

# Birmingham City Council Audit Progress Report

**Year ending 31 March 2021**

September 2021



# Contents



## Your key Grant Thornton team members are:

### Jon Roberts

#### Key Audit Partner

T 0117 305 7699

E Jon.Roberts@uk.gt.com

### Laurelin Griffiths

#### Senior Manager

T 0121 232 5363

E Laurelin.H.Griffiths@uk.gt.com

### Zak Francis

#### Manager

T 0121 232 5164

E Zak.Francis@uk.gt.com

### Kirsty Lees

#### Assistant Manager

T 0121 232 5242

E Kirsty.Lees@uk.gt.com

## Section

1. Progress at September 2021
2. Financial statements
3. Value for money arrangements
4. Audit deliverables

## Appendices

- Audit letter in respect of delayed VFM work

## Page

- 3
- 4
- 10
- 13

- 15

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 1. Progress at September 2021

## Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in February and March 2021, and in March we issued a detailed Audit Plan, setting out our proposed approach to the audit of the Council and group's 2020/21 financial statements.

We began our work on elements of your draft financial statements in late June, prior to their publication. Our audit then commenced fully after the financial statements were published on 1 July 2021, and has been completed remotely.

Our materiality levels remain the same as reported in our Audit Plan. Since the issue of the Plan, we have identified additional significant risks of material misstatement of the financial statements. Further information on these changes is included on the next page of this report.

We will report the full detail of our work, and our findings, in our Audit Findings Report to the October Audit Committee. We aim to give our opinion on the financial statements by 31 October 2021.

For Local Government audits, Regulation 10 of the Accounts and Audit Regulations 2015, as amended by The Accounts and Audit (Amendment) Regulations 2021 requires that a Category 1 authority should publish its approved statement of accounts, including publication on its website, by 30 September. Where the audit of the financial statements has not been completed by this date the authority should, as soon as reasonably practicable on or after this date publish on its website a notice stating that it has not been able to publish the statement of accounts and the reasons for this. We are in the process of agreeing appropriate wording for this notice with management.

As highlighted in our Audit Plan, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, including remote access of financial systems, and verifying the completeness and accuracy of information produced and provided remotely by the Council.

The finance team have been extremely helpful in enabling us to gain the assurance that we require for our auditor's opinion on the financial statements.

See section 2 of this report for detail of our audit progress and findings to date.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September 2021 or, where this is not possible, issue an audit letter setting out the reasons for delay.

We will not be in a position to issue our Auditor's Annual Report by 30 September 2021, and so we have included such a letter in an Appendix to this report.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is no more than three months after the date of the opinion on the financial statements.

Management have fully engaged with the new approach, and have been proactive in providing the information and evidence that we require in a timely and structured manner.

We aim to present our Auditor's Annual Report to the November Audit Committee, following the conclusion of our work.

See section 3 of this report for detail of work completed to date and our key findings.

# 2. Financial Statements

## Significant risks not communicated in the Audit Plan

### Risks identified subsequent to our Plan

### Commentary

#### Presumed risk of fraud in revenue recognition

##### ISA (UK) 240

Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

At the time of our audit planning, having considered the risk factors set out in ISA 240 and the nature of the revenue streams of Birmingham City Council, we determined that it was likely that the presumed risk of material misstatement due to the improper recognition of revenue could be rebutted.

The COVID-19 pandemic had a significant impact on the Council's financial performance, and although we remain satisfied that it is appropriate to rebut this presumed risk for the revenue of the Council during the year, we do not deem it appropriate to rebut this presumed risk for manually accrued income at the end of the financial year.

We have identified the completeness of accrued income transactions, and the completeness of the related debtor balances, as a significant risk. As a result of this, we extended our samples for the testing of transactions and receipts after the end of the financial year to reflect the heightened risk in this area.

During the audit it was identified that the Council had recognised both income and expenditure in relation to COVID-19 related grants which management now believe should have been excluded from the financial statements. For more detail on this, see page 9.

Our audit work is ongoing at the time of drafting this report, but work to date has not identified any other issues in respect of the Council's revenue recognition.

#### Risk of fraud in to expenditure recognition

##### PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.

Having considered the nature of the expenditure streams of Birmingham City Council, we did not consider this to be a significant risk for the Council at the time of our planning, however on the same basis as that set out above for revenue, we have identified the occurrence and accuracy of accrued expenditure transactions, and the existence and accuracy of the related creditor balances, as a significant risk.

We attempted to extend our samples for the testing of year-end manual creditor balances to reflect the heightened risk in this area. We were unable to reliably separate manually accrued expenditure from other creditor balances, and so we extended our sample testing across all accrued expenditure.

