

# BIRMINGHAM CITY COUNCIL

<b>AUDIT COMMITTEE</b> <b>26 JANUARY 2016</b>
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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON  
TUESDAY, 26 JANUARY 2016 AT 1400 HOURS IN COMMITTEE ROOM 6,  
COUNCIL HOUSE, BIRMINGHAM**

**PRESENT:-**

Councillor Burden in the Chair;

Councillors Afzal, Henley, Rice, Robinson, Tilsley and Wood.

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**NOTICE OF RECORDING**

- 846 The Chairman advised, and the Committee noted, that members of the press/  
public could record and take photographs except where there were confidential  
or exempt items.

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**MINUTES**

The Chairman in referring to Minute No 841, advised that the last sentence of  
the last paragraph should read 'It was felt **that** this point was covered fully in  
the governance statement.'

- 847 **RESOLVED:-**

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

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**MATTERS ARISING**

- 848 The Chairman advised that updates had been circulated to Members on  
various issues raised at the last meeting.

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**BIRMINGHAM INDEPENDENT IMPROVEMENT PANEL UPDATE**

- 849 Frances Done, Birmingham Independent Improvement Panel (BIIP), gave a  
verbal update:-

1. She referred to the recommendations of the Kerslake Report and  
outlined the role of the BIIP.

2. Regular progress reports were submitted by the BIIP to the Secretary of State for Communities and Local Government, the most recent letter being sent on 11 January 2016.
3. The BIIP had recently met with the Corporate Leadership Team regarding the Council's progress in addressing the issues raised within the Kerslake Report.
4. The BIIP was due to submit an assessment in March 2016 to the Secretary of State for Communities and Local Government.
5. The Kerslake Report had evolved into the Future Council Programme.
6. There was a strong feeling that came across that the Council was 'risk averse'. She referred to risk management and the role of the Audit Committee.

Councillor Tilsley declared an interest as Chairman of the Audit Committee for Birmingham Airport which was detailed in the report on group company governance due to be considered later in the meeting.

The following were amongst the points made by Members:-

1. The Audit Committee should not duplicate the work of other committees.
2. The Committee comprised elected councillors and it was difficult to maintain continuity of Members serving thereon.
3. It was important to ensure that all risks were covered and 'owned' and that there was a sufficiently robust risk register in place.
4. Being 'risk averse' was a cultural issue. There needed to be a move towards a simpler and less bureaucratic way of working. One of the biggest risks at present related to the operation of partnership and contract documents.
5. The Audit Committee provided a formal method of challenging the Executive.
6. A review of governance to look at past successes, the current situation and future proposals was suggested.
7. There was a need for cultural change and the establishment of a Combined Authority was welcomed. It was important to build up a level of trust.
8. There was sometimes a misuse of the word 'partnership' as often the Council had actually 'procured' a service.

9. It would be useful to have a clear idea as to which committees should be challenging certain risks. The Committee was due to receive an update of the corporate risk register in March 2016 and it was suggested that the future role of the Audit Committee could be considered at that meeting.

Frances Done responded to Members' questions and the following were amongst the points made:-

1. The Audit Committee fulfilled a very important role.
2. It was very important for the Council to be open in all matters. The Council had an obligation to be accountable in many different ways.
3. It was important to learn from Kerslake.
4. It was recognised that cross party working on some issues could be advantageous.
5. The previous system had enabled Members to build up a greater understanding and knowledge of a particular subject through serving on the same committee for several years.
6. Phil Jones, Grant Thornton, pointed out that the role and functions of the Audit Committee differed between local authorities. Birmingham City Council was very big and therefore had larger risks than smaller authorities.

The Chairman thanked Frances Done for attending the meeting.

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### **GRANT THORNTON – PROGRESS REPORT**

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Phil Jones and Richard Percival, Grant Thornton, gave a brief update and advised that the audit plan was due to be submitted to the next meeting scheduled to take place on Tuesday, 15 March 2016.

