

## Birmingham City Council

### Report to Cabinet Committee – Group Company Governance

5 June 2019



**Subject:** Group Company Governance – Section 24 Recommendations

**Report of:** Clive Heaphy, Corporate Director, Finance & Governance

**Relevant Cabinet Member:** Councillor Brigid Jones

**Relevant O &S Chair(s):** Councillor Sir Albert Bore

**Report author:** Martin Stevens

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

#### 1 Executive Summary

- 1.1 This report sets out the progress to date in implementing actions to mitigate the recommendation raised by the External Auditor under Section 24 of the Local Audit and Accountability Act 2014 that was included in his Audit Findings Report published on 30 July 2018. The specific recommendation related to the Council's understanding of the financial position of its related companies and the Council's responsibility for their liabilities.

#### 2 Recommendations

- 2.1 Members are recommended to note the progress in delivering the necessary actions to mitigate the issue raised by the External Auditor.

### **3 Background**

3.1 The External Auditor issued his Audit Findings Report (AFR), which was considered by Audit Committee at its meeting on 30 July 2018. Contained within the AFR were a number of recommendations made under Section 24 of The Local Audit and Accountability Act 2014. Recommendations made under Section 24 had to be considered by full Council, which took place on 11 September 2018.

3.2 The External Auditor identified within one of his Section 24 recommendations that the financial position of companies and the Council's responsibility for their liabilities has not been well understood or reported by the Council. The external auditor went on further to state that the Council had not always had sufficient accurate information upon which to make decisions relating to the companies created in order to mitigate risk and that governance arrangements had not been adequate to enable companies' activities to be monitored. The auditor's specific recommendation in respect of companies was that the Council needs to:

“ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and Council representation on subsidiary body boards, to ensure that emerging risks are monitored, reported and managed promptly.”

3.3 The Council needs to monitor its response to the recommendation to ensure that the proposed action to mitigate the weaknesses identified is being progressed. Attached at Appendix 1 is the latest progress report for Members to consider.

### **4 Options considered and Recommended Proposal**

4.1 This report provides information to Members on the actions taken to mitigate the matter raised by the External Auditor in his Audit Findings Report recommendation in respect of the Council's arrangements in operating through subsidiary, associate and other related companies.

### **5 Consultation**

5.1 The Chair of the Committee has been consulted

### **6 Risk Management**

6.1 This report concerns the delivery of the proposed actions to mitigate the concerns raised by the External Auditor in his Audit Findings Report following the audit of the Council's Financial Statements 2017/18.

### **7 Compliance Issues:**

**7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

- a) The Council operates and delivers services through a number of different vehicles. The Council needs to consider the risks of delivering through arms-length arrangements so that Council policies can continue to be implemented.

## **7.2 Legal Implications**

- a) The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

## **7.3 Financial Implications**

- a) There are no financial implications directly arising from this report.

## **7.4 Procurement Implications**

- a) There are no procurement implications directly arising from this report.

## **7.5 Human Resources Implications**

- a) There are no human resources implications directly arising from this report.

## **7.6 Public Sector Equality Duty**

- a) There are no specific Equality Duty or Equality Analysis issues relating to the proposals set out in this report.

## **8 Background Documents**

### **8.1 Audit Findings Report of the External Auditor – 30 July 2018**