The adjustment relating to COVID-19 related grants referred to above will also lead to a reduction in the Council's expenditure in-year.

At the time of writing this update we have not identified any issues or errors relating to non-occurrence of expenditure, but our testing of a sample of payments made after the end of the financial year has identified one item of spend that related to the 2020/21 year but had not been accrued. This testing is ongoing. The error identified is clearly trivial on its own, but we will consider the potential wider impact if this error were representative of the wider population once this work is complete.

Our audit work is ongoing at the time of drafting this report, but work to date has not identified any other issues in respect of the Council's expenditure recognition.

# 2. Financial Statements

## Progress against significant risks identified

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

#### (ISA 240)

Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals recorded during the year and the accounts production stage, determined criteria for selecting high risk unusual journals, and identified unusual journals for testing to supporting documentation;
- gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regard to corroborative evidence; and
- confirmed that there have been no changes in the Council's accounting policies.

We will:

- test journals identified as unusual for appropriateness and corroboration;
- consider what additional testing is necessary as a result of the findings of our IT Audit team (see page 9 of this report for detail of these findings) and complete appropriate risk-based work; and
- continue to evaluate the rationale for any changes in estimates or significant unusual transactions.

We have not identified any instances of management override of controls at the time of drafting this report, but our work in this area remains ongoing, and the risk of management override is considered across all areas of our audit.

# 2. Financial Statements

## Progress against significant risks identified

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings

The Council revalues its land and buildings on a rolling, five-yearly basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management will need to ensure that the carrying value in the Council's (and group's) financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.

We therefore identified valuation of land and buildings, specifically council dwellings, other land and buildings and surplus assets, as a significant risk of material misstatement, and a key audit matter.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; and
- engaged our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations.

We will:

- challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
- test revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

We have identified a formula error in the calculations supporting the Property, Plant and Equipment disclosure note, meaning that elements of the additions and reclassifications amounts are misstated. This error is £13.9m, but is limited to the detail of the note with no impact on the balance sheet, and no impact on any of the totals within the disclosure note.

In recent years management have amended the annual valuation process, moving the valuation date closer to the year end in order to improve the accuracy of the year-end financial position. As a result of this, the 192 assets revalued this year as part of the rolling programme were last valued at 1 April 2015 (as part of the 2015/16 financial year). This means that the Council has not complied with the Code, which requires that assets are valued within a 5-year period. This is only a compliance point, and has no impact on the asset valuations incorporated into the 2020/21 financial statements.

The Council's property portfolio is large and complex, and a significant level of work is required to gain assurance over the reasonableness of the valuations included in the balance sheet. This work is ongoing at the time of drafting this update, and management and the Council's valuer are engaging well with the audit process.



# 2. Financial Statements

## Progress against significant risks identified

### Risks identified in our Audit Plan

### Commentary

#### Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;
- assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities; and
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the financial statements with the actuarial reports from the actuary.

We will:

- undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtain assurances from the auditor of the West Midlands Pension Fund (WMPF) as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the WMPF and the fund assets valuation in the WMPF financial statements.

Our work on the Council's pension fund net liability is ongoing at the time of writing this report. We have identified no issues from the work completed to date.

We have not yet received the requested assurances from the auditor of the West Midlands Pension Fund, although we are aware of a potential difference arising from their audit in relation to the valuation of the scheme's investment assets. The impact of this on the Council's net pensions liability is expected to be immaterial.

# 2. Financial Statements

## Progress against significant risks identified

### Risks identified in our Audit Plan

### Commentary

#### Valuation and completeness of the equal pay liability

Under ISA 540 (Auditing Accounting Estimates, including Fair Value Accounting Estimates and Related Disclosures) the auditor is required to make a judgement as to whether any accounting estimate with a high degree of estimation uncertainty gives rise to a significant risk.

We identified the valuation and completeness of the equal pay provision as a risk requiring special audit consideration, and a key audit matter.

We have:

- updated our understanding of the processes and controls put in place by management to estimate the equal pay provision;
- reviewed the assumptions on which the estimate was based;
- assessed the accuracy and completeness of the information used as the basis of estimating the liability, and reperformed the calculation of the estimate, on a sample basis where appropriate;
- confirmed that the estimate has been determined and recognised in accordance with accounting standards;
- determined how management have assessed the estimation uncertainty; and
- considered events or conditions that could have changed the basis of estimation, and the potential impact of any transactions or events after 31 March.

