

BIRMINGHAM CITY COUNCIL

**AUDIT COMMITTEE
30 JULY 2018**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
MONDAY, 30 JULY 2018 AT 1400 HOURS IN COMMITTEE ROOM 6,
COUNCIL HOUSE, BIRMINGHAM**

PRESENT:-

Councillor John O'Shea in the Chair;

Councillors Afzal, Bridle, Jenkins, Shah, Tilsley and Webb

NOTICE OF RECORDING/WEBCAST

- 42 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.

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

APOLOGIES

- 43 Apologies were submitted on behalf of Councillor Trickett.

DECLARATIONS OF INTEREST

- 44 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.
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MINUTES

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RESOLVED:-

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

CORPORATE RISK REGISTER UPDATE

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

(See document No 1)

Sarah Dunlavy, Assistant Director, Audit and Risk Management, introduced the report and responded to Members' comments relating to the number of significant risks it now contained. She confirmed that when risks materialised they came off the register and provided a brief explanation of when a risk was also an issue.

In response to comments relating to Risk Nos. 42, 43, 26, 31, 34, 41 – it was requested that reports relating to those risks be submitted to Committee during this municipal year.

The Chair requested that a report be provided early autumn on Risk No. 6 Highway PFI and towards the end of the year Risk No. 40 Commonwealth Games.

Clive Heaphy, Strategic Director, referred to the National Audit Office report on the financial resilience of Local Government and explained how local authorities were becoming more reliant on reserves to balance their books due to the financial cuts and increased demand for services. He added that the problems this local authority was facing were not dissimilar from the sector as a whole and it was how those problems were dealt with which was the issue.

He referred to the re-introduction of the Star Chamber process and subsequently highlighted the merits for this. He stated that with the Cabinet Member for Finance and Resources, there were monthly star chambers with each of the directors and the cabinet member responsible for that portfolio, in order to ensure that all were working to drive the budget home and where there were any areas that were drifting off course, they would be pulled back on track through the process.

He highlighted the fact that there should not be the reliance on reserves to balance the budget, as it was a false economy for any authority to use reserves to support long-term spending rather than seek cuts in spending that have to be made. He confirmed that they would continue to bear down on robust plans in order to ensure there was delivery against the approved budget for this year and subsequently confirmed that work had started on 2019/20 budget process, adding that there had been a lot of political engagement as well as a lot of thinking around various ideas in order to create a balanced budget without the

use of reserves. He added that the principle of setting a budget without the use of reserves was one that he was trying to ensure was adhered to by the local authority, as it was the correct way forward in the long-term.

Clive stated that budgets were monitored monthly and whilst explaining the difficulties in reporting the information on a regular basis due to various cycles, confirmed that they were looking to see whether changes could be made in order that information was more readily available.

The Chair stated that the financial situation needed to be reported regularly to this Committee as it was part of its monitoring role. He suggested that with the information provided by the monthly monitoring reports which would illustrate whether reserves were going to be used for this year that this information was submitted to the Committee in the autumn.

Upon further consideration it was:-

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RESOLVED:-

- (i) That the Committee agrees that the information provided by directorates and risk ratings are reasonable and the action being taken is effective, or if further explanation/information is required. Approval was sought for the following:-

Risk 18 – (Alternative Delivery Models) has undergone a thorough review and has been reworded and re-risked;

- (ii) that approval be given to the deletion of the following risk for the reasons set out in the report:-

Risk 3 (Schools PFI) as the immediate concern over PFI gap has been met. Longer term concerns are now being considered which will be managed locally or re-submitted onto the CRR;

- (iii) that approval be given to the following six new risks:-

- a) Risk 38 – Enterprise Zones – to manage in line with its delivery plan.
- b) Risk 39 – HS2 – BCC role to facilitate its delivery.
- c) Risk 40 – Athletes Village – Commonwealth Games.
- d) Risk 41 – School deficits – national funding arrangements have resulted in real term funding reductions and Dedicated Schools Grant – High Needs element.
- e) Risk 42 – Travel Assist – cost of provision and ability to deliver the agreed level of service.
- f) Risk 43 – Early years and Well Being Contract

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- (iv) Reinstate removed risk in March 2018 on Allowance Payments – New risk 44.
- (v) A new category of risk – “Service Delivery” has been added.

