we have continued to find a need for greater compliance in the reporting of quotes to Governors. Improvements are also required in the monitoring and reporting of cumulative expenditure to ensure value for money obtained and compliance with the Schools Financial Procedures requirements.
- Purchase Cards – Despite a clear control framework that supports the management of purchase cards in schools we have found a high level of non-compliance regarding approvals, monthly reconciliations and individual purchases.

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, we have asked for Directorate support in achieving this aim.

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 are continuing to be considered against the 'PESTLE' (Political, Environmental, Social, Technology, Legal, and Environmental) framework to ensure they remain appropriate. This revised Strategic Risk Register, together with the supporting risk action plans, is reviewed and challenged on a monthly basis by the Corporate Leadership Team.

The Risk Champions Group, which is made up of representatives from each directorate, has been revitalised and is supporting the implementation of robust operational risk management.

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 2020/2 identifies eight significant issues:

- Covid-19 Pandemic: impact on services;
- Covid-19 Pandemic: impact on Financial Resilience;
- Delivery Plan;
- Homelessness and Safety Implications for Tower Blocks;
- Asset Condition and Sufficiency;
- Commonwealth Games;
- Commissioning and Contract Management; and
- Birmingham SEND Written Statement of Action.

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 2020/21 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 improving processes for challenging and validating savings proposals that have subsequently been classified as non-deliverable; and developing a VAT improvement plan to aid the Council in continually improving the management of, and compliance with VAT requirements (providing this plan was adequately monitored).

We maintained a watching brief on the Target Operating Model (TOM) and the Financial Improvement Plan (FIP) and intend to do further work on the FIP in 2021/22.

Within their Annual Audit Letter (January 2021) the Council's External Auditor gave an unqualified opinion on the Council's financial statements for the year ending 31st March 2020, but did state that an emphasis of matter paragraph was included in their report in respect of the uncertainty over the valuations of the Council's land and buildings and the property assets of its pension fund given the Coronavirus pandemic. With regards to the overall Value for Money conclusion the External Auditor was satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020 except for specific weaknesses identified in the arrangements relating to the Common Wealth Games and the Council's Highways PFI agreement.

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 2020/2021 was £784m. 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, £232k, 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.

COVID-19 Business Grant

Processes were established to enable the payment of support grants on a timely and effective basis and in line with the specified requirements to ensure businesses received support during the pandemic lockdown. Due diligence checks were built into the payment process help in ensuring the accuracy of payment. Inevitable, a number of potentially false applications has 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 2020/21 8,866 vendors were paid, totalling £1.43bn including feeder file transactions. Purchase card spend across the Council was approximately £5.02m. 93.3% of invoices were paid within 30 days of the invoice date.

During the year the team encountered a number of fraudulent payment division attempts. As the nature and sophistication of this types of attacks grow there is a need for ongoing vigilance and verification of all master data changes. A high value payment error also occurred that initially went undetected, this further reinforces the need for all members of staff to be extra vigilant. Procedures and process are being strengthened.

Procurement

Our audit on Contract Extensions identified incidences of non-compliance with the Council's Standing Orders relating to contract extensions. In addition, appropriate arrangements were not in place to ensure relevant contract modifications were appropriately published.

Our follow-up review of the arrangements to embed the corporate Supply Chain Risk Methodology, identified that limited progress has been made. The methodology, which includes an annual financial health check of contractors, is still not widely embedded within contract management arrangements.

Our second 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 issues remain. Specific training on GDPR for procuring officers and contract managers has still not been delivered, and procurement and contract management tools and templates have not been updated.

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 2020/21 was £633m (excluding Housing Benefit Overpayment debts). Overdue sundry debts (over 90 days old) as at 06/04/2021 was £49.8m, 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 debt; but there is room to secure greater process efficiency and maximise collection, e.g. billing for service in advance where appropriate.

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 £5.41M 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 £13m to £10.6M between March 2020 and March 2021. 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 £41.3m.

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 then remained steady throughout the rest of the year with 121,542 in March 2021. COVID-19 has place increased demand and pressure on the service this has been compounded by the need to administer COVID business grants and social isolation payments.

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 2020/21 properties with a full year liability were raised totalling £432m with a year-end collection target of £390.4m (90.23%). The total amount collected as at 31/03/21 was £387.4m (92.17%).

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 2020/21 an annual liability of £278.6m was raised against properties with a year-end collection target of £255.7m (91.80%). The total amount collected as at 31/03/21 was £242m (91.17%).

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

Rents

At March 2021 there were 56,450 city tenancies with 18,144 arrears cases (32.%) including those in receipt of Universal Credit. Rent accounts in receipt of Universal Credit equate to 18,800 accounts totalling approximately £9.624m (55.% of the total arrears figure). The current tenancy arrears at 31st March 2021 are approximately £16.684m

Recovery action is now targeted based on the level of arrears to help in ensuring that accounts with an arrears balance are actively monitored and acted upon. However, due to the pandemic court escalation is currently suspended.

6. Information Governance / Technology (IT) Issues

The resilience of IT has been key to the sudden shift to agile working within the Council during the COVID pandemic. Improvements to IT capabilities and products shortly before the first lockdown (i.e. Office 365) placed the Council in a good position to support an agile workforce.

The Council has a complex IT landscape which is constantly changing. Ensuring the Council's systems remain secure is essential to protect sensitive information and retain public trust. Adequate and effective information technology and information governance controls need to be in place to ensure that the Council can continue to operate effectively and deliver essential services.

The Council has embarked on a major IT change programme and is progressing a number of high-profile projects that are aimed at transforming operational process and improving customer experience e.g. Oracle replacement of the Finance and HR system, implementation of a new Social Care system, and refreshing the technical infrastructure.

Improvements have been made during the year to Information Governance processes. The Council have achieved Level 2 compliance against the Information Assurance Maturity Model (IAMM). Further recommendations have been made to embed GDPR requirements and ensure compliance on a consistent basis. The Data Protection Officer (DPO) and GDPR Programme manager have committed to mapping the recommendations to the IAMM action plan. Implementation of the recommendations will help in driving forward the Council's overall level of maturity and in meeting Level 3 criteria.

Our work has been targeted to provide assurance over the areas of greatest risk. The findings of our work have been summarised below:

- Performance in responding to Freedom of Information and Subject Access Requests continues to be lower than performance requirements, action is being taken to improve this position.
- Compliance with the Data Classification policy is not readily evident and improvements to data loss controls are required.
- During periods of significant organisational change, it is essential that IT access is tightly controlled to avoid data breaches and possible inappropriate activity occurring. Data Breach procedures are currently being enhanced and strengthened.
- Data Protection Impact Assessments need to be embedded in all process activities.
- Not all data sharing and processing activities are covered by appropriate agreements and the extent and nature of third-party access and data sharing is not clear in the Information Asset Register.
- There continues to be a need to reinforce and ensure compliance with the ICT policies.
- Inconsistent and conflicting policies and guidance.
- Ensuring staff have good knowledge and awareness around malware threats, and adequate patching policies are key defences in preventing security and data breaches.
- Our work in respect of management and security of IT applications continues to provide a reasonable assurance.

- Project governance and management arrangements have improved; it is important that lessons learnt are shared across the Council and robust processes established to ensure expected benefits are realised.
- Cyber Security is constantly evolving, and work against the cyber Strategy and Roadmap is continuing.
- Compliance with the process for movers and leavers is difficult to monitor, particularly for agency, temporary and external staff. Improved integration of systems and processes combined with role-based profiles will strengthen management of IT user accounts.

Through our work we have continued to support the Information Assurance Board in their role of ensuring that information risks are identified and responded to. The risk assessment is discussed with the Senior Information Risk Officer, Chief Information Officer, and nominated contact officers to ensure we concentrate on significant areas. The assessment is dynamic and continually updated throughout the year based on the feedback received.

Final Reports Issued During 2020/21
Audit Reviews (80 Reports, including 2 non-assurance 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.

Assurance Type

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

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9
Birmingham Adult Education Service	High	Level 4			✓	✓	✓				✓	✓
Supplier Financial Risk – Embedding the Methodology	High	Level 4		✓	✓			✓	✓		✓	✓
Contract Extensions	High	Level 4		✓	✓			✓	✓		✓	✓
High Value Payment Report	High	Level 4		✓	✓						✓	✓
Direct Payments - Progress of Completing Reviews Overdue by 12 Months	High	Level 3			✓	✓	✓				✓	✓
Homelessness - Temporary Accommodation	High	Level 3			✓	✓	✓			✓	✓	✓
Cityserve - Procurement and Contract Management	Medium	Level 4		✓	✓						✓	✓
Shelforce - Procurement	Medium	Level 4		✓	✓		✓				✓	✓
Heartlands Day Centre	Medium	Level 4				✓	✓		✓		✓	✓
Corporate Payroll - IR35 Compliance	Medium	Level 3		✓							✓	✓
CityServe Contracts Review	Medium	Level 3		✓	✓						✓	✓
Direct Payments - Impact and Outcomes	Medium	Level 3			✓	✓	✓					✓
Revaluation of Assets	Medium	Level 3		✓	✓						✓	✓
Major Capital Projects - Compliance with the Financial Control Standard	Medium	Level 3		✓	✓	✓	✓	✓	✓		✓	✓
Non-Treasury Investments	Medium	Level 3		✓	✓						✓	
Ethic 2020 - Gifts & Hospitality	Medium	Level 3		✓						✓		
Enablement	Medium	Level 3			✓	✓	✓				✓	✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9
Safeguarding Adults	Medium	Level 3			✓							✓
IT Emerging Issues - User Account Management and Provisioning	Medium	Level 3		✓					✓			✓
Financial Savings Plan	Medium	Level 3		✓	✓	✓	✓	✓			✓	
Civic Cleaning	Medium	Level 3			✓							✓
Hospital Discharge Funding	Medium	Level 3			✓	✓	✓				✓	✓
School Improvement - Contract Management/Delivery	Medium	Level 3			✓				✓		✓	✓
The Active Wellbeing Society	Medium	Level 3			✓	✓	✓		✓		✓	✓
Advantage Impact- IT System	Medium	Level 3		✓								✓
Commonwealth Games - Security and Resilience	Medium	Level 3						✓				✓
CivicaPay - Post Implementation Review	Medium	Level 3		✓	✓	✓	✓				✓	
Waste Management Services Independent Review Phase 1	Medium	Level 3		✓	✓	✓	✓		✓			✓
Commercial Activities - Cityserve	Medium	Level 3		✓							✓	✓
Care Centres	Medium	Level 3			✓	✓	✓					✓
Eclipse Implementation - Testing Strategy	Medium	Level 3			✓	✓	✓				✓	✓
Direct Payments, Embedding Operational Practice (Stage One)	Medium	Level 3			✓	✓	✓				✓	✓
Interim Procurement Governance Arrangements during Coronavirus Outbreak	Medium	Level 3		✓	✓	✓	✓	✓	✓		✓	✓
Section 117	Medium	Level 3		✓							✓	✓
Financial Control Review	Medium	Level 3		✓	✓	✓	✓	✓			✓	
Information Governance - Information Asset Register	Medium	Level 2		✓	✓	✓	✓		✓			✓
Hospital Discharges	Medium	Level 2			✓	✓	✓					✓
Web Services	Medium	Level 2		✓	✓	✓	✓	✓				✓
Council Tax - Recovery and Enforcement	Medium	Level 2					✓				✓	
NDR - Recovery and Enforcement	Medium	Level 2		✓							✓	
Anti-Virus - Malware	Medium	Level 2		✓	✓	✓	✓	✓				✓
Information Governance - Remote Working	Medium	Level 2		✓	✓	✓	✓	✓	✓			✓
GDPR Article 33 Breach Notification	Medium	Level 2		✓	✓	✓	✓	✓	✓			✓
NNDR Charitable Relief	Medium	Level 2		✓							✓	

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9
Not in Employment & Training (Inc. Not Knowns)	Medium	Level 2			✓	✓	✓					✓
Financial Forecasting	Medium	Level 2		✓	✓	✓	✓	✓		✓	✓	
School Themed Work - Income Control	Low	Level 3			✓	✓	✓		✓		✓	✓
Non-Invoiced Income - Pause Cafes	Low	Level 3		✓							✓	
Birmingham Municipal Housing Trust - Procurement	Low	Level 3			✓	✓	✓		✓		✓	✓
School Visits Follow up City wide	Low	Level 3			✓	✓	✓		✓		✓	✓
Treasury Management	Low	Level 3		✓	✓	✓	✓	✓			✓	
IT Applications - Register of Electors Online	Low	Level 3			✓	✓	✓	✓				✓
Rent Collection & Charges - Income Collection & Sundry Debts	Low	Level 2					✓				✓	✓
Payroll Allowances	Low	Level 2		✓							✓	
Payment Card Industry (PCI) Compliance - Planning Applications	Low	Level 2		✓							✓	✓
Ability to pay suppliers compliance	Low	Level 2		✓							✓	
Information Assurance Maturity	Low	Level 2		✓	✓	✓	✓	✓	✓			✓
SAP	Low	Level 2		✓							✓	
Non-Invoiced Income - Register Office	Low	Level 2			✓	✓	✓				✓	✓
Public Health - Supporting Clinical Commissioning Groups	Low	Level 2			✓	✓	✓					✓
Youth Provision Outcomes	Low	Level 2			✓		✓					✓
Accounts Payable - Purchase Cards	Low	Level 2		✓							✓	
Benefit Service - Quality Checks - Performance Management	Low	Level 2			✓	✓	✓				✓	✓
Abritas	Low	Level 2			✓	✓	✓		✓			✓
Rents Reconciliations	Low	Level 2					✓				✓	
Eclipse Implementation	Low	Level 2			✓	✓	✓				✓	✓
Accounts Receivable - Business Areas Raising Invoices Promptly	Low	Level 2		✓							✓	
Annual Review Process - Birmingham Children's Trust	Low	Level 2			✓						✓	✓
Urgent Payments	Low	Level 2		✓							✓	
Highways PFI Management - Interim Period	Low	Level 2		✓	✓	✓	✓	✓	✓			✓
Northgate Housing - IT Review 2021	Low	Level 2					✓		✓			✓
Council Tax - Exemptions and Discounts	Low	Level 2					✓				✓	

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9
Neighbourhoods Directorate Risk Management Arrangements	Low	Level 2			✓	✓	✓			✓		
Corporate Payroll - No pension contributions due to a change in circumstance	Low	Level 1		✓							✓	
NNDR Rateable Value Growth Process	Low	Level 1		✓							✓	
Rent Collection and Charges Introductory Tenancies Arrears Process Debt Advice	Low	Level 1					✓				✓	✓
Revenues and Benefits - Funds and Provisions	Low	Level 1			✓	✓	✓				✓	✓
Direct Debit Failure Council Tax Automatic Robotics Process	Low	Level 1					✓				✓	
Clean Air Zone - Procurement Issues	Low	N/A		✓	✓	✓	✓		✓		✓	✓
Finance Team Processes Review	N/A	N/A		✓							✓	

Follow Up Reports (41 Reports):

Title	Risk Rating Council	RAG
Adult Education IT Systems Replacement	High	
General Data Protection Regulation - Procurement and Contract Management - Follow-up	High	
Strategic Management of Non HRA Property	Medium	
Northgate Housing Data Quality	Medium	
Use of Shared Drives	Medium	
Information Governance - Access to Information, Follow Up	Medium	
Interim Executive Board Follow up	Medium	
Company Assets and Relationship Management	Medium	
Better Care Fund	Medium	

Title	Risk Rating Council	RAG
Public Sector Network (PSN) Follow Up	Medium	
Heartlands Day Centre Follow Up	Medium	
Information Governance - Tenant Management Organisations (TMO's)	Low	
Council Tax - Student Discount 2nd follow up	Low	
Payroll Overtime Follow Up Report	Low	
Information Governance - Environmental Health 2nd follow up	Low	
Third Party Governance - Information Security	Low	
Information Governance - Transparency Code Follow Up	Low	
Accounts Receivable - Adults Aged Debts	Low	
IT Governance - Housing Repairs	Low	
Accounts Payable - Construction Industry Scheme follow up	Low	
IT Emerging Issues Data Sharing - Adults Social Care	Low	
IT Infrastructure DMZ Follow Up	Low	
User Account Management and Provisioning (SLAM)	Low	
IT Applications - Impulse and CV Hub	Low	
Appointee and Court Deputy Service 2nd Follow Up	Low	
Birmingham Adult Education Service Follow Up	Low	
The Health and Social Care Network Follow Up	Low	
Data Sharing Follow Up	Low	
Rents - Income collection & sundry debts	Low	
Leaseholder Service Charges Follow Up	Low	
Information Governance - Caldicott Guardian Follow Up	Low	
BCT Client Annual Review	N/A	
BCT Client Focussed Governance	N/A	
BCT Client Service Delivery Performance Framework	N/A	
Home to School Transport 3rd Progress Review	N/A	
Early Years Health and Well-being	N/A	
Residential Care Services - Progress Review	N/A	
Funeral and Property Protection Progress Review	N/A	
SEND Commissioning Arrangements - Third Progress Review	N/A	

Title	Risk Rating Council	RAG
Home to School Transport 4 th Progress Review	N/A	
R01 Enablement 1st Progress Review	N/A	

Investigation Reports (9 Reports)
School Visits (14 Reports, 2 Follow-up Reports, 11 progress reports)

Internal Audit Charter 2021/22**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', can refer to one or all of the following: Audit Committee, Chief Executive, Assistant Chief Executive, Chief Financial Officer, or Monitoring Officer.*
2. *Statutory officer roles with regards to Internal Audit:*

Chief Executive and Assistant 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.

