

Birmingham City Council 2019-20 Informing the Audit Risk Assessment

Group Accounts Preparation

Appendix 1

ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD	
Question	Response
Company Environment	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	<p>Acivico Board Directors are provided with an induction on appointment to ensure their responsibilities are understood and they have the tools necessary. All current Acivico 'officer' roles (senior managers, etc.) are aligned to BCC job descriptions and person specifications, ensuring the rights skills and competencies are present to perform their roles.</p> <p>The Acivico Board of Directors will have a Continuous Development Programme established, which will ensure that awareness of individual and collective roles and responsibilities will remain up-to-date.</p> <p>The Acivico Group risk register includes a risk and required controls on this matter and Acivico's Audit Committee review the effectiveness of these controls on an annual basis.</p>
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Acivico company Directors attend monthly Board meetings, with all executive leadership officers (Chief Executive, Deputy Chief Executive & Director of Operations, Director of Finance & Resources & Director of HR & OD) and regular Audit Committee meetings (Audit Committee is due to meet 7 times during 2019/20)

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	<p>The company secretary records attendance of Board members from meetings. Audit Committee is done by an administrator.</p> <p>Additionally, the Board members have attended workshops on strategic items, for example strategic plan, values and workforce development.</p> <p>Directors record of attendance is currently 84.21% for 2019/20 (as at November Board meeting) with 3 of the 5 Directors maintaining a 100% attendance during this period.</p>
Please explain the system of governance and the financial control environment within the company	<p>Acivico operate a Company Governance Framework which outlines governance and financial controls (standing orders) within the company. This includes Board members.</p> <p>Acivico currently use the council's IT finance system which will change during 2019/20. Existing controls are as per the council's governance requirements. As part of implementing new IT systems, BCC Internal Audit is providing a critical friend role pre implementation and a review post implementation to ensure governance and financial controls remain effective.</p> <p>Monthly financial reporting is undertaken within the companies. A challenge session is held with the relevant Acivico Director and Sector leads (Heads of Service) to review financial reporting and projections. Acivico Board members receive monthly reports during Board. Acivico Audit Committee receives the latest finance board report for scrutiny.</p> <p>The finance report considers financial risks and issues</p>

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<p>Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.</p>	<p>The Acivico Director of Finance and Resources leads the monthly challenge sessions.</p> <p>The Acivico Group risk register is regularly maintained and reported to each Audit Committee. Audit Committee has a programme of work for 2019/20 which incorporates reviews including an Internal Audit work plan. The standing agenda also includes a statement to be made by both the BCC Assistant Director of Internal Audit and the Acivico Director of Finance and Resources to confirm that they are not aware of any matters concerning risk, internal control, and compliance.</p> <p>As part of the annual report Acivico's Audit Committee prepare a report on the statement of internal controls.</p> <p>To date, a review has been undertaken on the Environment, Quality Management Systems as part of continuation of the accreditation for Design, Construction and Facilities Management Ltd.</p>
<p>What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company</p>	<p>The current three year Business Plan, approved from 2019/20 by Cabinet, is currently being refreshed. This will be presented to Cabinet Committee, Group Company Governance in February 2020. In accordance with Acivico's Company Governance Framework the annual financial plan is scheduled to be approved by Acivico Board before end February 2020. The December Board will see the first draft with a workshop scheduled for January 2020. Alongside the financial plan will be the marketing strategy and the overarching Strategic Plan (refreshed 3 year business plan – strategic level).</p>

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	<p>The annual financial plan will include details for each company on cashflow projections. Cashflow is monitored and shared with the council.</p> <p>The company is currently operating under a going concern assurance letter from the council. Going concern is reviewed in accordance with ISA570, takes into account financial risks, trading position including pipeline and financial ratios produced by the Group end Qtr 1, Qtr 2 and now monthly.</p> <p>Remedial action is incorporated within a mitigation plan and tracked monthly, reporting outcomes to the Acivico Board</p>
<p>What is the company's approach to the development of business continuity plans.</p>	<p>Acivico Business Continuity Plans are being refreshed as the company is implementing new IT systems and business processes are being reviewed.</p> <p>Each company business unit is responsible for updating and refreshing their Business Continuity Plan.</p> <p>Given the changes within Acivico, there is a risk contained within the Group Risk Register regarding overarching arrangements for business continuity.</p> <p>Additional resource is being identified to follow up ICT transformation, business process reengineering, organisational design and other corporate transformation activity, to establish fresh business continuity frameworks across the whole Acivico Group. Expected work to be completed by Spring 2020.</p>