STATEMENT OF ACCOUNTS 2017/2018

At this juncture, the Chair proposed the amendment in 2.1 of the recommendation to ‘note the audit letter’ and following a vote of (4) in favour (3) against – the amendment was carried.

Phil Jones, Grant Thornton briefly explained the change of practice that had been adopted this year with the Audit letter and the Audit Findings report being publicised closer together rather than having a gap between them. He added that the letter was a summary of the matters included within the report and that it contained no new material.

The Chair confirmed that the information detailed in the report and letter would not only be discussed today but also at the next City Council meeting.

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

(See document No 2)

Martin Stevens, Head of City Finance Accounts, introduced the report and made particular reference to 4.5 of the report.

The Audit Findings Year Ending 31 March 2018 was submitted:-

(See document No 3)

Phil Jones and Laura Hinsley, Grant Thornton, whilst introducing the report highlighted the recent improvements to the financial reporting that had been made by the City Council and commended the work that had since taken place with the new administration and management team in place.

Sarah Dunlavey, Assistant Director, Audit and Risk Management, responded to Members’ comments by providing a brief explanation of the agile audit plan and the work that had been shared with the external auditor albeit retrospective, highlighting that they would rather be undertaking reviews whereby any emerging issues were stopped at source.

Clive Heaphy made reference to the special piece of audit work that had been undertaken by Sarah relating to Acivico and highlighted that Audit was involved as soon as it was apparent that there were issues. Discussions with both the internal and external auditors had taken place and it was highlighted the good working relationship between Birmingham City Council and Grant Thornton.

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Clive Heaphy, responded to Members' comments by confirming action was being taken to recover the payroll debt from an individual and regarding Purchase Orders, stated that the regulations were in place, however, where it was highlighted that there were control weaknesses, they were addressed accordingly with the individual concerned, to ensure that they fully understand the reason for having a matching process in the first place.

Phil Jones introduced the Annual Audit Letter – year ending 31 March 2018 and following Members' comments subsequently explained the appropriate process that was followed previously by the City Council under Section 24 of the Local Audit and Accountability Act 2014.

(See document No 4)

Councillor Tilsley declared a non-pecuniary interest as a trustee of Millennium Point.

Clive Heaphy responded to Members' questions relating to 'compensation for loss of office' and confirmed that due to the confidentiality agreement was unable to speak about this.

The Chair suggested that the item be discussed further in private.

At this juncture, the Chair thanked Phil, Laura and Tess for their reporting and subsequently wished Laura well in her parenting role.

Upon further consideration it was:-

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RESOLVED:-

That the Audit Committee:

Noted the Audit Findings Report from Grant Thornton and accept the recommendations in Appendix A of that report;

Noted the written recommendations issued under Section 24 of the Local Audit and Accountability Act 2014;

Noted the Draft Annual Audit Letter;

Approved the Annual Governance Statement included in the Statement of Accounts for 2017/18;

Approved the Letter of Representation from the Corporate Director, Finance & Governance;

Approved the Statement of Accounts for 2017/18.

DATE OF THE NEXT MEETING

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48 The next meeting is scheduled to take place on Tuesday, 25 September 2018 at 1400 hours in Committee Room 6.

At 1610 hours, it was agreed by the Committee to exclude the public in order to discuss the item relating to 'compensation for loss of office'.

EXCLUSION OF THE PUBLIC

RESOLVED:-

That, in view of the sensitive nature of the discussion due to take place the public be now excluded from the meeting.

AUTHORITY TO CHAIRMAN AND OFFICERS

49 **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.