Chief Financial 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 2021/22 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 Chief Finance Officer 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 – 2021/22

- 8.1 The Business Plan 2021+ 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 driver 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 2021/22 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 assess ourselves against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Prevention and detection of fraud remains a priority for the Council.
- 10.6 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.
- 10.7 Follow up audits will be undertaken in accordance with the agreed policy.
- 10.8 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 2021/22

	Days	Total
Financial Systems (including computer audits where appropriate)		
Accounts Payable	50	
Accounts Receivable	50	
Asset Management	50	
Audit Letter	5	
Benefits	50	
Carefirst / Eclipse	30	
Cash Income / Cashiers	30	
Direct Payments	30	
Housing Rents	25	
IT Related Financial Systems Work	85	
Main Accounting	50	
Payroll/HR	50	
Procurement, Contract Audit and PFI	140	
Revenue (Council Tax and NNDR)	60	705
Business Controls Assurance		
Work in Progress b/fwd. from 2020/21	50	
IT Related Non-Financial Systems Work	370	
Data Analysis	200	
Corporate Risk Management Facilitation	50	
Chargeable Work - Acivico	40	
Chargeable Work - Birmingham Children's Trust	145	
Chargeable Work – Grant Certification	80	935
<u>Adults Social Care</u>		
Occupational Therapy DFG	20	
Transitions to Adulthood	20	
Day Centres	15	
Assessment & Support Planning	20	
Commissioning	20	
Liberty Protection Standard	10	
Placements	20	125
<u>Education and Skills</u>		
Safeguarding Corporate Overview	30	
Home to School Transport	15	
Commissioning & Contract Management Framework	20	
SEND - Transition from Commissioning Independent	6	
Provision to LA School based Provision	15	
Pre 16 Careers Service Delivery Arrangements (LA & Schools)	15	
	20	
Post 16 Providers - NEETS & Not Knowns	30	151
Performance		
Birmingham Children's Trust – Contract Management		

Safeguarding & Development – BCSB		
<u>Finance and Governance</u>		
Local Enterprise Partnership	15	
Governance	20	
Ethics	10	
Commercial Activities	30	
Risk Management	10	
Self-Assessment - AGS Process	10	95
<u>Inclusive Growth</u>		
Accountable Body	30	30
<u>Neighbourhoods</u>		
Homelessness	15	
Waste Management	25	
HMO Licensing	15	
Fleet Management	20	
Housing Visiting Programme	10	
Bereavement Services	10	
Housing Repairs – Contract Compliance / Assurance (funded through HRA)	200	295
<u>Partnerships, Insight and Prevention</u>		
Public Health	30	
Resilience	20	
Project Management	30	80
		1723
Investigations		
Reactive investigations	430	
Proactive work	200	
Fraud Awareness	200	830
Schools - Non Visits		
Themed Work	30	
Responding to the Challenge of Improving Financial Management in Schools	12	42
	540	540
Schools - Visits		
Follow Up Work		175
Ad Hoc Work / Contingency		289
Planning and Reporting		130
City Initiatives		5
TOTAL		4427

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	AUDIT COMMITTEE
Report of:	Director of Council Management (Interim)
Date of Meeting:	29 June 2021
Subject:	2020/21 ANNUAL GOVERNANCE STATEMENT
Wards Affected: All	
1. Purpose of Report <p>1.1. The Annual Governance Statement (AGS) forms part of the Statement of Accounts for 2020/21 and reports on the Council's internal control regime.</p> <p>1.2. Section 6 of the AGS includes 8 key issues for the Council which may impact on the organisation's governance arrangements.</p>	
2. Recommendations <p>2.1. To approve the Annual Governance Statement that will be included in the 2020/21 Statement of Accounts.</p> <p>2.2. To agree that the arrangements for the management of the items included in Section 6 will be reported to the Audit Committee during the year.</p>	

3. Background

- 3.1 One of the requirements for the Annual Governance Statement (AGS) is that it should reflect the governance arrangements for the financial year to which it relates, up to the date of approval of the Statement of Accounts.
- 3.2 The AGS forms part of the Council's annual Statement of Accounts.
- 3.3 The significant issues raised in the Assurance Statement and audit processes are summarised in Section 6 of the AGS. This section comments very broadly on the Council's achievement of its central objectives and external assessments, it raises issues arising from joint working with partners and refers to significant matters highlighted by the annual review of internal control.

4. Legal and Resource Implications

- 4.1 The AGS is a requirement of The Accounts and Audit Regulations 2015, Regulation 6(1)(b) and meets the corporate governance best practice recommendations. The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021. These regulations amend the publication dates of the draft accounts to no later than 31 July 2021, as public inspection must commence no later than 1 August 2021 and the audited accounts to be published no later than 30 September 2021 for local authorities. There are no direct resource implications arising from this report.

5. Risk Management & Equality Impact Assessment Issues

- 5.1 The Statement forms part of the Council's risk management approach and the relevant issues are those considered in the attached schedule.

6. Compliance Issues

- 6.1 The AGS forms part of the statutory requirements for the Council's Annual Statement of Accounts.
- 6.2 The Council's continued improvement in responding to the issues referred to in the Statement will complement the development and delivery of the Council of the Future's objectives.

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Rebecca Hellard – Director of Council Management (Interim)

Contact Officer: Mohammed Sajid

Telephone No: 0121 303 3313

e-mail address: mohammed.sajid@birmingham.gov.uk



Annual Governance Statement 2020/21

Annual Governance Statement 2020/21

1 Scope of responsibility

- 1.1. Birmingham City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.
- 1.3. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace 2016). This statement explains how the Council has complied with the framework and also meets the requirements of *The Accounts and Audit Regulations 2015*, Regulation 6(1)(a), which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts and, Regulation 6(1)(b), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).
- 1.4. This governance statement provides assurance over the governance arrangements that have been in place for 2020/21 and it also identifies significant changes that have arisen as a result of the Covid 19 pandemic.
- 1.5. The Covid 19 pandemic has meant that the Council has made significant changes to governance arrangements since activating its emergency plan on 18 March 2020. As a result of this, emergency Covid 19 decisions have been made in accordance with the Emergency Plan and in line with the Council's Constitution, therefore, normal reporting and decision-making rules have changed and do not apply. The Council's Emergency Plan and the Constitution adopts the Strategic / Tactical / Operational Command and Control structure, which is a nationally adopted framework by all emergency response organisations. The command and control structure ensures a joined-up approach to emergencies at various scales and provides Officers with wide delegations to make decisions at pace as the Council responds to the developing situation. The Council has been dealing with the need to continually respond to the crisis as it develops, and although there was an intention to publish key decisions taken during the emergency response, it was not reasonably practicable to publish all decisions taken at the time. The Council has now published a log of the decisions taken during the emergency response and a Covid 19 decision log will be published as required, to reflect new decisions and information throughout the pandemic and beyond.

2 The purpose of the governance framework

- 2.1. The Council is committed to good governance and to improving governance on a continuous basis through a process of evaluation and review.

- 2.2. Good governance for the Council is ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner and the Council seeks to achieve its objectives while acting in the public interest, at all times.
- 2.3. The governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of high quality services and value for money.
- 2.4. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.5. The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts, subject to changes highlighted relating to the Covid 19 pandemic.

3 **The governance framework**

- 3.1. The key elements of the systems and processes that comprise the Council's governance arrangements include the following:

The Council's vision and priorities for Birmingham

- 3.2. The Council has a clear vision for Birmingham, to create 'a city of growth where every child, citizen and place matters' and a set of outcomes and priorities to underpin this vision. The Council's aim is to transform and modernise services in response to changing demand from a growing population and to support this, the Council will focus resources on six clear priorities:

- **An entrepreneurial city to learn, work and invest in.**
- **An aspirational city to grow up in**
- **A fulfilling city to age well in**
- **A great city to live in.**
- **A city whose residents gain the maximum benefit from hosting the 2022 Commonwealth Games.**
- **A city that takes a leading role in tackling climate change.**

- 3.3. The Council's vision and priorities in terms of the contribution to strategic outcomes are set out in the Council Delivery Plan 2020-2022 (the Plan). The Plan is available on the Council's website.
- 3.4. The Plan sets out the work programme for full delivery by May 2022 with a continued focus on the six priority outcomes identified above. The Council will focus on understanding where the city should be over the next 10-20 years. Working in partnership with others, the Council will develop comprehensive proposals for change to maximise the opportunities to tackle inequality and address both longstanding and new challenges facing the city.
- 3.5. The Plan will also focus on specific deliverables and commitments the Council needs to achieve over the next 18 months by Portfolio Holder such as ensuring the city is ready for and benefits from the Birmingham 2022 Commonwealth Games and supporting the city to respond and then recover from the Covid 19 pandemic.
- 3.6. Longer term, three priority areas have been identified in the Plan which the Council believes are fundamental to tackling the critical challenges of creating a more equal and inclusive city whilst managing demand on Council services to a more affordable level. The three areas are:
- **Shifting focus from crisis to prevention**
 - **Increasing the pace and scale of growth, for those that need it most, while delivering the Council's climate change objectives and**
 - **Delivering new ways of working**
- 3.7. Regular monitoring and reporting through a robust governance structure against these measures ensure that weaknesses in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 3.8. Alongside the Delivery Plan, the corporate priorities are supported by more detailed Directorate and Service Plans which are also regularly monitored and reviewed with a golden thread through to appraisals.
- 3.9. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities. Based within the framework of the Council's vision and priorities the 12 points are:
- To preserve life and protect vulnerable groups and maintain the viability of the city is our fundamental purpose during the coming days, weeks and months.
 - Ensure the response is scalable, proportionate and flexible, working closely with our NHS, education, business and community providers.
 - Contribute to effective containment measures as appropriate to limit the spread of infection, and work with citizens and communities to help them to take the appropriate actions.
 - Ensure continued delivery of the council's critical services, focusing most on those services which support and protect the most vulnerable in society.
 - Maintain council services to an appropriate level and prioritise services to maintain those which are critical to life and the protection of vulnerable groups.

- Engage with and support NHS and Public Health response systems/campaigns including media and communications, working across all the networks of the city to ensure information reaches all our communities.
 - Provision and sharing of advice; warning and information internally and to public and local businesses to support the immediate and long-term resilience of the city.
 - Maintain good working relationships with partners to ensure supply chain continuity, especially for those resources that underpin the safety and security of Birmingham and its citizens.
 - Ensure that all roles and areas of responsibility are predetermined and formally agreed so there is clarity internally and with partners during these uncertain times.
 - Monitor the impact of the outbreak on the community and our services to respond in a timely manner and plan recovery to ensure that Birmingham remains looking forward.
 - Work with partners across our voluntary, community and faith communities to mobilise the spirit of Birmingham to respond to the challenges facing us.
 - Work across political parties to collaborate in the best interests of the city; we recognise that the challenges ahead require us all to work together to support citizens and the city to weather the coming challenges and emerge as a city moving forward.
- 3.10. The Council ensures the economical, effective and efficient use of resources and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. Achievement of value for money is a key part of the Council's long term financial strategy.
- 3.11. The Council set a Financial Plan for 2020-2024 that was driven by the Delivery Plan and invested in services and set out savings plans that would deliver a balanced budget over this period. By March 2020 the impact of the Covid 19 pandemic was felt in the UK and across the world. As a result, Government and public sector financial plans have been significantly changed and the outlook remains uncertain.
- 3.12. In responding to the Covid 19 pandemic in 2020, the Council promptly put in place weekly monitoring and reporting of financial impacts and quantified financial risks, a process that the Local Government Association held up as an example to others. The Council lobbied and engaged with Government directly over the need for sufficient funding for the impact of Covid 19. Through rigorous and diligent financial management coupled with additional funding provided by the Government, the Council has achieved spend within its budget for 2020/21.
- 3.13. The Council undertook a mid-year update to its Medium Term Financial Plan at the end of September and reported findings in November to both Cabinet and Overview & Scrutiny Resources, alongside its Delivery Plan proposals. An updated Medium Term Financial Plan was incorporate into the Financial Plan 2021 – 2025 approved by Council in February 2021 alongside the presentation of the balanced budget proposals for 2021/22. To improve financial resilience the Financial Plan 2021 -2025

increased the Financial Resilience Reserve and increased General Balances to represent 4.5% of the net budget requirement.

- 3.14. Given the significant impact the Covid 19 pandemic has had on the Council, a fundamental review of the savings programme took place during the year, supported by the monthly Star Chamber process and Directorate Management Team budget challenge sessions. The review identified that some savings had to be rephased due to changing circumstances, some had to be replaced with an alternative saving and others had to be removed from the programme since they were no longer considered to be deliverable. Through this rigorous challenge the Council has ensured deliverability of a savings programme for the future.
- 3.15. The Council's planning framework is set in the context of the wider city leadership and governance, such as the West Midlands Combined Authority's (WMCA) Strategic Economic Plan (developed by the local enterprise partnerships in conjunction with the WMCA) and the Birmingham and Solihull Sustainability and Transformation Plan (to deliver better health and care for local people).
- 3.16. The Mayor heads the WMCA. The WMCA uses devolved powers from central government to allow the Council, along with its regional counterparts, to drive economic growth, investment and the reform of public services. There will be continued innovative ways of delivering local services and for people to engage in their local community, such as through the local council for Sutton Coldfield.
- 3.17. The Council has a strong public, third sector, and business engagement role. Through City Board, the Council has embarked on a city vision plan for Birmingham (2020-2035) which will bring about a change in partnership activity and the relationship with citizens, provide sector leaders with shared objectives based on the UN Sustainable Development Goals and represent a strong statement of collective leadership. The Council has a Community Cohesion Strategy and there is an established partnership toolkit setting out the governance and internal control arrangements which must be in place when the Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets.
- 3.18. From 1 September 2019 the Local Enterprise Partnership (LEP) transferred its revenue operations and full executive team to GBSLEP Limited. The Council remains the accountable body for capital funds and some revenue funding awards and retains its place on the LEP Board in respect to its s151 role over public funds. Working with partners, the Council plays a strategic role for the Greater Birmingham area, working with the Greater Birmingham and Solihull Local Enterprise Partnership (LEP) and where applicable, jointly and in consultation with the West Midlands Combined Authority (WMCA). As Accountable Body and partner to the LEP, the Council develops collaborative solutions to common problems, and facilitates coherent programmes with regional and national partners to deliver an economic strategy for the city and region. LEP projects are delivered within the LEP Assurance Framework, approved by the Council's governance processes as Accountable Body, managed and monitored through Programme Delivery Board and thematic "Pillar Boards", with regular reporting to the LEP Board.
- 3.19. The Cabinet Committee - Group Company Governance's role is to ensure that the Council's strategic objectives are met across the group of companies which either the Council owns or has an interest in, and to support the development of the group in line with the Council's regulations and ambitions. The Committee works to improve the level of Council oversight of the activities of those companies that it either wholly

owns, or in which it has an interest or a relationship through nominees through for example, holding entity boards to account for their performance and reviewing business plans and strategies of the entities where applicable.

