

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 25 SEPTEMBER 2018
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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 25 SEPTEMBER 2018 AT 1400 HOURS IN COMMITTEE ROOM 6, COUNCIL HOUSE, BIRMINGHAM

PRESENT:-

Councillor O'Shea in the Chair;

Councillors Bridle, Jenkins, Tilsley and Webb.

NOTICE OF RECORDING/WEBCAST

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

APOLOGIES

- 52 Councillors Afzal, Shah and Trickett submitted their apologies for their inability to attend the meeting.

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

MINUTES

- 53 **RESOLVED:-**

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

CHAIRMAN'S WELCOME

- 54 The Chairman welcomed everyone to the meeting and colleagues from Birmingham Independent Improvement Panel.

BIRMINGHAM AUDIT: DATA WAREHOUSE

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

(See document No 1)

Craig Price, Principal Group Auditor provided a comprehensive breakdown of the report and responded to a Member's comment by confirming there was no direct link with the Data Warehouse and the NHS, adding that their data was picked up as part of the data matching undertaken by the National Fraud Initiative that is run by the Cabinet Office. He further added that they would continue to push for greater working with them and other bodies in order to try and obtain connectivity and data sharing as part of the ongoing development of the Council's anti-fraud measures.

Lee Cadman, Principal Intelligence Officer, provided an overview of when internal and external requests for data were received and detailed the processes in place to ensure that people only accessed data that was relevant to them. He reported that each search was subject to a detailed audit trail and can be traced to an individual if there were any areas of concern. The continuous checking and verification process evidencing that the system was not misused was explained.

Lee reported that he considered the Data Warehouse system was far more developed than other local authorities and made reference to the work they had been able to undertake with the Public Health Department, adding that they were not always able to assist in predicting service demand, as it was dependent upon data quality.

Lee highlighted the significant amount of work that impacted on the services as a result of data matching. He referred to the 'rolling road' type of working they hoped to have in place, where the system made regular checks and any changes were immediately picked up and explained why this would be a more cost effective way of working. Whilst he was unable to place a financial value on the service as a whole, he highlighted that the focus was to stop errors occurring in the first place and that they were working closely with Revenues as their service had significant transactions, to see what kind of returns could be made. He added that it was not just about recovering debts or finding fraud but also making sure overheads were minimised.

Lee made reference to the information that was held by the system which included Solihull and Dudley neighbouring local authorities and although the city was not collecting and storing over and above what was required for its day to day business, the underlying duty was to ensure that information was kept up to date and accurate.

Lee referred to the audit processes that have been established to verify that the system is not misused. These processes are continuous and also include algorithms to identify activity that is outside of the norm.

Craig confirmed that the system was audited as a matter of routine every 12 months and as there was a continual user verification process, he added that users not using the system would automatically get deleted after 12 months and would have to re-apply and obtain authorisation from their line manager if access was required.

The Chair thanked Craig and Lee for attending the meeting and presenting the report and requested that arrangements be made for the Audit Committee to view the system in operation.

Upon further consideration it was:-

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RESOLVED:-

The Committee noted the report.

BIRMINGHAM AUDIT ANNUAL FRAUD REPORT 2017/18

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

(See document No 2)

Neil Farquharson, Group Auditor – Corporate Fraud Team, provided a comprehensive breakdown of the report.

Neil briefly explained the ‘whistle blowing’ policy within Birmingham City Council which was well established and that any disclosures relating to fraud, would be forwarded to the team for investigation and subsequently detailed the various ways in which referrals could be made to the department.

Neil reported that a similar number of referrals were received each year and with regard to any consistent patterns of fraud, confirmed that type of information would need to be broken down and analysed. He briefly explained the process of investigation and the appropriate recommendations that would be made to the directorate concerned.

Neil responded to a Member’s comment by briefly explaining the difficulties in quantifying values of referrals and it was therefore suggested, that value could be given to those that had a financial implication to them and the appropriate comparisons made.

Sarah Dunlavey, Assistant Director, Audit and Risk Management, responded to Members’ comments by providing an explanation on how fraud was dealt with by BCC subsidiary companies, her role as the internal auditor and the rights of the shareholder. She made reference to the huge variety of companies of very different sizes and highlighted the various ways in which they managed their audit services.

With regard to Acivico, whilst explaining her role as their internal auditor confirmed that, with an independent team, an audit of the relationships and interactions between Acivico and BCC had been undertaken on behalf of the City Council. She stated that where appropriate the report would have been shared with Acivico as there were actions that related to the company.

Neil responded to the Chair's comment relating to 'right to buy' and gave various examples of where investigations were required which included; tenants applying to purchase properties who have been in receipt of housing benefit or ascertaining whether the tenants were living at the address they were wishing to purchase.

The Chair thanked Neil and Sarah for attending the meeting and presenting.

Upon further consideration it was:-

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RESOLVED:-

The Committee noted the report.

AUDIT FINDINGS REPORT- RESPONSE TO RECOMMENDATIONS

The following report of the Corporate Director – Finance and Governance was submitted:-

(See document No 3)

Martin Stevens, Head of City Finance Accounts, provided a comprehensive breakdown of the report.

At this juncture, the Chair requested the Annual Audit Letter to be circulated to all elected members after the meeting.

Frances Done, Birmingham Independent Improvement Panel, referred to the report and the associated issues, and subsequently highlighted the important role of the Audit Committee in providing independent assurance to the City Council in terms of financial management and risk management. She stated that it was encouraging that after such a long time, the Stocktake report was very open and accepting the governance failures and financial management issue, it focused on what needed to be done and the commitments of the City Council in moving forward and in making sure those actions were carried out.

