

# BIRMINGHAM CITY COUNCIL

<b>AUDIT COMMITTEE 29 JANUARY 2019</b>
--

## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 29 JANUARY 2019 AT 1400 HOURS IN COMMITTEE ROOM 6, COUNCIL HOUSE, BIRMINGHAM**

### **PRESENT:-**

Councillor O'Shea in the Chair;

Councillors Afzal, Bridle, Jenkins, Shah, Tilsley and Trickett.

\*\*\*\*\*

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

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

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

---

### **APOLOGIES**

- 76 Apologies for absence were submitted on behalf of Councillor Suzanne Webb and Clive Heaphy, Corporate Director of Finance and Governance.
- 

### **DECLARATIONS OF INTERESTS**

- 77 Councillor Paul Tilsley declared a non-pecuniary interest in relation to the item on Group Companies – Informing the Audit Risk Assessment as a representative on the Birmingham Airport Board. Councillor John O'Shea declared non-pecuniary interests in relation to The Local Government and Social Care Ombudsman's Annual Review 2017/18 as a member of the Police and Crime Panel and in relation to Group Companies – Informing the Audit Risk Assessment as a Director of the Acocks Green BID and as a Director of the Stockland Green Community Association.

Martin Stevens, Head of City Finance Accounts, advised Members that he was a Director on the PETPS (Birmingham) Limited group of companies.

---

**MINUTES**

78

**RESOLVED:-**

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

---

**THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN'S ANNUAL REVIEW 2017/18**

The following report of the Chief Executive was submitted:-

(See document No. 1)

Miranda Freeman, Senior Liaison Management Officer, Legal Services, introduced the report and, in response to Members' questions, advised that:-

- a) As the largest Local Authority, Birmingham received the most complaints. However, the Ombudsman viewed that as positive as The City Council informing complainants that they had recourse to the Ombudsman. Also, half the complaints were referred back and were resolved locally.
- b) Sometimes it helped to enable the complainant to understand that it was not always possible to resolve their problem. She understood that learning from complaints was referred to the Deputy Leader.
- c) With regard to criticism from the Birmingham Independent Improvement Panel that the City Council was too occupied with process when responding to complaints, Miranda advised that, if a request was made by the Ombudsman, a report could be submitted to Overview and Scrutiny for review. However, she could not advise on the position in relation to wider complaints.
- d) A report had been submitted by the Your Views team in 2015 as a 'one-off' report. However, the Ombudsman's report was public and had to be publicised. The Committee was required to consider his findings.

Members expressed concern that there was a systems failure in handling complaints and that the Ombudsman should be the last resort for complainants. It was suggested that discussions should be held with the Deputy Leader regarding a report being submitted to the Committee on lessons learnt from complaints.

79

**RESOLVED:-**

That the report concerning the Local Government and Social Care Ombudsman's Annual Report for 2017/18 be received and noted.

---

**CORPORATE RISK REGISTER UPDATE**

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

(See document No. 2)

Sarah Dunlavey, Assistant Director, Audit & Risk Management, presented the report. Julie Young, Assistant Director - Education Safeguarding, advised Members that school funding issues had been highlighted recently in the press and that there had been changes in recent years to the funding arrangements. When a school converted to an academy, the school's financial position at conversion became the City Council's responsibility. As that meant that the City Council had to take on any deficit, there was now tighter oversight and management of school budgets.

Prior to conversion, the City Council appointed an Interim Executive Board and that had impacted significantly on deficits. A Finance and Governance Group had been established to 'RAG' rate schools on budget management and the process was checked twice each year. Training was undertaken and advice and guidance was given to Governors. An audit review was made in each September and means were identified of strengthening actions taken. The ultimate sanction available was to remove the delegation of the budget to the school.