- 3.20. The Council's Constitution which is reviewed annually by the Monitoring Officer with amendments agreed at the Annual General Meeting, is available on the Council's website. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee (CBMC).
- 3.21. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2020/21 financial year:
- The Leader with responsibilities for Strategic Policies, Structure and Governance of the Council, Financial Strategy, Communications, Policy and Partnerships, Major Projects, Commonwealth Games, Sports and Events Development, Economic Growth and Jobs and Commissioning
 - Deputy Leader with responsibilities for Business Change, Efficiency and Improvement, Revenues and Benefits, Customer Services, Emergency Planning, ICT and Legal.
- Eight other Cabinet Members have the following portfolios:
- Cabinet Member – Children's Wellbeing;
 - Cabinet Member – Street Scene and Parks
 - Cabinet Member – Health and Social Care;
 - Cabinet Member – Homes and Neighbourhoods;
 - Cabinet Member – Finance and Resources;
 - Cabinet Member – Social Inclusion, Community Safety and Equalities;
 - Cabinet Member – Transportation and Environment;
 - Cabinet Member – Education, Skills and Culture.
- 3.22. The Constitution sets out the terms of reference or function for each of the Committees and signposts to a schedule of matters reserved for decision by Full Council.
- 3.23. CBMC has responsibility for the planning and preparation of the agenda, papers and other arrangements for Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters.
- 3.24. CBMC oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBMC submits recommendations to the Council on the operation and membership of the Panel and amendments to the Councillors' Allowances Scheme.
- 3.25. CBMC also discharges the Council's functions in relation to parishes and parish councils, considers terms and conditions of employment and any recommendations from Audit Committee relating to the discharge of the Council's duty under the Accounts and Audit Regulations 2015.
- 3.26. 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

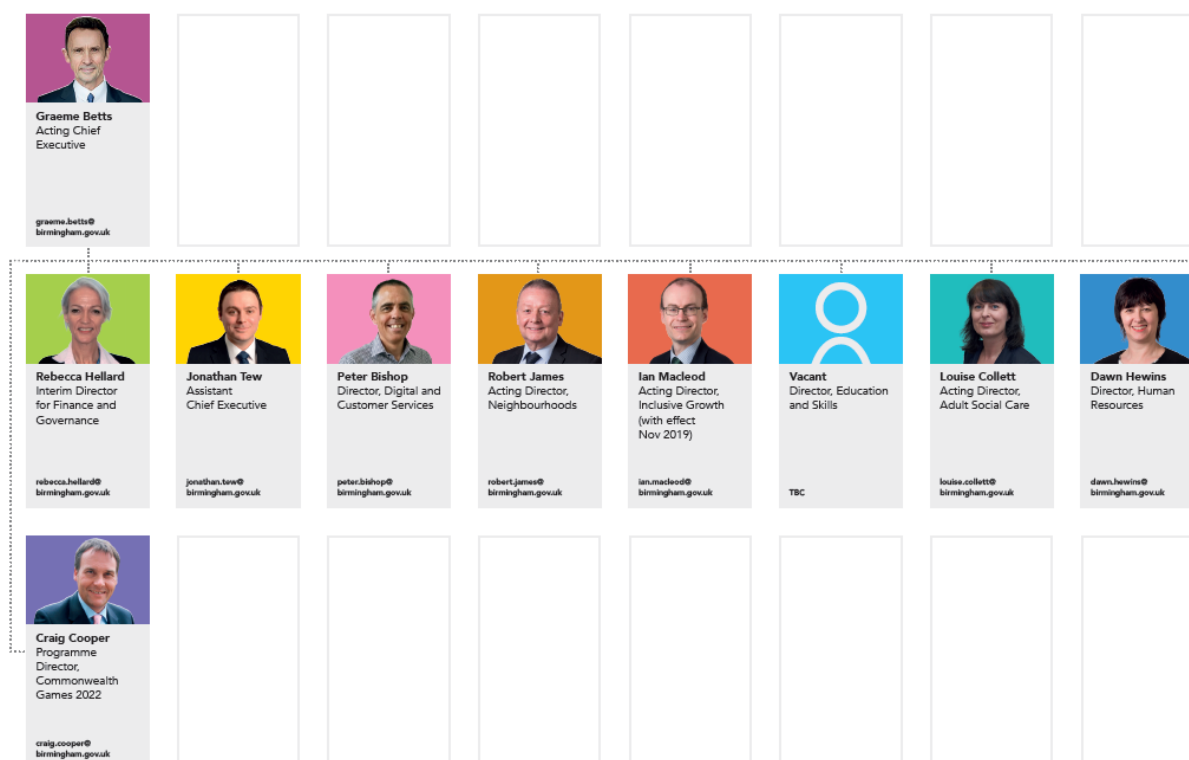
internal control, risk management and governance. The role of the Audit Committee includes active involvement in the review of financial systems and procedures, close liaison with external audit and responsibility for the approval of the Annual Accounts and to review and make recommendations to the executive regarding the effectiveness of internal audit on the Council's arrangements for deterring, preventing, detecting and investigating fraud .

Roles, Values and Standards of Conduct and Behaviour of Members and Officers

- 3.27. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.
- 3.28. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Corporate Directors.
- 3.29. The Council has Codes of Conduct for both Members and Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular, the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received.

Management Structure

- 3.30. During 2020/21, the Council operated through eight Directorates, Adult Social Care and Health, Education and Skills, Inclusive Growth, Finance and Governance, Neighbourhoods, Digital and Customer Services, Partnerships, Insight and Prevention, and Human Resources.
- 3.31. The Council's management structure as at 31 March 2021 was as per the diagram below:



3.32. In addition, the following key changes occurred:

- Chris Naylor became Interim Chief Executive 18 May 2020 to 6 March 2021.
- Graeme Betts took up the role of Acting Chief Executive prior to and after, Chris Naylor's secondment from London Borough Council of Barking & Dagenham.
- Louise Collett became Acting Director of Adult Social Care during the period Graeme Betts took up the role of Acting Chief Executive
- Jacqui Kennedy, Director of Neighbourhoods, announced her early retirement on 3 June 2020
- Craig Cooper was appointed Programme Director Commonwealth Games on 11 May 2020.
- Tim O'Neill, Director Education and Skills left the Council on 31 January 2021.
- Deborah Cadman was appointed as Interim Chief Executive from 14 June 2021.

Financial Management Arrangements

3.33. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The role of the Chief Finance Officer (CFO)/Section 151 Officer includes being:

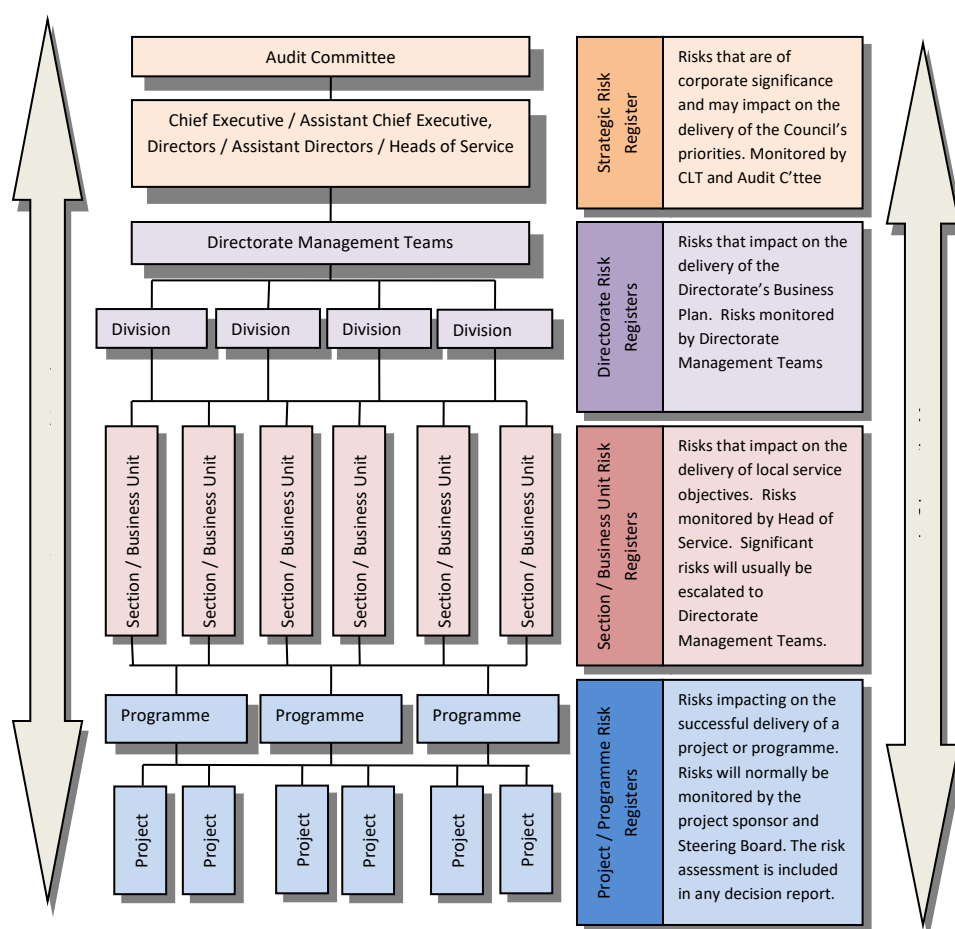
- A key member of Council Management Team (CMT), helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy;
- Leading the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- To deliver these responsibilities, the CFO leads and directs a finance function that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

3.34. In October 2019 the CIPFA Financial Management Code 2019 (FM Code) was introduced. The FM Code provides guidance for good and sustainable financial management and compliance will provide assurance that resources are being managed effectively. Compliance with the FM Code helps to strengthen the framework that surrounds financial decision making. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and member of the Council Management Team.

3.35. 2021/22 is the first year of compliance with the FM Code. As recommended by CIPFA, the Council has undertaken a self-assessment against the FM Code standards. The Council assessment is that its financial management, procedures and practices are generally in a good place. A position further endorsed by CIPFA's recent Financial Management Capability Review with CIPFA commenting that "Birmingham can now demonstrate strong compliance with the Code".

Scrutiny, Accountability and Risk Management

- 3.36. The Overview & Scrutiny Committees cover all Cabinet Member portfolios and the Districts collectively. All Executive decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.
- 3.37. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Such enquiries are actively tracked through the process and independently reviewed and where appropriate, actions taken to improve service delivery.
- 3.38. The Council ensures compliance with established policies, procedures, laws, and regulations - including risk management. For transparency, all reports to Cabinet and Cabinet Members are required to include governance information relating to: Council policy, internal and external consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.
- 3.39. A Revised Risk Management Framework was reported to Audit Committee on 28 January 2020. The framework set out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all levels, formalising processes already in place.
- 3.40. The schematic diagram below illustrates how risk was managed during 2020/21:



- 3.41. The Council's Strategic Risk Register continues to be reviewed and updated on a regular basis. The Strategic Risk Register is reported to CLT on a monthly basis so that they can monitor and challenge progress against actions and identify any new risks to the Council. Additionally, the Strategic Risk Register is reported to the Audit Committee three times per year so that it can satisfy itself and gain assurance that the Risk Management Framework has been consistently applied and risks appropriately managed. Key operational risks are captured within business plans at directorate and divisional level and monitored by Directorate Management Teams.
- 3.42. Independent assessments of the effectiveness of Audit Committee and of the Total Impact of Internal Audit were undertaken independently by PWC LLP in 2020. Audit Committee Members have expressed a wish to enhance their effectiveness by drawing upon wider sources of assurance; specifically, that of management and where appropriate, cabinet members and producing an annual report on the work it has undertaken. Internal Audit's Total Impact review will be supplemented by a Peer Review in 2021 to enhance its overall contribution to the Council. The Council has well-established protocols for working with external audit. The Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

Progressive Assurance Model

- 3.43. In March 2019 Cabinet considered the stock-take report of the Council's improvement journey and endorsed an outline plan of improvement areas for 2019-20 whilst also agreeing to report, voluntarily, to the Secretary of State in autumn 2019 and spring 2020.
- 3.44. Cabinet endorsed the adoption of an innovative new model of "progressive assurance." This model entailed the formation of a quarterly Strategic Programme Board (SPB) and the engagement of specialist Non-Executive Advisors (NEAs) (aligned to specific risk and professional areas of focus) to support the Council Management Team for twelve months from July 2019 to July 2020. It built on analysis of assurance and improvement models across a range of different sectors and sought to embed an innovative and novel model with wider applicability and learning for Local Government.
- 3.45. Two reports to Cabinet during the 2019-20 financial year were a testament to the excellent and constructive analysis of the NEAs and the model was regarded by MHCLG and peers as a very significant step forward for the Council's improvement agenda. A final NEA report to Cabinet was considered in July 2020.
- 3.46. The 'Investing in the Future' Cabinet Report and delivery plan is guiding the overall direction of the Council's improvement journey. The Council is adopting a refreshed approach to improvement, accountability and performance with effectiveness monitored through regular reporting to Cabinet, Scrutiny and CLT Performance Group on the overall position of delivery plan indicators. Through the Corporate Delivery Oversight Group and the Corporate Delivery Board, there is specific oversight of major improvement and service transformation programmes.

External Audit

- 3.47. At Audit Committee on 25 November 2020, the external auditor issued the Audit Findings Report (AFR) on the audit of the 2019/20 financial statements based on work

completed at that date. Upon completion of the audit, a final AFR was reported to Audit Committee on 26 January 2021. The AFR included no Statutory 24 recommendations but qualified two value for money conclusions in respect of two separate singular incidents:

- the financial Implications of the Commonwealth Games and
- the contractual arrangements relating to Highways PFI scheme.

Member Development

- 3.48. The Members' Development Strategy 2018-2022 aims to provide a member development programme that ensures all councillors have the opportunity to gain the knowledge and skills to fulfil their role as 21st Century Councillors; make a positive difference every day to the people of Birmingham; provide strategic leadership and work together with officers in the transformation and delivery of Council services.
- 3.49. Councillors are at the heart of the Council and the organisation supports the member development strategy. It is overseen by CLT and the Member Development Steering Group; coordinated through the Members' Development Team, consisting of officers from Legal and Governance. This collaborative approach ensures ownership of the strategy by the Council as a whole.
- 3.50. In addition to the Members' Development Programme, all Councillors have access to e-learning through the City Council iLearn portal and are regularly kept up to date on training and development via the City Councillor bulletin circulated by email. This gives details of legislation, training opportunities and other issues of importance to Members.
- 3.51. During the Covid 19 pandemic and the increased requirement for more agile and online working, the main focus of the Members' Development Programme for 2020/21 has been to provide briefing/training sessions through Microsoft Teams to facilitate this. There has been encouragement of online learning opportunities and assisting in learning the skills required in participating and managing meetings remotely. Provision of information for both internal and Local Government Association training opportunities for:
- Role Specific Training, ensuring members have the knowledge and understanding of legal and governance requirements to carry out role on regulatory and scrutiny committees
 - On-going Member Development, to provide on-going development opportunities for members related to current and potential future roles and responsibilities.

Workforce

- 3.52. The Council's workforce has experienced many changes and challenges as the workforce is modernised. The Council's workforce strategy 2018-2022 was agreed by Cabinet in 2018 and refreshed in February 2020. The Council's workforce vision is to have a workforce that reflects the lived experience of people and is representative of the communities it serves, to be an employer of choice, with a high performing, agile and diverse workforce, capable of delivering innovative services.

- 3.53. Having a flexible, skilled and mobile workforce is critical to the Council responding effectively to increasing demands placed on front line services and support functions and to the delivery of a long-term sustainable organisation. The workforce adapted to working from home for all but essential front line services and the Council is now looking at new ways of working for the future.
- 3.54. During 2020/21, the 'My Appraisal' review process continued, enabling a consistent means of assessing and rewarding performance. 'My Appraisal' is specifically designed to ensure that employees are supported to implement the Council's core values:
- We put citizens first
 - We are true to our word
 - We act courageously
 - We achieve excellence

Engagement with the community and other stakeholders

- 3.55. The Council has seen, during the pandemic, how effective a coordinated voluntary, community, faith and social enterprise response can be in supporting individuals and neighbourhoods cope with the challenges presented. The Council has worked closely with the sector, strengthening relationships and developing an understanding of how the Council can effectively serve communities and create greater trust.
- 3.56. The Council has started work with the sector and other partners on initiatives including the Birmingham Recovery Framework which focuses on six key recovery themes. It emphasises the need for an inclusive economic recovery built on collaborative public services, stronger community capacity and citizen resilience with a more significant focus on localised working in neighbourhoods.
- 3.57. In response to the Covid 19 pandemic, the Council adopted an on-line approach to consultation during the year. The Council Financial Plan 2021 to 2025 consultation process included an on-line meeting led by the Council's Leader with the business community.
- 3.58. The Council's Scrutiny function regularly engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council.
- 3.59. Clear channels of communication are in place with service users, citizens and stakeholders although due to the Covid 19 pandemic this has been online throughout the 2020/21 financial year. The Council holds meetings in public wherever possible and safe to do so, although all meetings have been held virtually this year, with many formal meetings webcast. Directorates have extensive programmes of consultation and engagement activity for specific services.

4 Review of effectiveness

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the CLT which has responsibility for the development and maintenance of the governance environment,

Birmingham Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

- 4.2. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular, the Council has adopted the '*Delivering Good Governance in Local Government: Framework*' (2016 CIPFA/Solace) and continues to learn from experiences and makes necessary changes to improve its local code of governance.
- 4.3. The Council has a well-developed methodology for annual governance review which is reviewed and updated each year. The process requires each Directorate and significant areas of service delivery / business units within a Directorate to produce an Assurance Statement highlighting significant governance issues, and details of what action(s) are being taken to mitigate any risks.
- 4.4. The Council's review of the effectiveness of the system of internal control is informed by:
 - Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports;
 - The work undertaken by Birmingham Audit during the year;
 - The work undertaken by the external auditor reported in their annual audit letter and statutory recommendations; and
 - Other work undertaken by independent inspection bodies.
- 4.5. The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the Public Sector Internal Audit Standards.
- 4.6. The Birmingham Audit plan was compiled based on professional judgement and a risk model to 'score' all potential 'auditable' areas. To meet the standards required there was a need to ensure sufficient coverage of the adequacy and effectiveness of systems of internal control in relation to financial control, risk management, corporate governance and an element for proactive and reactive fraud work, although due to the Covid 19 pandemic there was a reprioritisation of the original plan to ensure our assurance resources were targeted at significant systems and risks.
- 4.7. The resulting work-plan, (reprioritised on a Must/Should/Could basis) was discussed and agreed with the Directors and Audit Committee and shared with the Council's external auditor. Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses and include a risk rating for the Council and the Service Area. These are submitted to Members, Corporate Directors and service managers as appropriate.
- 4.8. From the work undertaken by Birmingham Audit during 2020/21 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: *"Based on the audit work undertaken I am able to provide a reasonable assurance for the core systems of internal controls evaluated. As in any large organisation, our work did identify some significant issues that*

required action. All significant issues identified were reported to the appropriate Director during the year.