During our work we have identified that the draft financial statements disclosed the net of the movement of the provision reversed unused of £16.2mm and the additional provision made of £17.7m, rather than identifying these movements separately. This has been amended and has no impact on the provision value as at 31 March 2021.

We have not identified any other issues at the time of writing this report.



## 2. Financial Statements

### Other issues arising

Issue	Commentary
<p><b>IT control deficiencies</b></p> <p>To support the audit of the Council's financial statements for year ended 31 March 2021, Grant Thornton's IT Audit team has completed a design and implementation review of IT General Controls (ITGC) for applications identified as relevant to the financial audit.</p> <p>The findings from this work inform our risk assessment and planning procedures, and determine whether, and how much, reliance can be placed on the operation of the Council's systems for the purposes of our substantive testing.</p>	<p>This work was undertaken in June and July 2021. A number of deficiencies have been identified through this review, which have led to extended testing being undertaken as part of our substantive work. These findings are currently being discussed with management, and will be formally reported to the next meeting of the Audit Committee.</p>
<p><b>Recognition and Presentation of Grant Income</b></p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code.</p> <p>The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.</p> <p>The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>Due to the COVID-19 pandemic, there have been significant additional grants received and distributed by the Council during 2020/21.</p>	<p>During the audit it has been identified that in the draft financial statements the Council have recognised both income and expenditure in relation to COVID-19 related grants which management now believe should have been excluded from the financial statements.</p> <p>Work is ongoing to consider this adjustment, but management are proposing to remove £216.8m from both income and expenditure, on the basis that the Council was actually acting as agent in the arrangement, having no control over, or risk as a result of, the arrangements.</p>

# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the Council, but are not made as a result of identifying significant weaknesses in the Council's arrangements

# 3. Value for Money arrangements

We have not yet completed all of our VFM work and are not expecting to be in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix to this report. We are intending to issue our Auditor's Annual Report by 30 November 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

At the time of writing this report, we have substantively completed our overall review of the Council's arrangements covering the NAO's specified reporting criteria of 'Improving Economy, Efficiency and Effectiveness', 'Financial Sustainability', and 'Governance'. We have requested further information or evidence to support the responses provided by the Council in a small number of areas.

As part of our work, we have considered whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. At the time of writing this report we have identified the risks set out in the table below. Two of these risks (relating to the Council's SEND service and our IT Audit) have been identified since the issue of our Audit Plan. Our work on these risks is underway and an update is set out below.

Risk of significant weakness	Work performed to date
<p><b>Financial impact of the Commonwealth Games</b></p> <p>In previous years we have identified that the cost of hosting the Commonwealth Games (the Games) could impact on the Council's future financial sustainability.</p> <p>Over the course of the 2019/20 financial year, substantial cost pressures arose that exceeded the level of contingency included within the Full Business Case for the Games, resulting in the requirement for a revised case to be reported to Cabinet only nine months later, in March 2020.</p> <p>Our VFM conclusion was qualified in this regard in 2019/20. Since then, COVID-19 has had a significant impact on the planning and preparation for the Games.</p>	<p>As part of our work in the 2019/20 year, we recommended that the Council take action to address the shortfall of £25m in partner funding for the capital expenditure budget in the second half of 2021/22 and 2022/23 in order to mitigate the financial impact of the Games.</p> <p>Partner contributions have not be forthcoming as originally expected, mainly due to the COVID-19 pandemic, the Council has made provision for this within the capital programme from capital contingency.</p> <p>We are also considering the latest governance arrangements for the delivery of the XXII Commonwealth Games, and will look to establish how the Council identified, managed and monitored this risk during the year, and how this has been formally reported within the Council's governance structure.</p>
<p><b>Contractual arrangements relating to the highways PFI scheme</b></p> <p>The Council and Birmingham Highways Ltd are currently in the process of procuring a long-term subcontractor for the Council's highways PFI scheme. During this process there is the potential for significant change to the agreement between the Council and BHL, and for the level of service delivered by the future contract to be reduced.</p> <p>Our VFM conclusion was qualified in this regard in 2019/20.</p>	<p>As part of our work in the 2019/20 year, we recommended that the Council work towards completing negotiations as a matter of priority, in order to ensure that a new, permanent solution can be put in place as soon as reasonably possible to achieve best value for money.</p> <p>We also recommended that the Council ensured that proactive monitoring and management of the contract between BHL and Kier is taking place, in order to mitigate the financial risk to the Council created by their agreement to ensure that BHL remains solvent by paying its reasonable operational costs during the interim period.</p> <p>Grant Thornton staff with specific PFI expertise have begun discussions with Council staff regarding the latest position, including discussions with the Department for Transport. For the purposes of this work we are focussing on arrangements in place during the 2020/21 financial year, although we are aware that there have been significant developments since the end of the financial year. We will consider these developments insofar as they provide evidence relating to the in-year arrangements.</p> <p>We are also considering the progress made in the process of retendering the contract, and will look to establish both how the Council identified, managed and monitored this risk during the year, and how this has been formally reported within the Council's governance structure.</p>