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### **COUNCIL BUSINESS PLAN AND BUDGET 2016+ DELIVERY**

The following report was submitted:-

(See document No 1)

Jon Warlow, Strategic Director – Finance and Legal, introduced the report and, in response to Members' questions, the following were amongst the points made:-

1. A large proportion of the budget covered specific services and statutory requirements.

2. With regard to achieving current year savings, it was expected that the Council would come within budget.
3. Further information and progress regarding tracking the budget would be reported to future meetings.

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**RESOLVED:-**

That the report be noted.

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**THE LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REPORT 2014/15**

The following report of the Chief Executive was submitted:-

(See document No 2)

Miranda Freeman, Senior Liaison Management Officer, introduced the report and, in response to questions, the following were amongst the points made:-

1. With regard to continuous improvement, the Committee was advised that, when an ombudsman complaint resulted in a settlement, the appropriate director was notified of the outcome so that lessons might be learned to avoid a similar case in the future.
2. Any specific issues relating to housing were referred to the strategic director in a quarterly analysis which she shared with her senior management team.
3. With regard to issues that had not been referred to the ombudsman, the Council had a procedure in place, known as 'Your Views', to deal with complaints, comments and compliments. This fell within the remit of the Deputy Leader's portfolio. Craig Price, Acting Assistant Director, Audit and Risk Management, undertook to provide further information on the procedure and monitoring etc.
4. With regard to the number and type of ombudsman cases received, Members requested information on how Birmingham City Council compared with other local authorities. However, it was recognised that Birmingham was the largest local authority in the UK and was therefore likely to receive the most complaints.

The Chairman thanked Miranda Freeman for attending the meeting.

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**RESOLVED:-**

That the report be noted.

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**GROUP COMPANY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT**

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 3)

Sarah Dunlavey, Assistant Director, Financial Services, introduced the report.

Richard Percival, Grant Thornton, drew Members' attention to appendix 1, page 26, which set out Birmingham Airport's response to a question concerning matters and events which occurred during the year that could influence their audit approach or the City Council's consolidated financial statements. He made particular reference to the fact that the airport must adopt FRS102 (new UK GAAP) for its accounting in 2015/16 and restate 2014/15 on the same basis to form the comparative year in the 2015/16 financial statements.

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**RESOLVED:-**

That the proposed actions set out in the report be noted.

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**GRANT THORNTON – CERTIFICATION OF CLAIMS AND RETURNS 2014/15**

The following letter from Grant Thornton was submitted:-

(See document No 4)

Phil Jones, Grant Thornton, introduced the letter.

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**RESOLVED:-**

That the letter be noted.

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**REPORT ON CONTRACT MANAGEMENT INVESTIGATIONS**

The following report of the Assistant Director – Corporate Procurement was submitted:-

(See document No 5)

Nigel Kletz, Assistant Director – Corporate Procurement, introduced the report.

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**RESOLVED:-**

That the progress of the contract management investigations be noted.

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**FUTURE AGENDA ITEMS**

**A. Membership of the Audit Committee**

The Chairman undertook to write to each of the respective group leaders regarding the composition of the Audit Committee and the importance of trying to maintain continuity of Members serving thereon.

**B. Role and Functions of the Audit Committee**

Members agreed that a report be submitted to a future meeting outlining the areas currently covered by Overview and Scrutiny Committees and the Audit Committee to identify any gaps that might be included in the future role and functions of this Committee.

**C. Mapping Exercise**

Members agreed that a mapping exercise be undertaken and a report submitted to a future meeting regarding the risk management process.

856 **RESOLVED:-**

That the points raised in the pre-amble be noted.

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**DATES OF FUTURE MEETINGS 2016/17**

The Chairman proposed and it was:-

857 **RESOLVED:-**

That approval be given to a provisional scheduled of dates for 2016/17 for meetings of the Audit Committee on the following Tuesdays at 1400 hours in the Council House:-

**2016**

28 June  
26 July  
13 September  
22 November

**2017**

31 January  
28 March

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**OTHER URGENT BUSINESS**

858 No other urgent business was raised.

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**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.

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**EXCLUSION OF THE PUBLIC**

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**RESOLVED:-**

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

**Agenda Item etc**

**Paragraph of Exempt Information  
Under Revised Schedule 12A of the  
Local Government Act 1972**

Report on Contract Management 3  
Investigations