- 4.9. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities 2020/21 as identified in paragraph 3.9 above. New areas of activity as part of the national response to the Covid 19 pandemic included food deliveries to shielded residents, distribution of small business grants and the Retail, Hospitality and Leisure Fund, vouchers for families in receipt of free school meals, provision of accommodation to the homeless and distribution of personal protective equipment to care settings.
- 4.10. The funding and logistical consequences of delivering the Council's response has been and will continue to be, closely monitored.
- 4.11. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to CLT. The more significant of these are set out in the section entitled '**Significant governance issues 2020/21**' below.
- 4.12. The internal audit function is monitored and reviewed regularly by Audit Committee. The Committee reviews management progress in implementing recommendations made in significant, high risk audit reports and against issues raised in the AGS through the Corporate Risk Register.
- 4.13. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2020/21 including the impact of Covid 19, the impact of Brexit on the City, the Commonwealth Games and Action Plans on Air Quality and Climate Emergency.
- 4.14. The Vision and Priorities Council Plan and organisational health targets were monitored through the Council Plan Measures by CLT, the Deputy Leader and Cabinet. Directorate and Business Unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.
- 4.15. The Monitoring Officer advises that there were 45 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2020/21 financial year, a reduction of 28 in comparison to 2019/20.

5 Review of 2019/20 governance issues

- 5.1. The significant 2019/20 governance issues were considered by Audit Committee in June 2020, agreed as part of the Statement of Accounts in November 2020 and reviewed as part of the Corporate Risk Register updates in the 2020/21 financial year. In addition, this Committee received reports relating to Final Accounts, Fraud, Treasury Risk Management Arrangements, Retrospective Purchase Orders and Audit Findings Report Updates.
- 5.2. The review of the impact of the Covid 19 pandemic across services featured heavily in Overview and Scrutiny schedules. Areas reviewed included the Covid 19 Governance Arrangements by Co-Ordinating Overview and Scrutiny Committee, the Covid 19 impact on Public Health by the Health and Social Care Overview and Scrutiny Committee and the impact of Covid 19 on the City's Economy and Supporting the Economic Recovery of the City by the Economy and Skills Overview and Scrutiny Committee.

- 5.3. Education and Children's Social Care Overview and Scrutiny Committee received reports on the Annual review of the Children's Trust, Birmingham Safeguarding Children's Partnership and Special Educational Needs and Disability (SEND) Written Statement of Action. This O&S Committee also considered Covid 19 pandemic issues such as SEND's response to Covid 19 and the Covid 19 Impact on Schools and Preparations to Return to Schools.
- 5.4. Housing and Neighbourhoods Overview and Scrutiny Committee reviewed progress of Fire Safety in High Rise Buildings and received the annual report on Birmingham's Community Safety Partnership. The impact of the Covid 19 pandemic was reported on areas such as Homelessness, Parks, Bereavement Services and the Commonwealth Games Village.
- 5.5. The impact of the Covid 19 pandemic on the City was regularly considered by Cabinet. Cabinet also received and reviewed Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports throughout the year.

6 Significant governance issues 2020/21

- 6.1. The matters shown in this section have either been identified as having a significant or high likelihood in the Strategic Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	<p>Covid 19 Pandemic impact on services</p> <p>The Covid 19 pandemic had a massive impact on Council services, both in terms of day to day running and long-term planning.</p> <p>The impact and response were also complex - some services operated remotely, others were closed and new responsibilities such as testing and food parcels were introduced as a response to community needs.</p>	<p>Strategic Cell (Gold Command) is supported by Tactical Cell and a number of thematic cells to manage the Council's emergency response.</p> <p>New legislation enabled democratic decision-making to resume remotely, with meetings web cast on a priority basis.</p> <p>City Council received reports in June and September 2020 and February 2021, detailing the Council's response to the pandemic</p>
2	<p>Covid 19 Pandemic impact on Financial Resilience</p> <p>The pandemic created financial uncertainty throughout 2020/21 and many income streams were impacted.</p>	<p>Government has provided some direct funding and other supportive financial measures to lessen the impact on local government. This includes providing Birmingham with £128.5m unringfenced grant funding in 2020/21 to offset costs incurred in that year and a further £43.8m</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
	Uncertainty will extend into 2021/22.	<p>for 2021/22 which has been fully applied in setting the 2021/22 budget, approved by Council in February 2021. The, government's income compensation scheme, which compensates councils for lost fees, charges and sales, introduced in 2020/21 continues to June 2021, using the 2020/21 income budgets as the baseline for the compensation.</p> <p>Any balance of un-ringfenced funding from 2020/21 will be transferred to reserves to manage 2021/22 Covid spend and risks.</p> <p>Weekly monitoring of the financial impact of Covid has continued in the new financial year.</p>
3	<p>Major Projects and Delivery Plan</p> <p>The Council is involved in an ambitious programme of delivery including a range of major projects which include partnership working arrangements and sometimes complex legal agreements.</p> <p>Several services have highlighted issues of attracting and retaining high quality staff.</p>	<p>Cabinet gave approval to the creation of a fit for purpose Corporate Programme Management Office (CPMO) so that the Council can be assured and have confidence that major change projects deliver as intended, to budget and on time. The purpose of the CPMO is to support the establishment, resourcing, delivery, assurance, monitoring and reporting of programmes that will deliver the Council's Corporate Delivery Plan and wider priority programmes.</p>
4	<p>Homelessness</p> <p>The implementation of the Homelessness Reduction Act from 1 April 2018 has seen an increase in households approaching the homelessness service.</p> <p>The Council has refurbished and opened two buildings for the use of temporary accommodation. Reduced B&B from a peak of 690 in May 2018 to 573 in B&B on 28th January 2021.</p>	<p>Temporary accommodation and dispersed (TADs). To alleviate the pressures in B&B expansion of TADs has led to delivery of 1817 units as at January 2021.</p> <p>A procurement exercise will commence throughout the summer of 2021, to ensure we have an adequate supply of temporary accommodation over the coming years, this will also give us flexibility to hand back/lease more properties as demand dictates.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
5	<p>Asset Condition and Sufficiency</p> <p>Many operational assets are in very poor condition following years of budget restrictions and lack of investment.</p> <p>There is an aging schools' estate with some assets that are beyond repair.</p> <p>The demand for secondary school places is beginning a period of sustained growth, requiring a large number of additional places to meet our statutory duty for sufficiency.</p>	<p>The Council approved a Property Strategy 2018/19 – 2023/24 to better join up decision making, realignment of assets and enable strategic development.</p> <p>Condition surveys of the maintained estate have been commissioned. The outcome will be to produce a priority list of schools where buildings and blocks need to be replaced completely.</p> <p>Officer and stakeholder boards for major scheme management and reporting to Capital Board or Cabinet as appropriate are in place to provide assurance on individual programmes.</p>
6	<p>Commonwealth Games</p> <p>Hosting the Commonwealth Games in 2022 brings with it significant delivery expectations (in terms of capital project management and delivery of legacy benefits) for the Council as well as significant financial commitments.</p>	<p>The Council is alive to the delivery, financial and reputational risks associated with the Games and has active risk management and programme management arrangements in place to ensure prompt and timely resolution of issues. The Council is working closely with strategic and regional partners.</p>
7	<p>Commissioning and Contract Management</p> <p>Intelligent Client Functions are not robust enough, leading to a number of contracts underperforming or developing risks to service provision.</p> <p>The pandemic has impacted on the Council's suppliers' capacity and the market's appetite for bidding in uncertain outlook.</p>	<p>Early identification of issues or problems, ensuring the contracts and output specifications are delivered to required standards and deliver continuous improvement – tailored to each contract as necessary.</p> <p>On-going identification of mitigating actions to reduce the level of risk.</p>
8	<p>Birmingham SEND Inspection – Inadequate provision and Written Statement of Action required</p> <p>Joint CQC and Ofsted inspection of Birmingham SEND provision raised</p>	<p>Monthly board meetings for inclusion take place with the CCG, Trust and the</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<p>significant concerns requiring the CCG and Council to provide a joint response in the form of a Written Statement of Action.</p> <p>This, in conjunction with the implementation of the SEND two-year improvement programme is making the necessary and important improvements for the current local offer for children and young people addressing the issues raised in the OFSTED and CQC inspection.</p>	<p>education and skills directorate, alongside quarterly review meetings with the DfE is closely monitoring progress and ensuring the authority is on track to make the expected progress and deliver the important improvement agenda.</p> <p>A revisit was announced by Ofsted in May 2021.</p>

- 6.2. These matters are monitored through the Strategic Risk Register, CLT and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement.
- 6.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Councillor Ian Ward
Leader of the Council

Signed

Graeme Betts
Acting Chief Executive

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	AUDIT COMMITTEE
Report from:	Interim Director of Council Management
Date of Decision:	29 June 2021
Subject:	CIPFA Financial Management Code
Wards affected: All	
1	Purpose
1.1	To inform Members of the requirements of the CIPFA Financial Management Code, the results of the Council's self-assessment and action being taken.
2	Recommendations
	Members are asked to note:
2.1	The requirements of the CIPFA Financial Management Code.
2.2	The results of the self-assessment and action being taken.
2.3	That the self-assessment will be refreshed annually and reported to Members.

Contact Officer: Rebecca Hellard
Telephone No: 0121-303-2950
E-mail address: rebecca.hellard@birmingham.gov.uk

Contact Officer: Alan Layton
Telephone No: n/a
E-mail address: alan.layton@birmingham.gov.uk

3 Compliance Issues:

3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:

Yes

3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:

The Chair of the Committee has been consulted.

3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):

n/a.

3.4 Will decisions be carried out within existing finances and resources?

Yes

3.5 Main Risk Management and Equality Impact Assessment Issues (if any):

n/a

4 Background

4.1 The Chartered Institute of Public Finance and Accountability (CIPFA) has developed a Financial Management Code (FM Code) to support good practice in financial management and to help local authorities demonstrate financial sustainability. Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by regulation. The CIPFA FM Code sets out for the first time, the standards of financial management for local authorities.

4.2 The first full year of application of the FM Code is 2021/22 and it is up to each authority to determine the extent to which it complies with the FM Code and to identify what action it may wish to take to better meet the FM Code standards. Guidance notes have been issued by CIPFA to assist authorities to comply with the FM Code.

4.3 CIPFA advises that authorities should provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them. The financial management standards set out in the Code should be seen as minimum standards.

5 The Financial Management Code

- 5.1 The FM Code is made up of, the CIPFA Statement of Principles of Good Financial Management and the Financial Management Standards.

CIPFA Statement of Principles of Good Financial Management

- 5.2 The FM Code applies a principles-based approach. It does not prescribe the financial management arrangements that local authorities should adopt. There are six underlying principles that inform the FM Code which have been developed in consultation with senior practitioners from local authorities, local policing bodies and associated stakeholders. The principles have been designed to focus on robust financial management as a way of achieving both short-term financial resilience and long-term financial sustainability. The six principles are set out below:

CIPFA Statement of Principles of Good Financial Management	
•	Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
•	Accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
•	Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
•	Adherence to professional standards is promoted by the leadership team and is evidenced.
•	Sources of assurance are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
•	The long term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Financial Management Standards

- 5.3 To enable local authorities to test their conformity with the six principles, the FM Code translates the six principles into a series of financial management standards which set out the minimum standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders.

The Financial Management Standards

Responsibilities of the chief finance officer and leadership team
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A	The leadership team is able to demonstrate that the services provided by the authority provide value for money
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016)
Governance and financial management style	
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)
E	The financial management style of the authority supports financial sustainability
Medium to long-term financial management	
F	The authority has carried out a credible and transparent financial resilience assessment
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans
The annual budget	
J	The authority complies with its statutory obligations in respect of the budget setting process
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves
Stakeholder engagement and business cases	
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions
Monitoring financial performance	
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability
External financial reporting	
P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions

6 Self-Assessment

- 6.1 A self- assessment of the Council's current position against the Financial Management Standards has been undertaken using the template provided by CIPFA which sets out key questions against each of the standards. The completed self-assessment is attached at Appendix A.
- 6.2 In overall terms the self-assessment presents a positive picture for financial management at the Council and is consistent with the results of the CIPFA Financial Management star assessment being reported to Cabinet in June. A small number of areas are identified for further improvement and actions to address these are already planned to take place. The following discusses each of the areas identified for further improvement rated Amber.

B - The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government

- 6.3 The finance function must have a firm grasp of the authority's financial position and performance. The Chief Finance Officer has a responsibility to ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and to challenge those responsible for the authority's activities to account for their financial performance. Question 4 which asks if the finance team is suitably resourced and fit for purpose has been rated Amber. The current assessment is that after significant reductions in finance staff headcount in the past the function is not consistently resourced and relies too heavily on interim resources to fulfil its functions.
- 6.4 This conclusion has been recognised in 2020. Work has been undertaken on a procurement target operating model and work is being undertaken to identify the appropriate Service Finance target operating model. A recruitment campaign in Service Finance started in 2020 and is ongoing. To date a number of vacant posts have been filled by permanent appointments, in particular two permanent Finance Business Partners have been recruited in early 2021. The results of the target operating model work could lead to a need for additional resource and the council should support the Chief Finance Officer in meeting their responsibilities by adequately resourcing the function.

E - The Financial Management Style of the authority supports financial sustainability

- 6.5 Critical to the authority's ability to achieve financial sustainability and address other challenges, is to have in place a robust approach to financial management, together with the capacity and capability to implement this approach consistently over time. This includes ensuring that those with specific responsibility for aspects of the authority's governance and financial management arrangements have the delegated powers and the appropriate skills and training to fulfil these responsibilities. The self-assessment is broadly rated Green with several further improvements already planned to take place such as:
- a) Further embedding budget holder accountability and improve establishment control.
 - b) Completing the recruitment of permanent Finance Business Partners
 - c) Attaining a CIPFA 3-star financial management rating

d) Rolling out governance and financial management training

- 6.6 The one area rated Amber was the assessment of whether managers across the authority possess sufficient financial literacy to deliver services cost effectively and are held accountable for doing so. There is currently no evidence that this is consistent across the Council and likely reflects an underinvestment in the recent past in supporting managers to develop financial literacy. A significant level of training and support is planned on the back of the implementation of the new Oracle ERP system which is also designed to be more budget holder friendly and encourage them to take greater responsibility for their budgets.

G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members

- 6.7 This standard tests how financial resilience is integrated into the authority's strategic plan and into the financial strategy associated with the delivery of this strategic plan. The Council has considerable strength here and its strategic plan, priorities and Financial Plan were updated in February 2021. The one Amber assessment relates to the need to develop a long term sustainable financial strategy to address the structural deficit, identified in the Financial Plan 2021 -2025 over the life of the medium-term financial plan.

I - The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans

- 6.8 This is in the main a strong area for the Council. The Financial Plan sets out a medium term financial plan which is produced on a rolling multi-year basis. The one area rated as Amber is the provision of a suitable asset management plan. This has been recognised as an area requiring improvement and significant work supported by external expertise is underway through the Delivery Plan and through the development of the corporate landlord target operating model.

M - The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions

- 6.9 Option appraisal is very important for making good informed decisions and Birmingham has in place procedures and processes. However the assessment is mainly Amber. It has been recognised in 2020 as part of the Finance Improvement Programme that many of these processes could be improved. Significant work has been undertaken in 2020 which will be rolled out during 2021 to strengthen corporate processes, documentation, and raise awareness of the procedures, processes and best practice.

Conclusion

- 6.10 Members should take comfort that the self-assessment indicates that financial management in the Council is in a reasonable place. While there are specific improvements to address Amber assessments there are improvements planned in other areas rated Green demonstrating an appetite to go beyond the CIPFA standards. In summary the improvements identified are:

- External assurance on Highways PFI value for money

- Concluding work on Finance target operating models
- Further embedding budget holder accountability and improving establishment control
- Strengthening Audit Committee with suitably qualified external support.
- Completing the recruitment of permanent Finance Business Partners
- Attaining a CIPFA 3-star financial management rating
- Rolling out governance and financial management training
- Improving budget holder financial training and support alongside the ERP implementation
- Address the structural deficit in the medium-term financial plan
- Deliver improvement in asset management planning
- Roll out the improvements to option appraisal processes
- Continue to improve balance sheet monitoring.