# 3. Value for Money arrangements

## Risk of significant weakness

### Waste service continuity and industrial relations

In previous years we have identified a VFM risk regarding the governance arrangements in relation to the waste dispute. This has also been the subject of previous Statutory Recommendations issued by Grant Thornton in July 2018 and March 2019.

The Council commissioned an independent review of the Waste Service in 2019, but this has not yet concluded. As part of our VFM work in 2019/20, we recommended that the Council continue to work closely with the independent reviewer, to ensure that phase 2 of the review was completed in a timely manner.

## Work performed to date

As part of our work in the 2019/20 year, we recommended that the Council continued to work closely with Wood to ensure that Phase 2 of the independent review was completed as soon as practically possible, and ensured that it maintained effective and consistent relations with its trade union partners regardless of any future changes to the waste service delivery model.

We will review the governance arrangements in place for the Waste Service, and consider the progress made by the Council to review other options for the delivery of the refuse collection service. We are aware that the Council are waiting for the results of Government's Waste to Resources consultation before progressing the review further, and will consider this as part of our work.

### Potential impact of a lack of stable leadership due to significant level of turnover of key staff and officers

In recent years the Council has been subject to a significant level of change in senior individuals and officers. Since 1 April 2019, the Council has had four Chief Executives, two Chief Financial Officers, and four Monitoring Officers, and for the 2020/21 financial year, both the Chief Executive and the Chief Financial Officer have been interim posts.

There is a risk that this level of change could weaken the Council's governance arrangements, as a result of a lack of leadership stability.

We have requested information and supporting evidence relating to the Council's arrangements for ensuring continuity in operations during and following changes in key staff and officers, as well as any relevant handover arrangements for specific changes in staff during the 2020/21 financial year.

This information has been provided. Through review of this information, and inquiry of relevant individuals, we will gain an understanding of the processes undertaken by the Council to ensure that any instability resulting from the changes in the leadership team during the financial year were minimised.

### Governance arrangements in relation to required improvements in SEND services

In May 2021, Ofsted and the CQC revisited the local area of Birmingham to decide whether sufficient progress has been made in addressing the areas of significant weakness detailed in the written statement of action issued in September 2018.

The formal findings from this revisit identified that the area has not made sufficient progress in addressing 12 of the 13 significant weaknesses identified at the initial inspection.

We will gain an understanding of the governance arrangements that the Council put in place to ensure that the required improvements were being made, and how progress against the Written Statement of Actions was measured and monitored.

We will also look to establish both how the Council identified, managed and monitored this risk during the year, and how this has been formally reported within the Council's governance structure.

### IT Audit findings and planned changes to the Council's general ledger

As discussed on page 9 of this report, our IT Audit team have identified a number of deficiencies through their review of the Council's ITGC's, which have led to extended testing being undertaken as part of our substantive work.

In addition, we are aware that there have been significant delays to the implementation programme for the Council's new general ledger system. Significant revisions to the planned delivery timelines and budgets were approved by Cabinet in March 2021.

Our IT Audit work has identified issues with user access permissions for a number of years, which the Council have not addressed.

Grant Thornton staff from our IT Audit specialist team have held discussions with Council staff regarding the latest position and progress made on the planned implementation of the new general ledger system.

These discussions have identified a number of recommendations, some of which should be actioned in September 2021 to ensure that further risks to the delivery of the planned 'go live' date of April 2022 are minimised. We will include more detail on these findings in our AAR.

# 4. Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	March 2021	Complete
<b>Interim Audit Findings</b> We will report to you any findings arising from our audit and our value for money work within our Progress Reports.	July 2021 September 2021	Complete In this report
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the October Audit Committee.	October 2021	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statements.	October 2021	Not yet due
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money work.	November 2021	Not yet due

# Appendices

# Audit letter in respect of delayed VFM work

Councillor Fred Grindrod,  
Audit Committee Chair  
Birmingham City Council  
Woodcock Street  
Birmingham  
B7 4BL

Dear Cllr Grindrod, Chair of Audit Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Jon Roberts  
Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor





© 2021 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.