She highlighted the City Council and the Birmingham Independent Improvement Panel (BIIP) were now working in close collaboration which included regular meetings with senior officers and elected members, and the minutes of these meetings were now being published and cascaded to elected members, as and when they were available.

She referred to the range of complex issues detailed in the report and stated that they were well aware that the committee could not delve into every detail. However, they were hoping and expecting the committee would in its role be able to monitor issues were being progressed and scrutinised appropriately.

She made reference to the fact that the panel hoped that the committee could take more of a lead role in ensuring that the issues which the City Council has found quite difficult in the past are identified and properly discussed, and that residents were kept up to date of any changes that were taking place.

The Chair made reference to the strong qualities of the committee and anticipated that the committee would be as non-political as possible due to the serious issues that they have to consider which ultimately impacted on the citizens of Birmingham. He highlighted that the role of the committee was to provide assurance and referred to the issues they would be considering which included the use of reserves and confirmed that they would be keeping a close eye on how that area of work progressed.

He confirmed that the intention was to keep both the Section 24 recommendation and audit letter items under review for the course of the next few meetings, adding that some would be kept under review for a longer period.

He highlighted the following items for consideration at future meetings:-

Place directorate – ongoing issue – January 2019 and to continue monitoring for the foreseeable future.

Commonwealth Games – identified major risk - January 2019 report on plans and funding.

Exit Package Process for Senior Officers - agreement process – January/March 2019 - report

The Chair suggested that if members required any additional items to be considered by the committee to contact him directly.

In response to comments from Members relating to the role and expectations of the audit committee, Frances Done agreed that whilst there were functions of an audit committee that were potentially backward looking, it also had an important role in monitoring risk management and the key risks faced by the City Council. She added that if the committee saw that as a real core function, then they would see how positive their contribution was going to be in moving forward.

She made reference to the key recommendations within the report, the enormous impact this had and the way it was going to be addressed by all bodies across the city council, highlighting, that the panel were encouraged by what they were now hearing. She added that fundamentally the whole point of this was what happens to the residents, the quality of their services, value for money and the success of their communities and it was reiterated that the committee played an important role in helping to deliver these outcomes.

At this juncture, Jonathan Tew, Assistant Chief Executive, expressed his appreciation to Frances for her comments. He referred to comments made by Members and confirmed that some of these issues had also been reflected by the Leader at city council.

He referred to the city council's working approach to the recommendations, described the collaborative relationship between the city council and the panel and the monthly reporting which in turn was fed back to Government through the panel. He explained the importance for constant dialogue and how they were working in conjunction with members, officers and the external auditor in order to get ahead of formal reports and to pick up any early signals and making sure they were best placed to respond. He referred to the merits of the Star Chamber, the importance for accuracy of information and the various developments that were taking place. He referred to the new political cycle and highlighted the opportunities that this presented to the committee.

He referred to the comments made relating to localisation, the exciting challenge that this presented in breaking away from the district model and the associated work that was taking place with elected members. He subsequently referred to the information regarding the Local Innovation Fund (LIF) and residents' survey feedback and agreed for this information to be reported back to committee in due course.

Claire Ward, Assistant Director for Human Resources, responded to Members' comments by confirming that all of the overpayments besides one had now been resolved, and that an analysis of all the cases and an overview of the system had since been undertaken. She reported that the system was reliant upon managers and employees understanding their responsibilities and following through on a day to day basis. She added that HR undertook a monthly audit and if any errors occurred the appropriate action was taken to resolve them. She confirmed that they were looking at other local authorities that had similar services in order to detect whether there were any improvements that could be made.

In response to the Chair's comments relating to 'under-accrual of waste invoices', Sarah Dunlavey confirmed that part of the error was due to a system issue which had since been resolved. She reported that with the number of staff leaving the organisation there would be a risk that processes had not been followed through and therefore, could not guarantee that this would not happen again on scale but in this particular service, they would ensure that it did not reoccur.

The Chair concluded by thanking Martin, Frances, Jonathan and Sarah for attending the meeting.

Upon further consideration it was:-

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RESOLVED:-

That the Committee approved the management responses, attached as Appendix 1, to the recommendations set out in the Audit Finding Report issued in July 2018

That the Committee receive reports to future meetings on the progress in implementing the actions proposed in response to the recommendations set out in the Audit Findings Report.

AUDIT PROGRESS REPORT AND SECTOR UPDATE

The report of the external auditor was submitted:-

(See document No 4)

Tess Barker-Phillips, Grant Thornton made introductory comments to the report and sector update.

Following comments from the Chair, Steve Powell, Assistant Director referred to the CIPFA consultation on the financial resilience index and confirmed that this was generally welcomed by the city council and agreed to provide further detail when it was available.

In response to a Member's comment, Tess confirmed that with the regular meetings with officers now taking place it was much more transparent now that they were getting regular up to date information and added that they would continue to monitor, as it was important to keep abreast of what was going on.

The Chair concluded by thanking Tess for attending the meeting and presenting.

Upon further consideration it was:-

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RESOLVED:-

The Committee noted the report.

DATE OF NEXT MEETING

59

The next meeting was scheduled to take place on Tuesday, 20 November 2018 at 1400 hours in Committee Room 6.

AUTHORITY TO CHAIRMAN AND OFFICERS

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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 1610 hours.

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CHAIRMAN