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Rebecca Hellard, Interim Director of Council Management

Appendices

Appendix 1 – CIPFA Financial Management Code Self Assessment

	Question	Answer	RAG	Areas for improvement
Section 1 - The Responsibilities of the Chief Finance Officer and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money			
1	Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?	Yes – external audit assessment VFM assessment,		Following 19/20 external audit, work is taking place to provide external assurance in relation to VFM for the Highways PFI
2	Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?	Yes – external audit assessment VFM assessment, strong scrutiny arrangements, Council Plan, Financial Plan, Financial, Procurement and Contract rules set out in the Constitution, strong Company governance.		Strengthen Programme Management Office to monitor savings and other project delivery and provide corporate assurance. Closer working with the finance team.
3	Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?	Yes – external audit assessment VFM assessment, track record of budget savings delivery, regular transparent financial reporting.		Budget consultation process for proposals for 2022/23.
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government			
1	Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions?	Yes – full member of the Corporate Leadership Team, reports directly to the chief executive		
2	Does the CFO lead and champion the promotion and delivery of good financial management across the authority?	Yes		
3	Is the CFO suitably qualified and experienced?	Yes – CCAB and ex CFO of a core city		
4	Is the finance team suitably resourced and fit for purpose?	No - not consistently resourced and too reliant on interims.		Resource the result of the Service Finance Target Operating model review due in 2021.
Section 2 - Governance and Financial Management Style				

	Question	Answer	RAG	Areas for improvement
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control			
1	Does the leadership team espouse the Nolan principles?	Yes – no evidence to dispute - Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership		Financial accountability strengthened by the universal signing of 2021/22 accountability letters by Directors and Assistant Directors.
2	Does the authority have in place a clear framework for governance and internal control?	Yes – Constitution, Cabinet and Scrutiny structure with terms of reference, meetings webcast, formal scheme of delegation, partnership governance arrangements		
3	Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability?	Yes – internal audit function, Head of Internal Audit role in compliance with CIPFA Statement on the Role of the Head of Internal Audit (2019), risk management framework, Audit Committee		Audit Committee could be strengthened with suitably qualified external support.
4	Does the leadership team espouse high standards of governance and internal control?	Yes – formal member code of conduct, up-to-date register of member interests and officer declaration of interest process		
5	Does the leadership team nurture a culture of effective governance and robust internal control across the authority?	Yes – keep governance and internal control up to date in line with new codes of practice, Annual Governance Statement		
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)			
1	Has the authority sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements?	Yes		
2	Does the authority have in place a suitable local code of governance?	Yes – Our Constitution and supporting documents		
3	Does the authority have a robust assurance process to support its AGS?	Yes – supported by directorate governance statements and Assurance Reports to the Council's Leadership Team		
E	The Financial Management Style of the authority supports financial sustainability			
1	Does the authority have in place an effective framework of financial accountability?	Yes – recently strengthened by introduction of budget holder accountability letters		Embed budget holder accountability as a culture change. Improve establishment control.

	Question	Answer	RAG	Areas for improvement
2	Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services?	Yes – enhancing budget understanding and ownership across the organisation		
3	Does the authority's finance team have appropriate input into the development of strategic and operational plans?	Yes – Directorates supported by suitably qualified and experienced Finance Business Partners		Recruitment of permanent business partners to all vacant posts to improve sustainability
4	Do managers across the authority possess sufficient financial literacy to deliver services cost effectively and to be held accountable for doing so?	Unsure – no evidence of consistency or of this being tested		Planned to support ERP implementation and Finance Improvement Programme with Budget Holder training and support.
5	Has the authority sought an external view on its financial style, for example through a process of peer review?	Yes , CIPFA financial management assessment in 2018 with reassessment planned by 2022		Attainment by 2022 of a CIPFA 3-star financial management rating.
6	Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities?	Yes - New financial regulations introduced 2020, delegations set out in Constitution		Governance and financial management training to be developed and rolled out.
Section 3 - Long to Medium Term Financial Management				
F	The authority has carried out a credible and transparent Financial Resilience Assessment			
1	Has the authority undertaken a Financial Resilience Assessment?	Yes , each year in the financial plan. Updated Medium Term Financial Plan reflecting impact of the Pandemic on next four years. (Financial Plan 2021 -2025). Risk assessment updated in Appendix E of Financial Plan.		
2	Has the Assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios?	Yes , a comprehensive financial risk assessment was included in the Financial Plan 2021- 2025 (Appendix E)		
3	Has the authority taken appropriate action to address any risks identified as part of the assessment	Yes – specifically increasing the level of its Financial Resilience Reserve and General Balances (Financial Plan 2021 -2025)		
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members			

	Question	Answer	RAG	Areas for improvement
1	Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?	Yes , comprehensive financial risk assessment set out in financial plan (see F 1 and 2 above)		
2	Does the authority have a strategic plan and long-term financial strategy that address adequately these risks?	No Covid has impacted heavily on previous financial sustainability plans. Awaiting outcome of Delivery Plan enhanced business cases and multiyear spending review due in 2021.		Long term sustainable financial strategy to be developed by 2022.
3	Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)?	Yes - a comprehensive financial risk assessment was included in the Financial Plan 2021- 2025 (Appendix E)		
4	Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making?	Yes throughout 2020 and into 2021 to Corporate Leadership Team, Cabinet and Resources Overview and Scrutiny Committee.		
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities			
1	Has the authority prepared a suitable capital strategy?	Yes – set out in Financial Plan 2021-2025- Chapter 7		
2	Has the authority set prudential indicators in line with the Prudential Code?	Yes – set out in Financial Plan 2021-2025 – Appendix T		
3	Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?	Yes – set out in Financial Plan 2021-2025 – Appendices M and N, quarterly reporting to Cabinet.		
I	The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans			
1	Does the authority have in place an agreed medium-term financial plan?	Yes – set out in Financial Plan 2021-2025		
2	Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy?	Yes – Business plan process for services in 2021/22 ensures consistency with corporate plans including the Financial Plan 2021-2025.		
3	Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand?	Yes – set out in Financial Plan 2021-2025		
4	Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand?	Yes - a comprehensive financial risk assessment was included in the Financial Plan 2021- 2025		

	Question	Answer	RAG	Areas for improvement
5	Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims?	Yes needs Improvement		Will be improved through the work being undertaken on the Delivery Plan and the Corporate Landlord Model in Inclusive Growth
Section 4 - The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process			
1	Is the authority aware of its statutory obligations in respect of the budget-setting process?	Yes – annual City Council budget report and Financial Plan 2021-2025		
2	Has the authority set a balanced budget for the current year?	Yes – City Council 23 February 2021		
3	Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?	Yes – CFO fully understands		
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves			
1	Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves?	Yes – Chapter 8 in the Financial Plan 2021- 2025		
2	Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case?	Yes – Chapter 8 in the Financial Plan 2021- 2025		
3	Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future?	Yes – Chapter 8 in the Financial Plan 2021- 2025		
4	Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?	Yes – Chapter 8 in the Financial Plan 2021- 2025		
Section 5 - Stakeholder Engagement and Business Plans				

	Question	Answer	RAG	Areas for improvement
L	The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget			
1	How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget?	Yes – e.g. Birmingham Children’s Trust, Health partners, Schools Forum,		
2	How effective has this engagement been?	Effective – particular where resource issues are highlighted		
3	What action does the authority plan to take to improve its engagement with key stakeholders?	In past years the council engaged in a wide-ranging budget consultation. 2020 was an unusual year. A full budget consultation is expected to take place in late 2021.		
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions			
1	Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication ‘Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal’?	Yes - Existing business case framework with templates, options analysis templates. Quality of some business cases lacking and needs improvement. A lack of a strong Programme Management Office also hinders project appraisal consistency.		Strengthening of corporate processes and documentation underway and will conclude by the end of May.
2	Does the authority offer guidance to officers as to when an option appraisal should be undertaken?	Yes – capital programme ‘Green Book’ documentation provides templates and guidance on option appraisal.		Action will be taken to raise awareness during 2021/22
3	Does the authority’s approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options?	Yes – follow the ‘Green Book’ approach.		Improved by rolling out a suitable prioritisation methodology.
4	Does the authority’s approach to option appraisal include suitable mechanisms to address risk and uncertainty?	Yes – Risk assessment and scoring and guidance on optimism bias.		Improvements and awareness to rolled out during 2021/22.
5	Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?	Yes – business case documentation and clearly summarised in relevant decision-making reports		
Section 6 -Monitoring Financial Performance				

	Question	Answer	RAG	Areas for improvement
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability			
1	Does the authority provide the leadership team with an appropriate suite of reports that allows it to identify and to correct emerging risks to its budget strategy and financial sustainability?	Yes – monthly and quarterly detailed financial reports plus midyear MTFP refresh		
2	Do the reports cover both forward and backward looking information in respect of financial and operational performance?	Yes mainly finance focused but pick up performance indicators that are key drivers of finance. Separate Cabinet and CLT reporting of Council wide performance against targets		
3	Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data?	Yes - examples include Birmingham Children's Trust, Highways PFI, Company Governance, Leisure Centre		
4	Are the reports provided to the leadership team in a timely manner and in a suitable format?	Yes – prompt reporting following month end		
5	Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?	Yes – confirmed in CIPFA assessment		
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability			
1	Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?	Yes - reflected in the annual Financial Plan		
2	Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?	Yes - Quarterly monitoring has picked up a focus on debt in 20/21 and treasury management but this not a systematic monitoring of relevant key balance elements.		Further strengthening in 2021/22 with a balance sheet assessment to highlight areas to be included in quarterly reporting
3	Is the authority taking action to mitigate any risks identified?	Yes – Financial Plan 2021 – 2025 – increased financial resilience reserve		
4	Does the authority report unplanned use of its reserves to the leadership team in a timely manner?	Yes - underpinned by a strong reserves policy approved by Cabinet.		
5	Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?	Yes - Quarterly monitoring has picked up a focus on debt in 20/21 and treasury management but this not a systematic monitoring of relevant key balance elements.		Further strengthen introducing a balance sheet highlights section of quarterly monitoring and

	Question	Answer	RAG	Areas for improvement
				also focus on issues linked to the Financial Plan risk assessment.
Section 7 - External Financial Reporting				
P	The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom			
1	Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements?	Yes		
2	Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms?	Yes		
3	Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom?	Yes , as reported each year by the external auditor		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions			
1	Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget?	Yes full and detailed outturn report produced each year for CLT, Cabinet and Scrutiny committee.		
2	Is the information in these reports presented effectively?	Yes		
3	Are these reports focused on information that is of interest and relevance to the leadership team?	Yes , while covering the breadth of Birmingham's complex responsibilities		
4	Does the leadership team feel that the reports support it in making strategic financial decisions?	Yes		

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	AUDIT COMMITTEE
Report of:	Director of Council Management (Interim)
Date of Decision:	29 June 2021
Subject:	STATEMENT OF ACCOUNTS 2020/21 PROCESS AND TIMINGS BRIEFING
Wards affected: All	
1	Purpose
1.1	To brief the Committee on the legislative requirements for the approval and publication of the draft and audited Statement of Account 2020/21 and the process that Birmingham City Council will follow to support the Committee in considering and subsequently approving the audited Statement of Accounts 2020/21.
1.2	The statutory requirements for local authority accounting are set out in the Local Audit and Accountability Act 2014, supported by the Accounts and Audit Regulations 2015 (SI 2015 No 234) or 'the 2015 Regulations'.
1.3	As a result of the Covid pandemic the Accounts and Audit (Amendment) Regulations 2021 (SI 2021 No 263) have amended the 2015 Regulations for the 2020/21 financial year, deferring publication dates and making other consequential changes.
1.4	The regulations determine the format, content and timings of the Statement of Accounts.
2	Decisions recommended:
	Members are recommended to:
2.1	Note the legislative requirements and proposed review, publication and approvals timetable for both the draft and audited Statement of Accounts.
2.2	Note the proposed briefing timescales offered to the Committee.

Contact Officer: Rebecca Hellard
Telephone No: 0121 303 2950
E-mail address: rebecca.hellard@birmingham.gov.uk

Contact Officer: Mohammed Sajid
Telephone No: 0121 303 3313
E-mail address: mohammed.sajid@birmingham.gov.uk

3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The publication of the Statement of Accounts is a legislative and statutory requirement.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
The statutory requirements for local authority accounting are set out in the Local Audit and Accountability Act 2014, supported by the Accounts and Audit Regulations 2015 (SI 2015 No 234) or 'the 2015 Regulations'.
- 3.4 Will decisions be carried out within existing finances and resources?
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
None.

4 The format, contents and accounting policies of the Statement of Accounts

- 4.1 Regulation 7(1) requires the statement of accounts to be prepared in accordance with "proper practices in relation to accounts". The relevant proper practices are defined in section 21 of the Local Government Act 2003, where their role is primarily to determine what gets charged to revenue accounts in any year. The practices are:
- those which an authority is required to follow by virtue of any enactment; and
 - those contained in a code of practice or other document identified for the purpose by regulations.
- Regulation 31 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No 3146, as amended) gives proper practice status to:
- the Code of Practice on Local Authority Accounting in the UK (Accounting Code); and
 - the Service Reporting Code of Practice for Local Authorities. (SeRCOP)
- 4.2 As a result it is mandatory to follow the Accounting Code for the preparation of the statement of accounts unless it is overridden by statute.

- 4.3 An example of this would be that the Accounting Code specifies that the Comprehensive Income and Expenditure Statement is prepared using full accruals for estimated pensions liabilities under IAS19, but the 2003 Capital Finance Regulations require the charge against the General Fund to be based on contributions payable for the year to pension funds.
- 4.4 Consequently, the I&E will contain items such as depreciation and the full actuarial cost of pension liabilities. However, when determining the charge against Council tax or General fund these are replaced by actual debt repayments made in the year and the annual payments made to the pension fund respectively.
- 4.5 Accounting Statements Regulation 7(2) requires that the statement of accounts shall include (where relevant to the authority's functions):
- housing revenue account;
 - collection fund;
 - firefighters' pension fund;
 - any other statements relating to any other fund that the authority is required by statute to keep in a separate account.
- 4.6 The Accounting Code also mentions the disclosures of information required in support of the main statement and other additional information.
- 4.7 Note 1 to the accounts details the Council's accounting policies used in the preparation of the Accounts. Audit Committee approved these at its meeting in March 2021
- 4.8 To help Members better understand the statement of accounts, individual and group briefings will be offered during the Summer. The Audit Committee will have an opportunity to consider and discuss the Statement of Accounts at its meeting on the 26th of July, following a series of one to one, or group briefing meetings that the Committee is being offered.

5 Timings, confirmations and approvals

- 5.1 The timing requirements for confirming and approving the Statement of Accounts and for publishing it are contained in regulations 9 and 10 of the 2015 Act (as amended).

Confirmation by the Responsible Financial Officer

- 5.2 Regulation 9(1) requires the Responsible Financial Officer (RFO), which at Birmingham is the Director of Council Management (Interim), to confirm the draft Statement of Accounts by signing and dating the Statement of Accounts and confirming that the Statement presents a true and fair view of the financial position of the Council at the end of the financial year and its income and expenditure for the financial year.

- 5.3 This confirmation has to be signed off before the draft Statement of Accounts is made available for public inspection – regulation 15(1) requires the latest date for which in 2020/21 to be 1 August for 2021.
- 5.4 This year Birmingham's draft Statement of Accounts are expected to be signed off by the RFO on or by 1 July 2021, one month earlier than the statutory deadline. The Public inspection period and audit will then start.
- 5.5 The team is currently finalising the Statement of Accounts and we are aiming for the draft unsigned statement to be emailed to Audit Committee members on 28 June 2021. This will be accompanied by a short briefing note highlighting the key numbers and disclosures. A brief introduction to the Statement of Accounts will also be provided at the Committee meeting on 29 June 2021.

Public Inspection

- 5.6 Regulation 9(1)(b) requires the RFO, after signing, dating and confirming the unaudited Statement of Accounts, to commence the period for the exercise of public rights.
- 5.7 Regulation 14(1) specifies that the inspection period must comprise a single period of 30 working days.
- 5.8 Regulation 15 requires the Council to publish the unaudited confirmed Statement of Accounts (which must at least include publication on the authority's website) (15(2)(a)).

The unaudited Statement must be accompanied by:

- a declaration (signed by the RFO) that the Statement of Accounts is unaudited and may be subject to change (15(2)(a)(i))
 - the Annual Governance Statement (15(2)(a)(ii))
 - the Narrative Statement (15(2)(a)(iii))
- 5.9 Regulation 9(1)(c) requires the RFO to notify the auditor when the public inspection period has commenced.