A detailed discussion ensued, during which the following comments were made and responses were given to questions:-

- a) Julie Young confirmed that £13 million was the total deficit figure and was the actual amount at risk. £8 million of that had arisen from directive academy orders, which was historical and could not be recovered.
- b) Members were advised that the level of deficit was being arrested, but that schools were under pressure from the National Funding Formula. There was concern that schools were instructed to convert to academy status, but that the City Council was being left with all the financial risk.
- c) The Committee was informed that there was a difference between instructed and elected conversion to academy status. With regard to budgets, that was determined by the National Funding Formula. The funding of places for SEND pupils was separated out from the formula relating to pupil numbers. A recent review had been initiated on the 'high needs' budget situation.
- d) There had been a gap in City Council knowledge of how well schools were performing against their budgets. The system was reactive and needed to be more proactive. Members were advised that a report had been submitted to the Council Management Team on 14 January 2019 with an action plan for the dedicated schools grant.

- e) With regard to reporting lines for Data Protection breaches, Members were advised that breaches were reported to the Data Protection Officer and a small panel met to ensure that matters were addressed appropriately. Severe cases would be reported to the Council Management Team.
- f) With reference to Item 43 on Appendix A, relating to Early Years, it was questioned whether that matter should be referred to Overview and Scrutiny. The Chairman asked that a report be submitted to this Committee by April 2019.
- g) Concern was expressed that the Commonwealth Games had not been included in the risk register and that it must be included. It was noted that it was included in the West Midlands Combined Authority risk register, but also needed to be included locally.
- h) With reference to Item 26 (Page 10 of Appendix A), the Committee expressed considerable concerns regarding the traffic gridlock caused by the Bullring event and the failure to communicate in advance regarding the event. Lessons needed to be learnt and the Chair requested that a report be submitted to a future meeting of this Committee.
- i) Members were advised that all significant risks should be included in the risk register. It was felt that Universal Credit should be included to take account of the impact of forthcoming developments and Members supported that proposal.

80

**RESOLVED:-**

- i) That, having reviewed the Corporate Risk Register, the Committee accepts that the risk ratings are reasonable, that the action being taken is effective, and agrees that further explanation/information be requested as set out in the above preamble;
- ii) That approval be given for the:
  - deletion of risk No. 35 - GDPR implementation by May 2018. The wider information management and assurance programme being incorporated and captured within risk No.11; and
  - inclusion of risk No. 46 - Universal Credit;
- iii) That approval be given to the revised Risk Management Framework.

---

**AUDIT FINDINGS REPORT RECOMMENDATIONS – PROGRESS REPORT**

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

(See document No. 3)

Martin Stevens, Head of City Finance Accounts, presented the report.

A detailed discussion ensued, during which the following comments were made and responses were given to questions:-

- a) Concern was expressed regarding whether the actions taken with regard to Accounts Section Recommendation 1: Control Weakness – Payroll Leavers had reduced the problem over the previous 12 months and Martin Stevens undertook to report back on that matter.
- b) Concern was expressed that forms were not completed and submitted in good time to the West Midlands Pensions Fund when employees left, which incurred a charge back cost, and that the need for timely submission should be emphasised to Human Resources officers.
- c) With reference to Accounts Section Recommendation 5: Under Accrual of Waste Invoices, Members were advised that reminders were sent to managers to ensure that the process was working smoothly and no invoices were stuck. As well as reminders to managers, Council-wide notices were circulated.
- d) The Chairman asked that a report be submitted to the next meeting on Value for Money Recommendation 1: Budget Delivery and Reserves Management.
- e) Concern was expressed regarding controls in relation to waste and the Capital Budget and the Value for Money position in relation to the Commonwealth Games and HRA land. It was questioned where the liabilities lay, what priorities and risks there were and whether those issues could be set out on a spreadsheet for reference purposes.
- f) Members were advised that the Capital Programme was considered by Cabinet and by the City Council and Martin Stevens advised that a report could be submitted to a future meeting of this Committee, if Members wished to consider that further.
- g) Members noted that Outline Business Case reports included Capital and Revenue consequences. The Chartered Institute of Public Finance and Accountancy (CIPFA) was monitoring the financial health of Local Authorities and was developing a financial resilience index. It was understood that the index had not been published to date, but officers were requested to submit a copy to this Committee when it was available.
- h) With reference to Section 24 Recommendations No. 5 and reporting governance failures, it was questioned whether issues relating to the performance of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) were ever reported. Concern was expressed regarding the transparency and accountability of the GBSLEP and how effectively it was being held to account.
- i) Members were advised that, while not a governance issue, one performance issue had been reported in the Municipal Journal in 2018 around the management of grants.