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What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	A review has recently taken place to ensure compliance including refreshing the data matrix. The outcome is expected during January to coincide with the January Acivico Audit Committee. On a day to day basis, any escalations regarding compliance with GDPR are reported to the Acivico Governance Manager.
The Identification, Mitigation and Reporting of Risk	
Please set out your management's views on your risk assessment process as it related to financial reporting.	Financial risks identified in the monthly Group Finance Report presented to Board. Audit Committee receive the latest available report for Scrutiny. The Group Risk Register is refreshed regularly and is a standing item on the Audit Committee agenda.
Please set out your management's processes for identifying and responding to risks of fraud.	The Acivico Company Governance Framework outlines the process for individuals to report potential irregularities or suspected fraud. The company also has an anti-bribery and fraud policy and anti money laundering policy. Training on anti-bribery and corruption (ABC) has been identified for inclusion in the Company's new e-learning platform go1. The Acivico Group Leadership Team are kept informed As outlined earlier, Acivico Audit Committee standing agenda also includes a statement to be made by both the BCC Assistant Director of Internal Audit and the Acivico Director of Finance and Resources to confirm that they are not aware of any matters concerning risk, internal control, and compliance. There has been one instance so far

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	which has been followed up through investigation and appropriate disciplinary action under existing HR procedures. BCC Internal Audit was informed and advice provided.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	See previous response
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	Fraud could occur during the procure to pay process, accepting cash within building control or an employee abusing the time recording system as examples. Acivico use separation of duties and weekly MI reporting checks to help mitigate against fraudulent activity. The Acivico Director of Finance and Resources further discusses this matter with External Auditors as part of the planning for the external audit.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	See earlier responses
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	For 2019/20 only one matter has been identified which has been investigated and referred for disciplinary action as part of existing HR policies and procedures.
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Acivico's process is outlined in the Company Governance Framework. BCC Internal Audit attend Acivico Audit Committee.

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	If required, the Acivico Director of Finance and Resources would notify the council.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	<p>The council (in its capacity as shareholder of Acivico) has a representative attend the Board meetings and therefore receives the monthly Acivico Group Finance report.</p> <p>Each month the Acivico Director of Finance and Resources meets with the Shareholder representative (BCC Chief Finance Officer or delegated representative) to discuss finance matters and any areas of concern of the Shareholder</p>
How would the company communicate any breach of GDPR requirements to the Council.	Acivico Governance Manager would investigate, report to the Group Leadership Team, Acivico Audit Committee, Acivico Board and then via the Shareholder representative
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	<p>Acivico currently secure nearly all their insurance policies via the council's insurance providers. A schedule of policies is available if required.</p> <p>Other specific insurances are based upon the company's identified needs such as Employment Tribunal Actions.</p>
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	No claims have been made against the company or its Directors that have not been reported to the company's insurers.

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	We are not aware of any current incidents that may lead to a claim.
Financial Statements	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Accounting policies are reviewed in accordance with FRS102 where applicable and other local policies, for example the debt policy. Acivico finance team members use both CIPFA and the Financial Reporting Council to keep up to date on accounting developments. Accounting policies are reviewed and presented to Acivico Audit Committee
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	An initial meeting has occurred with Acivico's external auditors to start planning for 2019/20 audit. Acivico has set up Acivico Traded Services Limited during 2019/20 which is currently dormant. This may start to trade towards the end of the financial year.

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	<p>There remain a number of activities in discussion with the Shareholder, relating to governance and the future operating model of the Acivico Group, which may impact on the financial statements.</p> <p>Finally, Acivico is implementing its own financial IT systems during 2019/20 which will impact on audit approach. External Auditors are aware of this change.</p>
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	At the time of returning this questionnaire, there are no known events
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any indemnities or guarantees that the company has received.	The council provide the guarantor for the lease of Louisa House and pension funds
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	The latest Audit Findings for 2018/19 saw a significant improvement.

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Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	<p>The loss of the Approved Inspector business activity. Whilst the company gained reaccreditation until 2024, the insurer's underwriters would not provide insurance (due to national market instability in the wake of the Grenfell tragedy).</p> <p>The revised Articles of Association for each company and the Governance Management Agreement (shareholder agreement) is in discussion with the Shareholder, which will influence the future operating model (and performance ability) of the company)</p>