Audit

- 5.10 The Statement of Accounts will be passed to the external auditors, Grant Thornton, after being confirmed by the RFO on the 1st July 2021. However, the Council has already started providing working papers to the auditors during June 2021 to help facilitate a swifter audit.
- 5.11 Once the audit is complete the audited Statement of Accounts will need to be reconfirmed by the RFO, approved by Members and published.

Approval by Members

- 5.12 Regulation 9(2) requires Members to approve the audited Statement of Accounts that is to be published, either by meeting as a whole or through a committee. At Birmingham City Council this is the Audit Committee. Specifically, members have a duty to:
- consider the Statement of Accounts;
 - approve the Statement by a resolution; and
 - ensure that the Statement is signed and dated by a person presiding at the meeting
- 5.13 Audit Committee will have an opportunity to consider the Statement of Accounts over the Summer and through one to one or group briefings as well as formally consider at its 26th July meeting.
- 5.14 The Committee should be able to approve the Statement of Accounts at the 28th September 2021 meeting when the external audit should be substantially completed. The Committee will also be able to consider any changes that have been made to the draft Statement of Accounts.
- 5.15 The amended statutory deadline for the completion of the audited Statement of Accounts is 30 September 2021. Our plan, including the provision of draft accounts one month earlier than the required deadline, remains to be completed ready for signatory at that point.
- 5.16 However, given the challenges presented in the prior year, the complexity and size of the Council's statement of accounts, and the workload from July 2021 to October 2021 that Grant Thornton face, Grant Thornton are cautious about confirming that as the date at which the Statement of accounts will be approved, and as such, are planning on being able to provide their clearance during October 2021.
- 5.17 The accounts, and audit will be substantially complete at 28 September 2021 and we expect any significant issues to have been raised, resolved or amended in the accounts by that time. As such, we are still planning that the committee approve the near final version of the accounts at the 28 September 2021 meeting, subject to any final amendments.
- 5.18 Assuming these final amendments are minor in nature, they will be confirmed to the committee in writing, and approved for change by the Committee chair, without calling a separate meeting of the committee. Any and all significant amendments will require a further meeting, at which, a full briefing will be provided.
- 5.19 Regulation 6(4) requires that members approve the Annual Governance Statement at some time before they approve the Statement of Accounts.
- 5.20 Under regulation 9(3) the RFO must re-confirm their view that the Statement of Accounts presents a true and fair view before it is given member approval.

6 Post Audit

- 6.1 After Members have approved the Statement of Accounts, regulation 10 sets out the requirements for publication, which requires publication of the Statement of Accounts together with any certificate or opinion entered by the local auditor
- 6.2 Regulation 10(1) requires publication to take place by 30 September. If the audit opinion has not been given by the relevant date, regulation 10(2) requires that a notice be published as soon as reasonably practicable stating that the Statement of Accounts has not been issued, giving reasons why publication has not been possible. The Statement of Accounts must then be published as soon as reasonably practicable after the receipt of the report of the auditor's final findings (which can be a report issued before the conclusion of the audit)

7 Proposed timetable

28 June 2021	Draft Statement of Accounts and short briefing sent to Audit Committee Members
29 June 2021 Audit Committee	Brief introduction to the Statement of Accounts
30 June 2021	Director of Council Management (Interim) confirms the draft Accounts and issues for publication
1 July 2021 to 11 August	30 working day Public Inspection
1 July 2021 to TBA	Audit process
During July 2021	One to One or group briefings to Committee as requested
26 July 2021 Audit Committee	Committee to consider the Statement of Accounts
September 2021	Director of Council Management (Interim) reconfirms the audited Statement of Accounts
28 September 2021 Audit Committee	Audit Committee to approve audited Statement of Accounts. We are assuming the majority of the audit will be completed by then.
30 September 2021 or after	Conclusion of Audit and publication

Signature:



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Rebecca Hellard, Director of Council Management (Interim)

Audit Committee June 2021

DRAFT STATEMENT OF ACCOUNTS 2020/21

SHORT ACCOMPANYING HIGHLIGHTS BRIEFING



Process

- Draft Unaudited Statement of Accounts issued to Audit Committee
 - Short accompanying Briefing (this document) to highlight key messages and help Members navigate the accounts
 - Briefings offered during July to explain the Statement of Accounts and offer the chance for questions to be raised, and addressed.
 - Discussion at July Audit Committee
-
- Unaudited Accounts to be issued by the Responsible Financial Officer by 1 July 2021
 - Public Inspection and audit to start immediately after that
 - Audit expected to be complete in Sept/Oct when Statement of Accounts will be finalised

Key areas for your attention

Area	Issue	Key points to consider
The accounts include a range of estimates, and associated uncertainty – this is normal	Significant estimates in these accounts were previously presented to the committee, and include PPE valuations, our pension deficit and the equal pay provision, amongst others.	Full details on these can be found in Note 4 to the statement of account.
We have a large pension deficit, the calculation of which is based on complex actuarial assumptions.	This significantly influences our balance sheet, but being actuarially based, does not necessarily represent the true cost to the Council	<p>The liability is driven by actuarial assumptions, and the CIES is adjusted to remove the impact of those assumptions and replace it with actual contributions paid.</p> <p>Full details can be found in notes 20 and 21 to the statement of account</p>
Our significant PPE balance	Our PPE balance forms a significant part of our balance sheet, and includes valuations on more than 60,000 properties. These valuations are either done on a rolling, or beacon basis, and so a large proportion of properties are not valued formally each year.	<p>The movements in PPE do not affect the general fund, instead going to the revaluation reserve.</p> <p>Obtaining more valuations would be a cash cost to the council simply to remove some estimation uncertainty, but not all, which does not represent value for money.</p>

Key areas for your attention (2)

Area	Issue	Key points to consider
CIES	The CIES shows comprehensive net expenditure of £417m, but this is after accounting adjustments of £562.8m for changes in value of PPE and Pensions, which do not form part of the Council’s usable reserves.	Before these adjustments, the Council made a surplus on an accounting basis of £145.8m, and when taking into account changes in accounting and funding, a surplus of £389.8m, which is the amount by which the Council’s usable reserves have increased.
MIRS	The total Council reserves have moved from a deficit of £10.8m to a deficit of £427.8m.	<p>This is made up of £1,874.7m of unusable reserves, principally reflecting the net of our pension liability and PPE.</p> <p>Our usable reserves, being resources available to the Council, have increased by £389.8m to £1,446.9m.</p>
Balance Sheet	The balance sheet is dominated by the PPE and Pension balances, as noted above. However, the Council is still showing a net current liability balance, where short term creditors exceed short term assets.	This is driven by short term borrowing and provisions, and is not representative of the Council’s liquidity.

Key areas for your attention (3)

Area	Issue	Key points to consider
Notes to the accounts	<p>Key notes to consider include:</p> <ul style="list-style-type: none"> Notes 2 and 4 – representing the Council’s critical judgements and sources of estimation. Notes 20 and 21 – pension schemes Notes 31 and 32 – being provisions and areas of potential liability to the Council Notes 43, 44 and 45 being members allowances, officers remuneration and exit packages 	<p>The notes to the accounts are as required by the code, and accounting standards. They include a lot of information, but largely summarise the primary statements.</p> <p>Note 38 onwards provide new/additional information. There are also supplemental financial statements for the housing revenue account, the collection fund and the Group accounts.</p>
Group accounts	These represent the accounting consolidation of the Council and it’s subsidiary companies.	The significant majority of the Group is made up of the Council’s own operations.
Going concern	The code assumes that local Government accounts are prepared on a Going concern basis, which is how these have been prepared.	A separate Going concern review, focussing on the Council’s financial position, its forecast and any potential impact of the Group companies. This supports the going concern assumption that has been applied in these accounts, and can be provided to the committee if required.

Audit Committee June 2021

APPENDIX



Pension Liability

Liability has increased by £617m

(This is net of 2 year prepayment so would be £850m)

Assets : +£1007mn (£1.07bn) (page 89)

Asset Values +£727m

Employer Contribution: £382m)

Liabilities: -£1695m (£1.69bn) :

Actuarial changes: £1659m

Benefits earned: -£296m

Benefits paid: +£200m

Assumptions	Local Government Pension Scheme	
	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	21.9	21.6
Women (years)	24.1	23.9
Longevity at 65 for future pensioners retiring in 20 years:		
Men (years)	23.8	23.4
Women (years)	26.0	25.8
Rate of CPI inflation	1.9%	2.8%
Rate of increase in salaries	2.9%	3.8%
Rate of increase in pensions	1.9%	2.8%
Rate for discounting of scheme liabilities	2.35%	2.0%
	Change in assumption	
	£m	
Longevity assumptions (increase by 1 year)	417.6	
Pension increase assumptions (increase by 0.1%)	145.6	
Salary increase assumption (increase by 0.1%)	13.9	
Discount scheme liability assumptions (increase by 0.1%)	(158.5)	

Balance Sheet

What we own, what we're worth!

- **Reduction in our Net Worth by £417m:**

Pensions Liability : -£617m (net of pension prepayment)

Property Plan & Equipment: +£360m

Borrowing: -£100m (linked to pension prepayment)

Short term Creditors: -£50m

- **Usable Reserves up by £390m**

- **Unusable Reserves down by £807m:**

Pensions: -£850m

Revaluation Reserve / Capital accounting: +£40m

- **Property Plant & Equipment £6.20bn**

Council Dwellings: £2.56bn

Other land & Buildings: £2.375m

Infrastructure £0.48bn

Assets Under Construction: £0.47bn

- **Movement of +£360m:**

Revaluation: £202m

Additions: £412m

Depreciation: -£144m

Disposals / held for sale: -£108m

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	AUDIT COMMITTEE
Report of:	Director of Council Management (Interim)
Date of Decision:	29 June 2021
Subject:	AUDIT FINDINGS REPORT UPDATE
Wards affected: All	
1	Purpose
1.1	At its meeting on 25 November 2020, Members considered the External Auditor's Audit Findings Report (AFR) on the Council's financial statements, which summarised the significant outcomes, conclusions and recommendations from their work to date.
1.2	At that time, whilst the external auditors had completed the substantial proportion of their audit of the financial statements, there remained a number of elements where further work was required. Following the completion of the work, the External Auditor issued a revised Audit Findings Report, which members considered on 26 January 2021.
1.3	The revised AFR contained 13 new recommendations and follows up on 5 recommendations from prior years.
1.4	Management responses were considered at Audit Committee on 26 January 2021 and are identified in Appendix 1. The first update report was presented to this committee on 30 March 2020. This report provides the next quarter's update on progress in implementing action to meet the recommendations also identified in Appendix 1.
2	Decisions recommended:
	Members are recommended to:
2.1	Note the updates on progress in implementing action to meet the recommendations of the External Auditor's Audit Findings Report.

Contact Officer: Rebecca Hellard
Telephone No: 0121 303 2950
E-mail address: rebecca.hellard@birmingham.gov.uk

Contact Officer: Mohammed Sajid
Telephone No: 0121 303 3313
E-mail address: mohammed.sajid@birmingham.gov.uk

3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The coverage of the Audit Findings Report, Annual Audit Letter and actions highlighted in this report are consistent with the policy framework and budget.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
The work of the external auditors is governed by the Code of Practice issued by the National Audit Office in accordance with the Local Audit and Accountability Act 2014.
- 3.4 Will decisions be carried out within existing finances and resources?
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
The Audit Findings Report includes details on activities where the External Auditor has identified that the Council can make improvements or reduce risks in its operations. This report provides an update as to how the recommendations made will be addressed.

4 Relevant background/chronology of key events:

- 4.1 The external auditor's Audit Findings Report (AFR) was considered by this committee at its meeting on 25 November 2020. Included within the AFR were details of work that still remained to be completed.
- 4.2 A revised AFR, along with management responses was considered by Audit Committee on 26 January 2021. At that meeting, Audit Committee agreed for further reports to be provided setting out progress in implementing the proposed activity in response to the recommendations set out in the AFR.
- 4.3 This report provides the second quarterly update on that proposed management activity.
- 4.4 Appendix 1 provides the management response to the AFR recommendations and includes updates to meet those recommendations.

Risk Analysis

- 4.5 Risk analysis is a process of reviewing the risks identified and assessing the potential likelihood of them occurring and the impact they would have.

The first assessment is the inherent risk, as identified in the AFR by the Council's external auditors. Any controls that are put in place to help manage the risk will then influence the likelihood and impact identified to give a residual risk as identified in Appendix 1. The impact of the risk is in relation to

the council's achievements of its objectives and its overall performance (financial and non-financial)

- High - Critical impact on the achievement of objectives and overall performance.. Huge impact on costs and/or reputation. Very difficult to recover from and possibly requiring a long term recovery period.
- Significant - Major impact on costs and objectives.. Medium to long term effect and expensive to recover from.
- Medium -. Moderate impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover from.
- Low - Minor loss, delay, inconvenience or interruption. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.

Each recommendation has been categorised as follows:

- Blue – action deemed completed, with no residual risk
- Green – progress on track, and on time, with assumed limited or no residual risk once completed
- Amber – activities likely to leave residual, unmitigated risk.
- Red – activities deemed insufficient to reduce risk and remains a material issue to the Council.

Signature:

.....
Rebecca Hellard, Director of Council Management (Interim)

Appendices

Appendix 1 – Management response to Audit Findings Report recommendations including updates to meet those recommendations.