- j) It was recognised that Members were reliant on officers to highlight and prioritise issues in their reports, in view of the large volume of documents to be considered.

81

**RESOLVED:-**

- i) That the progress in implementing management actions, set out in Appendix 1 to the report, to address the recommendations set out by the External Auditor in his Audit Findings Report issued in July 2018 be noted;
- ii) That officers be requested to submit updated reports to future meetings of this Committee on the continued progress in implementing the management actions proposed.

---

**GROUP COMPANIES – INFORMING THE AUDIT RISK ASSESSMENT**

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

(See document No. 4)

Martin Stevens, Head of City Finance Accounts, presented the report and advised that all the companies had provided a response. One response arrived slightly late and another was returned for more information to be provided. The responses had been reviewed by the Cabinet Committee – Group Company Governance and nothing substantial had been identified.

During the ensuing discussion, the following comments were made and responses were given to questions:-

- a) Concern was expressed that the Paradise Circus Limited Partnership should be encouraged to hold bi-monthly meetings to reflect a model of good governance. It was felt that regular meetings were important.
- b) Members noted the variety in the companies and the returns submitted. Concern was expressed regarding non-executive directorship arrangements and that, without remuneration, it was difficult to ensure that it was undertaken effectively. However, it was noted that remuneration had been considered previously and had been met with opposition.
- c) It was felt that Members needed to take an active part as Directors and add value, but it was recognised that they were reliant on accurate summaries from officers. It was noted that the Cabinet Committee – Group Company Governance was reviewing Director appointments.
- d) Members requested that a report on Acivico be submitted to this Committee and the Chairman advised that it should be submitted in or after May 2019 to fit in with the current work programme.

82

**RESOLVED:-**

- i) That the responses received to inform the audit risk assessment be noted;
  - ii) That this Committee confirms that it is satisfied that the information provided gives appropriate assurance on the use of resources by the Council's companies.
- 

**BIRMINGHAM AUDIT – HALF YEAR UPDATE REPORT 2018/19**

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

(See document No. 5)

With regard to the Combined Heat and Power Scheme – Contract Management, Members welcomed the report and evidence that the contract arrangements were more secure. Members were advised that a change in personnel had caused a loss of continuity and a gap in management. The review due in January 2019 had commenced.

It was noted that 51% of reports regarding schools had resulted in negative assurances, which was an increase on the previous year. Members were advised that the work was risk based and that the line rose when resources decreased. Officers were looking at those schools in most financial difficulty.

83

**RESOLVED:-**

That the level of audit work and assurances provided be noted.

---

**GRANT THORNTON - HOUSING BENEFIT ANNUAL CERTIFICATION LETTER**

The following letter from the External Auditor was submitted:-

(See document No. 6)

Tess Barker-Phillips, Grant Thornton, made introductory comments to the letter.

84

**RESOLVED:-**

That the Housing Benefit Annual Certification letter be noted.

---

**GRANT THORNTON - VALUE FOR MONEY PLAN**

The report of the External Auditor was submitted:-

(See document No. 7)

Ian Barber, Grant Thornton, made introductory comments to the report.

Members welcomed the presentation of the report, the improvement made and the ongoing process. It was felt that it was right to include the Commonwealth Games financial situation, which should become clearer soon. Ian Barber advised that regular meetings were held with the Director for the Commonwealth Games and work was being undertaken closely with City Council officers.

85 **RESOLVED:-**

That the report be noted.

---

**EQUAL PAY UPDATE**

86 The Chairman advised Members that he had been told late on the previous day that the report would not be submitted. He was concerned that it had been withdrawn without reference to him or the Committee. He understood that there was a resource issue and that the report would be submitted in March 2019, along with details on exit packages for senior officers.

---

**DATE OF NEXT MEETING**

87 The next meeting was scheduled to take place on Tuesday, 26 March 2019 at 1400 hours in Committee Room 6.

---

**OTHER URGENT BUSINESS**

88 No matters of urgent business were raised.

---

**AUTHORITY TO CHAIRMAN AND OFFICERS**

89 **RESOLVED:-**

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

---

**EXCLUSION OF THE PUBLIC**

90 **RESOLVED:-**

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

Exempt Paragraph 3