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
20/01	Council's Resilience and Financial Sustainability				
	Residual Risk	Low			
	Impact	Medium			
	<p>The Council's forecasting contains significant indicative provisional funding gaps in the coming years (approximately £100m per year after the 2020/21 year).</p> <p>Although the Council has identified actions to close the funding gap in the 2020/21 year, work in this area is likely to continue as councils across the country adjust to the true impacts of the Covid-19 pandemic.</p> <p>Recommendation The Council need to continue to plan for future years and proactively identify and mitigate cost pressures and financial risks as they arise.</p>	<p>The Council has already taken unprecedented action by undertaking a comprehensive mid-year assessment of its Medium-Term Financial Plan which has been formally reported to Cabinet in November 2020 as well as being scrutinised by O&S Resources and this has been the baseline for developing budget proposals for both 21/22 and 22/23.</p> <p>The work on the underlying base budget is ongoing with DMT challenge processes which have taken place over January to test all assumptions, pressures and deliverability of savings using the mid year update of the MTFP.</p> <p>Further to this Star Chambers have and are taking place on both a service and issues basis to ensure completeness and robustness of estimates.</p> <p>The overall approach to balancing the medium-term budget is through the implementation of the Delivery Plan which has been approved by Cabinet alongside the refresh of the Medium-</p>	February 2021 and ongoing	Interim Chief Finance Officer	<p><u>March 2021</u> The comprehensive mid-year assessment of the Medium-Term Financial Plan was formally reported to Cabinet in November 2020 and scrutinised by O&S Resources. This provided the baseline for developing the final budget proposals for both 2021/22 and 2022/23</p> <p>Following the mid-year assessment, DMT budget challenge sessions were held through to December 2020 in addition to the Star Chamber meetings held throughout the year. This provided assurance on the robustness of the budget baseline.</p> <p>The outcome of this comprehensive process and the Local Government Financial Settlement in December 2020 was a Financial Plan 2021 – 2025</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		<p>Term Financial Plan in November 2020. The Delivery Plan is leading the budget strategy and strategic resource allocation over the period of the Medium-Term Financial Plan.</p> <p>Proposals will be put forward to balance the budget for 2021/22 and an indicative position presented to balance 2022/23 based around the Outline Business Cases work underpinning the Delivery Plan.</p> <p>It should be recognised that medium and long-term financial planning is extremely difficult in the context of the 1-year finance settlement from Government, the uncertainty of the pandemic and Brexit's impact on Birmingham.</p> <p>To reflect this, the Council increased its General Fund Reserve to 4.5% of its net budget and will not need to draw on these reserves to balance the budget. Further to this, the Finance Resilience Reserve remains intact at £84.9m (as at 31 March 2020). Additionally, £60m has been identified from other reserves that is available to be used to invest to ensure that the Final Business Cases which will be complete by 31 March 2020 in the</p>			<p>agreed by the City Council on 23 February 2021.</p> <p>The financial plan set out a balanced budget for 2021/22, balanced with no use of reserves to achieve this and which included a contribution to the Financial Resilience Reserve increasing its balance to £114.5m to improve the Council's financial resilience.</p> <p>The budget outlook for 2022/23 has an expectation that the Delivery Plan process will produce £38.5m of proposals.</p> <p>In the context of only a single year financial settlement from the Government, the Financial Plan does indicate a funding gap in 2023/24 of £76m rising to £80m by 2024/25.</p> <p><u>June 2021</u> The Council's financial outturn for 2020/21 which is being reported to Cabinet in June, will show the Council weathered 2020/21 well and has further strengthened its</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		<p>Delivery Plan are fully funded. The Final Business Cases are required to balance the budget in 2022/23.</p> <p>To date the Covid tranche 4 grant from 2020/21 and the recently announced Covid tranche 5 grant for 2021/22 have been set aside in a specific Covid Reserve to mitigate cost pressures and financial risks relevant to Covid. They provide a significant level of additional financial resilience.</p>			<p>financial resilience and provided further budget flexibility.</p> <p>Enhanced Delivery Plan business cases are expected in late June which are intended to address the proposals needed for 2022/23.</p> <p>There remains a structural deficit, forecast to be £80m by 2024/25 that will need addressing and uncertainty around future government funding.</p> <p>A refresh of the Medium Term Financial Plan will be undertaken in the summer as part of the rolling budget process.</p>
20/02	Independent Review of the Council's Waste Service				
	Residual Risk	Low			
	Impact	Low			
	The Non-Executive Adviser for Waste Management and Industrial Relations stated in July 2020 "The Council has not yet concluded its review of waste collection services and the independent review is	There has been significant progress following Wood's initial review of the service. Performance has improved and there is a good working relationship with the Trade Unions.	September 2021	Director of Neighbourhoods (Acting)	<p>March 2021 Work continues to improve performance.</p> <p>Phase 2 modelling is restricted until the Government release</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>long overdue.”</p> <p>Although progress has been made by the Council during 2019/20, there still some significant decisions which still need to be made in the near future about the provision of the waste service.</p> <p>Recommendation</p> <p>We recommend that the Council continues to work closely with Wood to ensure that Phase 2 of the independent review is completed as soon as is practically possible and ensures that it can maintain effective and consistent relations with its trade union partners regardless of any future changes to the waste service delivery model.</p>	<p>There are regular meetings chaired by the Cabinet Member to discuss the future of the service. Modelling work has taken place but we are waiting to see what the implications of the Government’s review are, especially on food waste, before we can finalise recommendations for the City</p> <p>Regular meetings will be held with the Cabinet Member to discuss progress and the future of the service.</p> <p>Progress on phase 2 of the report has been more difficult as it links to the Government’s plans to standardise items collected across England.</p> <p>Finalise the final delivery model taking onboard any changes in requirements.</p>			<p>their view on food waste, anticipated Summer 2021. The introduction of food waste has a critical effect on future collection models.</p> <p>June 2021</p> <p>Consultation on the Government’s Waste to Resources paper has restarted. This is looking at consistency of collections and different recycling options such as glass and food. The outcome of the consultation and subsequent legislation will inform future collection programmes. We are proposing to use this data to inform future collection models</p>
20/03	Long term Highways PFI Solution				
	Residual Risk	Medium			
	Impact	Medium			
	<p>The scale of the affordability gap in the long term PFI arrangements may lead to delays in agreeing revised arrangements between the Council and BHL, and</p>	<p>The Council is fully cognisant of this risk and already places a high priority on putting in a place a long-term replacement subcontract that will</p>	Ongoing	Assistant Director – Highways & Infrastructure	<p>March 2021</p> <p>The Council continues to work towards a value for money long-term solution.</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>therefore may lead to delays in BHL securing a new, permanent subcontractor.</p> <p>There is a risk that the current arrangements are not delivering the best possible value for money, and that these arrangements may need extending beyond the term of the current agreement.</p> <p>Recommendation The Council should work towards completing negotiations with BHL as a matter of priority, in order to ensure that a new, permanent solution can be put in place as soon as reasonably possible to achieve best value for money.</p>	<p>deliver the best outcomes for the city within the available resources.</p> <p>Solutions will continue to be explored that provide the opportunity to ensure the best possible value in delivering these services in the long term.</p> <p>Structural changes as well as financing options are subject to extensive assessment between BCC and BHL supported by the DfT expert, consultants and lawyers. These negotiations are progressing positively.</p>			<p>The Council has reviewed the position on the optimum approach to delivering investment with the available funding in conjunction with BHL. This remains subject to reaching commercial agreement on the way forward, the parameters for which were reported to Cabinet on 16 March 2021. Any agreement reached will need to be reported to a later Cabinet.</p> <p>An assurance process is in place for the provision of services in the interim to seek to ensure that they deliver the best value for money in the present circumstances.</p> <p><u>June 2021</u></p> <p>The Council's business case was submitted to Department for Transport (DfT) on 1 March 2021 based on optimising the approach to delivering investment in the network. A response from DfT is awaited.</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
					Negotiation on the long-term approach with other stakeholders continues within commercial parameters approved by Cabinet on 16 March 2021. On 8 June 2021 Cabinet approved the first stage in enabling these negotiations to be completed, extending the Restructuring Period to 3 December 2021.
20/04	Interim Highways PFI subcontracting arrangements				
	Residual Risk	Medium			
	Impact	Medium			
	<p>The interim subcontract was completed on a 'cost reimbursable' basis, meaning that the subcontractor takes little risk in relation to the contract, and the risk sits with BHL. Subject to BHL agreeing its forecast cashflow and payments with the Council, the Council has agreed to ensure that BHL remains solvent by paying its reasonable operational costs during the interim period.</p> <p>Recommendation We recommend that the Council ensures proactive monitoring and management of the contract</p>	<p>This recommendation is accepted and acknowledged. A 'cost reimbursable' basis was not the Council's preferred option but has ensured continuity of service and a smooth transition from the previous subcontractor. These were critical elements in enabling this service to move forward.</p> <p>The Council is in the process of putting in place arrangements to support the management of the subcontract through this interim period to provide a satisfactory level of assurance</p>	Ongoing	Assistant Director – Highways & Infrastructure	<p><u>March 2021</u></p> <p>As stated in the response in 20/03 above, the parameters to reach commercial agreement on the way forward, were reported to Cabinet on 16 March 2021 and an assurance process is in place for the provision of services in the interim. The Council continues to work to improve this as part of day to day management of the service.</p>

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Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	between BHL and Kier is taking place, in order to mitigate the financial risk to the Council created by their agreement to ensure that BHL remains solvent by paying its reasonable operational costs during the interim period.				<p>This matter has also been covered by the Council's Internal Audit Team and management are taking forward the measures discussed accordingly.</p> <p><u>June 2021</u></p> <p>The position continues to be as reported in March 2021, except that the additional resource to support assurance is in place from 15 June. There will be a necessary period of developing new staff into their roles, but the additional capacity will enable closer management of the assurance process by the Council, which is in addition to the monitoring and management undertaken by BHL.</p>
20/05	Partner funding for the Commonwealth Games				
	Residual Risk	Low			
	Impact	Medium			
	Substantial work has been undertaken by the Council to secure the required partner contributions of £75.0m, with £50.0m secured to date.	The Council is continuing to work to secure further contributions, whether from existing planned Partners or other funding bodies.	Ongoing	Commonwealth Games Programme Director	<p><u>March 2021</u></p> <p>GBS LEP Contribution of £20m now received in full, in advance of deadline of 31 March 2021 for this funding</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>The Council is continuing to work with various potential games partners to ensure that the remaining £25.0m of required partner contributions is secured, but this is not currently in place.</p> <p>Recommendation</p> <p>The Council should take further action to address the current shortfall of £25.0m in partner funding due to fund the capital expenditure budget in the second half of 2021/22 and 2022/23, if it is going to fully mitigate the financial impact of the Games.</p>	<p>Engagement is being undertaken with Government and other Games partners to agree optimal and deliverable funding solutions.</p> <p>£19m of secured contributions now received by the Council.</p> <p>Discussion paper presented to CWG Programme Board on 14 January to agree approach to ensure that the remaining £25m of funding is secured.</p>			<p>source. It is intended that this will be supplemented by drawdowns of other Partner contributions to match levels of eligible actual expenditure incurred by 31 March 2021.</p> <p>The remaining substantial risk relating to the current shortfall of £25m is explicitly referenced in the Financial Plan 2021-24 (approved at the Council Meeting on 23 February 2021).</p> <p><u>June 2021</u></p> <p>Despite extensive dialogue with potential funding partners, it is considered increasingly unlikely that it will be possible to secure any further contributions in time for the Games, and therefore whilst any opportunities to secure external funding will continue to be sought, it is being recommended that the current identified funding shortfall is resolved by a drawdown of resources from the budgeted capital contingency, which includes allowance for this cost.</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
					Whilst potentially this may result in the Council making an additional budgeted contribution to the cost of the Games, the economic stimulus to the city should also be considered including the regeneration to Perry Barr that is directly linked to being awarded the Games.
20/06	Pensions Data Provided to the Actuary				
	Residual Risk	Low/Complete			
	Impact	Low/Complete			
	<p>During our work to assess the accuracy and completeness of the information provided to the actuary, we identified that the data initially submitted for April 2019 did not agree to payroll records.</p> <p>There is a risk that providing incorrect information to the actuary will impact on the actuarial valuation provided for the financial statements, and lead to a misstatement of the Council's liabilities.</p>	<p>The reports used to provide the information are currently being reviewed to ensure that the relevant information is available in the correct format.</p> <p>Management review will be undertaken to ensure that the information provided is accurate.</p>	22 February 2021	Pensions Manager and Finance Manager – Financial Accounting	<p><u>March 2021</u></p> <p>Completed. This issue has been resolved for the 2020/21 IAS19 return. The Pensions Manager has checked the calculations on the Pensionable Pay and Contributions and signed to say that the information is accurate. This information was then used by the Finance Manager - Financial Accounts Team for the 2020/21 IAS19 return to the West Midlands Pension Fund.</p>

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Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>Recommendation</p> <p>This was later corrected by the Council in a subsequent data submission to the actuary. We recommend that management put controls in place to ensure that data issues such as this are picked up prior to submission in future.</p>				<p>June 2021 This action is complete.</p>
20/07	Incorrect Capitalisation of revenue expenditure funded by capital under statute (REFCUS)				
	Residual Risk	Low			
	Impact	Low			
	<p>Our testing of items within Property, Plant and Equipment during 2019/20 identified items of REFCUS spend that had been incorrectly included in Assets Under Construction in the draft financial statements.</p> <p>While we have gained assurance that this does not represent a material risk to the financial statements in for 2019/20, incorrect treatment of the Council's spend will have a knock-on impact on budget monitoring activity if it is inaccurate.</p>	<p>The recommendation is accepted and acknowledged.</p> <p>Feedback will be provided to the team and relevant managers in the areas where the issues have occurred and reminders given on the requirement to differentiate between spend that can be capitalised and spend that is treated as REFCUS.</p> <p>For the 2020/21 financial statements, meetings have been scheduled to understand the impact of the recommendation and determine actions to review the activity within the current year.</p>	May 2021	Finance Manager - Capital	<p>March 2021 The Capital Team has been briefed on REFCUS items and sample checking will take place in March and April for the 2020/21 closedown.</p> <p>June 2021 Sample testing of items held in Assets Under Construction (AUC) and REFCUS has taken place during and post closedown 2020/21. Working papers have been produced and evidence gathered for those items</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>Recommendation</p> <p>Management should ensure that processes are in place to differentiate between spend that can be capitalised and spend that is being treated as REFCUS.</p>	<p>For 2021/22 financial year an internal monitoring framework will be established to assist in sample checking. It will be the responsibility of the Finance Manager to implement procedure with regular monthly sample checking throughout the financial year.</p> <p>Proposed timeframe as follows;</p> <p><u>February 2021</u> Team briefing on the need to ensure clear differentiation between spend that can be capitalised and spend that is treated as REFCUS.</p> <p><u>March 2021</u> Establish an internal monitoring framework to sample check items settled to Assets Under Construction (AUC) and REFCUS.</p> <p><u>May 2021</u> Implement internal monitoring framework and commence sample checking of items settled to AUC and REFCUS on a monthly basis.</p>			<p>classed as AUC ensuring that no REFCUS has been classified as AUC.</p> <p>For the 2021/22 financial year ongoing sample testing will take place to ensure continued compliance.</p> <p>This process will be embedded as business as usual for future financial years.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
20/08	Incorrect capitalisation of revenue spend by schools				
	Residual Risk	Low			
	Impact	Low			
	<p>Our testing of items within Property, Plant and Equipment during 2019/20 identified items of revenue spend that had been incorrectly capitalised by schools in the draft financial statements.</p> <p>While we have gained assurance that this does not represent a material risk to the financial statements in for 2019/20, incorrect treatment of the Council's spend will have a knock-on impact on budget monitoring activity if it is inaccurate.</p> <p>Recommendation</p> <p>Management should ensure that processes are in place to ensure that the capital spend submitted by schools is reviewed for accuracy before it is incorporated into the Council's financial records.</p>	<p>The recommendation is accepted and acknowledged.</p> <p>Feedback will be provided to the team and relevant managers in the areas where the issues have occurred.</p> <p>A review of the current process for monitoring school capitalisation will be undertaken.</p> <p>Proposed timeframe as follows;</p> <p>January 2021 Establish a meeting with finance team to discuss the background to the issues which have occurred.</p> <p>Meetings scheduled and preparation for the closedown of the 2020/21 accounts has started</p> <p>Review of current processes for monitoring school capitalisation.</p>	31 March 2021	Finance Manager - Capital	<p>March 2021 Schools capitalisation will be reviewed on a sample basis to check for incorrect items being capitalised.</p> <p>June 2021 In the lead up to and during closedown 2020/21 the schools' capitalisation process has been reviewed and sample testing was undertaken to ensure that no revenue items were capitalised.</p> <p>During 2021/22 there will be ongoing reviews of the schools' capitalisation process with recommendations for a consistent process and detailed workbooks being submitted by all schools.</p> <p>This process will be embedded as business as usual for future financial years.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		March 2021 Feedback and training to service colleagues ahead of the closure of accounts for 2020/21.			
20/09	Assets valued at below £50,000				
	Residual Risk	Low			
	Impact	Low			
	<p>The Council's policy for the revaluation of Property, Plant and Equipment states that all assets valued at less than £50,000 will be included in the financial statements at £nil value.</p> <p>There is a risk that in aggregate, these assets could be significantly understating the Council's Balance Sheet.</p> <p>Recommendation</p> <p>Management should keep a high-level record of assets where this de minimis has been applied so that an assessment can be made as to whether there is a risk of material misstatement in the PPE balance in future years.</p>	<p>The number of items that are classed as de minimis because they are valued at less than £50,000 results in a maximum risk to the Council that is significantly below materiality.</p> <p>For valuations carried out in 2020/21 and future years, information will be maintained for assets valued below the de minimis value of £50,000, identifying the value that has been calculated for the particular assets in question.</p> <p>Valuers will maintain a record of actual values for all assets and those below the de minimis value will be recorded to identify any potential risk to the carrying value of non-current assets on the Council's Balance Sheet.</p>	30 April 2021	Assistant Director of Property	<p>March 2021 Valuations are produced for each asset and a record kept of the value even if this is de minimis.</p> <p>The valuation figure is also reported as part of the valuation process so it may be included on the Council's Balance Sheet if necessary.</p> <p>June 2021 Valuations continue to be produced for each asset, with records kept, including de minimis value</p>

Appendix 1

Rec No	Recommendation		Proposed Actions	Due Date	Responsible Officer	Progress in implementation
20/10	Intra-group consolidation adjustments					
	Residual Risk	Low				
	Impact	Low				
	<p>After preparation of the financial statements, the finance team identified that they had treated VAT amounts incorrectly within the intra-group adjustments in the consolidation process. This led to material misstatement of the group financial statements.</p> <p>Recommendation</p> <p>Management should ensure that sufficient time is built into the closedown processes to enable a robust management and quality review to be completed prior to the financial statements being submitted for audit.</p>		<p>A peer review process will be enhanced to ensure that VAT is understood and excluded from the intercompany elimination process. Written procedures and checklist will be completed to aid review.</p> <p>Preparation for closedown has started and this will form part of the procedures.</p>	28 February 2021	Finance Manager – Financial Accounts	<p><u>March 2021</u> Procedures are in progress to ensure the reviewer knows what to look for in terms of VAT and other matters pertaining to Group.</p> <p><u>June 2021</u> The 2020/21 financial statements are being prepared. A full peer review of the working papers will be carried on the Group Accounts once these are complete.</p>
20/11	Open purchase orders in the general ledger					
	Residual Risk	Low				
	Impact	Low				
	<p>During our work on the completeness of the Council's expenditure in the 2019/20 year, we have identified that there are a</p>		<p>A review is being undertaken of open purchases orders so that those that are no longer required can be closed. This will greatly aid the migration of</p>	Continuous	Interim Chief Finance Officer	<p><u>March 2021</u> The level of open purchase orders is regularly monitored and work is regularly</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>significant number of open purchase orders in the general ledger that relate to previous years. Some of these date back to prior to the implementation of the current ledger system.</p> <p>The volume of open orders on the system means that management cannot glean any useful information from this data for their monitoring purposes.</p> <p>Recommendation</p> <p>We recommend that management look to reduce the number of historic purchase orders still open in the general ledger system, in order to make this a useful report for their consideration of the completeness of expenditure within the financial year.</p>	<p>appropriate activity to Oracle Fusion when it is implemented.</p> <p>Progress will be monitored through the 1B programme.</p> <p>Unfortunately, the closure of open purchase orders can be time consuming as it requires closed codes or vendors to be reopened where necessary to then close the purchase order.</p> <p>Reports have been run to review the level of open purchase orders so that progress can be monitored during the year.</p> <p>Progress will be monitored during the year to ensure that final migration to Oracle will be as efficient as possible.</p>			<p>undertaken to clear these. The work to close old open purchase orders can be time consuming.</p> <p>Many POs up to and including March 2018 have now been blocked.</p> <p>Data cleansing work stops whilst the year end accounts work is undertaken by Finance staff to avoid disrupting any processes</p> <p>Work will continue early in the new financial year to data cleanse POs dated April 2018 onwards with a view to completing the task prior to the introduction of Oracle.</p> <p><u>June 2021</u></p> <p>The next phase of open PO data cleansing has commenced for POs dated from April 2018 to March 2020.</p> <p>Whilst many open POs can be closed, some cannot for SAP technical reasons. As these are identified, they are listed</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
					and will not be migrated to Oracle.
20/12	Capital Commitments				
	Residual Risk	Low			
	Impact	Low			
	<p>Through performance of our testing, we have noted that the Council's capital commitments note has been prepared based on business cases and on estimated spend to date. While we are satisfied that this does not give rise to a risk of material error in the disclosure note, this disclosure should be prepared based on contracted amounts and actual expenditure against these at the end of the year.</p> <p>Recommendation</p> <p>We recommend that in future years management take care to use the correct source information for this disclosure.</p>	<p>The recommendation is accepted and acknowledged.</p> <p>The commitments working papers will be reviewed more stringently as part of the 2020/21 closure of accounts.</p> <p>Feedback will be provided to the team and relevant managers in the areas where the issues have occurred.</p> <p>Proposed timeframe as follows;</p> <p><u>January 2021</u></p> <p>Meeting to be arranged as part of preparation for 2020/21 closedown</p> <p><u>February 2021</u></p> <p>A review of the working papers will be undertaken within the finance team.</p> <p>Correct source information and working papers will be identified to assist in the calculation of contracted commitments.</p>	30 April 2021	Finance Manager – Capital	<p><u>March 2021</u></p> <p>Team members have been briefed on the requirements of the Capital commitments note, utilising contracted amounts and actual expenditure and work has started in March to prepare for this note.</p> <p>The workings to the final note will be reviewed in April and May prior to finalising the Statement of Accounts.</p> <p><u>June 2021</u></p> <p>During 2020/21 closedown the capital commitments working papers have been produced based on the actual amount of outstanding commitments rather than being based on budgets, forecasts and business cases. This has also been based on accounting for costs incurred as at 31/3/2021.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		<p><u>March – April 2021</u> Stringent reconciliation of the relevant closedown working papers and the source information will be incorporated as part of the closedown process for 2020/21.</p> <p><u>Ongoing</u> The above practice will be imbedded as 'business as usual' for future years.</p>			<p>Documentation has been provided as supporting evidence.</p> <p>This process will be embedded for business as usual for future years.</p>
20/13	Heritage Asset Valuations				
	Residual Risk	Low/Complete			
	Impact	Low/Complete			
	<p>The Council's Thinktank heritage asset has not been formally valued for a number of years; the figure used in the 2019/20 financial statements is based upon information compiled by the Council's insurance team. There is a risk that this valuation is not reflective of the asset's actual value. This asset is above our clearly trivial threshold but does not exceed our performance materiality.</p>	<p>The Council's approach to valuation of heritage assets complies with the Code for production of financial statements.</p> <p>Paragraph 4.10.2.9 of the Code of Practice on Local Authority Accounting (the Code) states, respect of Heritage Assets "Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.</p> <p>However, where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient</p>	31 March 2021	Head of City Finance – Financial Accounts	<p><u>March 2021</u> The Council's approach to valuation of heritage assets complies with the Code for production of financial statements.</p> <p>The Council will continue to keep its insurance coverage under review.</p> <p>The current arrangements, outlined above, are Code compliant, therefore, this will be the approach taken for the foreseeable future. Should there be a change in</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>Recommendation</p> <p>We recommend that management consider commissioning an external valuation of this asset.</p>	<p>frequency to ensure the valuations remain current”</p> <p>The Council will continue to keep its insurance coverage under review.</p> <p>Heritage assets contained within Thinktank have not been formally valued, as consistent with the remainder of the Council’s Museum and Library collections. As identified within the accounting policies Heritage assets are carried at insurance value as it is not practicable to obtain formal valuations at a cost that is commensurate with the benefits to users of the financial statements. Once a formal valuation is undertaken, the Council would be required to undertake further valuations to ensure that the carrying value remains current.</p> <p>Whilst a formal valuation of the Heritage asset collection is impracticable, given the scale and complexity, the insurance valuations used within the statement of accounts are regularly considered to ensure that insurance coverage remains relevant to the needs of the Council.</p>			<p>process, an amended response will be provided.</p> <p><u>June 2021</u></p> <p>Unless the requirements in the Code change, this action is considered complete.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
19/04	Under accrual of expenditure				
	Residual Risk	Low			
	Impact	Low			
	<p>Our testing of the completeness of expenditure in 2018/19 identified several items which were paid after 31 March 2019 but should have been accrued into the 2018/19 financial year. The Council performed extended analysis covering payments made during the period to 22 August 2019 which identified £9.6m of invoices (inclusive of associated VAT) which relate to 2018/19 but were not accrued.</p> <p>In previous years, similar issues around the completeness of expenditure had been noted.</p> <p>Recommendation The Council should investigate why these invoices were not appropriately accrued and implement additional controls to reduce the risk of such omissions in the future.</p> <p>Update 2019/20 As part of the Council's closedown process, in advance of preparing the outturn report and the financial</p>	<p>Regular reports are run on the level of procurement activity to identify those areas where there are delays in the payment of invoices or where procurement activities are not in line with Council processes. These reports are shared with Directorates so that appropriate action can be taken.</p> <p>The outcomes from the Audit Findings Report and its recommendations have been shared with the Council Leadership Team to highlight the issue.</p> <p>Finance Business Partners will also brief Directorate Management Teams on the issues identified and the action required and procedures to be followed to meet appropriate accounting requirements.</p> <p>The Voyager Newsletter sent out to staff will include articles on the issues identified and the actions that will be required to ensure future compliance.</p> <p>Reports on procurement activity will be run regularly at the year end to try and</p>	Continuous	Interim Chief Finance Officer	<p><u>March 2021</u></p> <p>Guidance/instruction relating to processes for the 2020/21 year end has been circulated to CLT and Directorate budget holders via Directorate Finance teams.</p> <p>Accrual process training has been provided to finance staff and school business support staff.</p> <p>Delayed payment reports are run on a regular basis. This information is disseminated to Directorate Finance Teams, who have been requested to discuss at budget holder meetings.</p> <p><u>June 2021</u></p> <p>Directorate Finance teams worked with budget holders to identify accruals during the closing of the 2020/21 accounts process.</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>statements, a review of outstanding purchase orders and invoice clearance was undertaken to ensure appropriate entry into the accounts. Major payments made in April and May 2020 were reviewed to check the financial year in which the expenditure should be recorded and whether accruals had been made.</p> <p>As part of our testing in the 2019/20 year, we again identified transactions that had not been recorded in the correct year, and additional testing has had to be performed. We will continue to follow up on this recommendation in future years.</p>	<p>capture activity within the appropriate financial year.</p> <p>The preparation for the closure of the 2020/21 accounts has started and reports are being run on procurement activity to identify issues and problem areas so that action can be taken at an early stage.</p>			<p>Outstanding purchase orders at the yearend were reviewed to ensure an appropriate entry into the accounts.</p> <p>Cut over testing has been undertaken, reviewing significant payments in April and May to check accruals have been made where required.</p>
19/03	Errors noted in property valuations				
	Residual Risk	Low			
	Impact	Low			
	We identified errors in the work of the valuer relating to the valuation of secondary schools, and a valuation where expenditure was used instead of profit as the basis of the valuation.	Whilst the review in 2019/20 concentrated on the appropriateness of the valuations carried out, this will now be extended to include the administration of the transfer of information from valuation to database.	Immediate	Head of Property Valuation and Sales	<p><u>March 2021</u></p> <p>Appropriate checks have now been put in place to avoid any further errors.</p> <p>All internal valuations are checked and signed off by a senior officer.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>Recommendation Appropriate review should be included as part of the valuation process to ensure that any errors in valuation are identified and resolved.</p> <p>Update 2019/20 A two-tier checking system has been put in place with a peer review by an appropriately qualified surveyor followed by a management review by the Head of Service. An independent professional review of all cyclical valuations undertaken by in-house valuers has been carried out by Avison Young's valuation team who specialise in valuations of this nature.</p> <p>Our audit work in 2019/20 has again identified issues in relation to the valuations performed for the purposes of the financial statements. We will continue to follow up on this recommendation in future years, as the steps that the Council has taken to address this risk have not been completely effective.</p>				<p>A second independent review will take place which will cross reference the valuation information from the data base with the valuation certificate.</p> <p><u>June 2021</u></p> <p>2020/21 valuations are split between internal and external valuers with all valuations checked by Property Services contract managers.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
19/02	Disposals omitted from the prior year				
	Residual Risk	Low			
	Impact	Low			
	<p>An asset with a net book value of £9.4m was disposed of in 2017/18 but this was not accounted for until 2018/19.</p> <p>We were satisfied that this was an isolated incident due to the unusual nature of the arrangement, and there was no material risk to the 2018/19 accounts.</p> <p>Recommendation The Council should ensure there are appropriate controls in place to ensure all disposals are accounted for in the correct year.</p> <p>Update 2019/20 The Council informed us that the Legal, Finance and Property teams have met, with a view to tightening procedures and the sharing of information. Processes have been implemented to ensure that completion memos are recorded on IPMS and subsequently reconciled with cash receipts, with any differences</p>	<p>Property Services will ensure that clear instructions are sent to Legal & Democratic Services, Property Records Team and relevant stake holders to facilitate the disposal of assets in an appropriate manner.</p> <p>Legal, Property and Finance staff will meet to share information on property transactions and ensure that processes are in place to capture relevant information and are being followed.</p> <p>Reconciliations will be undertaken during the year of disposals to identify any mismatches in information.</p> <p>The error identified in 2019/20 was an isolated incidence and resulted from human error. Further checking will be put in place to ensure movements are reconciled.</p>	Immediate	Assistant Director, Property Services	<p><u>March 2021</u> Assets sold in year are reported via a completion memo.</p> <p>All disposals continue to be monitored on a monthly basis at the capital receipts meeting and appropriate memos issued.</p> <p><u>June 2021</u> Assets sold in year are reported via a completion memo to Legal & Democratic Services, Property Records Team, Financial Services and relevant stake holders.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>highlighted at the earliest opportunity.</p> <p>Where external legal support is used the agreement will include the requirement to provide a completion memo for ensuring property records are maintained appropriately. All transactions are monitored on a monthly basis by Property Services Officers at each Capital Receipts meeting.</p> <p>Our testing of disposals recorded in the 2019/20 financial statements has again identified an asset that should have been derecognised in the previous financial year. At the time of writing this report, further testing is in progress to assess the potential impact of this on the financial statements.</p> <p>We will continue to follow up on this recommendation in future years, as the steps that the Council has taken to address this risk have not been completely effective.</p>				

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
19/06	Multiple Accounts assigned to a single user				
	Residual Risk	Low			
	Impact	Low			
	<p>We identified a high number of users with multiple accounts within SAP. Whilst some of these are required for FireFighterID purposes, it appears that some are unnecessary.</p> <p>Recommendation Management should consider which users need multiple accounts within SAP and remove access to those where this function where is it not required.</p> <p>Update 2019/20 The Council's view is that the level of access identified in the recommendation is required to ensure that system functionality can be maintained. Regular reviews of access are undertaken and the new Governance, Risk and Compliance tool is being used to support the monitoring of access.</p>	<p>The Firefighter role is required to ensure the integrity of SAP</p> <p>SAP BSC will carry out a monthly check to ensure that all Firefighters are valid.</p> <p>Access for Firefighters will be revoked where they are no longer required.</p> <p>Birmingham audit has been asked to undertake a review and report on the matter and identify if any additional checks are required.</p>	Continuous	Finance Manager – SAP BSC	<p>March 2021 Monthly checks to validate the assignment of Firefighter access are ongoing and remedial action taken where a change to access is identified. In addition, a system audit log which identifies when a user logs onto the system using a Firefighter ID is reviewed on a regular basis.</p> <p>June 2021 Birmingham Audit have undertaken a review and the report is being considered by SAP-BSC management. If any further actions are required, this will be reported in September's update.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
18/03	General IT controls				
	Residual Risk	Low/Complete			
	Impact	Low/Complete			
	<p>As part of our review of IT controls, we identified an excessive number of users with inappropriate access to high risk T-codes within SAP. Our IT audit identified 109 users with potentially inappropriate access out of 668 users tested due their higher risk nature.</p> <p>The risk is that an excessive number of users have access to critical transactions at high level of authorisation, which we would normally expect to be restricted to system administrators. We noted this is primarily due to the current Firefighter setup and the fact that 8 users have SAP ALL access.</p> <p>Recommendation Management should review all access and reassign the relevant transactions in accordance with business need and current job duties only.</p>	<p>The majority of the transactions listed here will be assigned to BASIS only (the team who deal with the core of the system – these transactions are appropriate for this team to use) and most within their firefighter id. The rest have been reviewed after previous audits and deemed appropriate All users with access to any of these transactions will either be support personnel, or in the case of SM37, users within the business. (SM37 monitors jobs run in the background in SAP. Due to the size and complexity of BCC's ledger, it's recommended that large reports are run in the background to reduce stresses on BAU processing).</p> <p><u>Response from BCC</u> User access to critical transactions is reviewed regularly with access to areas such as SAP_ALL reviewed daily. Appropriate action is taken to remove or amend as required.</p> <p>Birmingham audit has been asked to undertake a review and report on the matter and identify if any additional checks are required.</p>	Immediate	Finance Manager -SAP BSC	<p>March 2021 SAP is interrogated daily to check for SAP_ALL access and action is taken to remove or amend as required.</p> <p>Periodic checks are made to validate the critical transaction list held in SAP.</p> <p>June 2021 The actions outlined in the March update above continue and are embedded into business as usual. The Council considers these reviews adequate and therefore the action is ongoing and considered complete.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<p>Update 2019/20</p> <p>The Council's view is that the level of access identified in the recommendation is required to ensure that system functionality can be maintained. Regular reviews of access are undertaken and the new Governance, Risk and Compliance tool is being used to support the monitoring of access.</p>				

BIRMINGHAM CITY COUNCIL**AUDIT COMMITTEE****29 JUNE 2021****SCHEDULE OF OUTSTANDING MINUTES**

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
260 25/11/2020	<p><u>Independent Advisor to Audit Committee</u></p> <p><u>Additional Recommendation:</u></p> <p>iii) Agreed to receive further updates on the progress of the work on the Independent Advisor role.</p>	Process of selection was shared at the 27 April meeting.
279 26/01/2021	<p><u>Assurance Session – Cabinet Member for Children’s Wellbeing Portfolio</u></p> <p><u>Additional Recommendation:</u></p> <p>iv) The Council’s Transformation Programme to be shared at a future Committee.</p>	Scheduled for 26 July 2021 meeting.
305 30/03/2021	<p><u>INFORMING THE AUDIT RISK ASSESSMENT - GROUP COMPANY GOVERNANCE</u></p> <p><u>Additional Recommendation:</u></p> <p>ii) Noted for an information briefing to be arranged on the Group Company Governance. Information on the scale of the BCC subsidiaries and any guarantees given to be provided to Members.</p>	<p>Currently, dates are being explored with Alison Jarrett and Connie Price to deliver this briefing session. Members will be informed of proposed dates and times.</p> <p>Rebecca Hellard/ Mohammed Sajid to confirm once completed.</p>
307 30/03/2021	<p><u>EXTERNAL AUDITORS - AUDIT PLAN 2020-21</u></p> <p><u>Additional Recommendation:</u></p> <p>ii) The External Auditors to provide the Audit Committee details of the fees charged to BCC for 2020-21.</p>	Update provided at the 27 April meeting. Following approval of the minutes, the action will be discharged.

318 27/04/2021	<p><u>RISK MANAGEMENT UPDATE</u></p> <p>Additional Recommendations:</p> <p>iii) A formal statement to be provided to the Audit Committee around the reason to the rating of the risks related to the Commonwealth Games.</p> <p>iv) The Chair of the Commonwealth Games (CWG) Audit Committee to be invited at a future meeting to discuss Birmingham City Council elements of the CWG.</p>	<p>Sarah Dunlavey to provide further information to a future Committee.</p>
325 27/04/21	<p><u>OTHER URGENT BUSINESS</u></p> <p><u>Independent Advisor process</u></p> <p>Members of opposition groups to nominate a member of their political group to participate in the independent advisor interviews.</p>	<p>Members from Conservative and Liberal Democrat Group were nominated. Interviews took place week beginning 7th June.</p>