

Report to:	AUDIT COMMITTEE
Report of:	Interim Chief Finance Officer
Date of Decision:	26 January 2020
Subject:	AUDIT FINDINGS REPORT

Wards affected: All

1 Purpose

- 1.1 At its meeting on 25 November 2020, Members considered the External Auditor's Audit Findings Report (AFR) on the Council's financial statements, which summarised the significant outcomes, conclusions and recommendations from their work to date.
- 1.2 At that time, whilst the external auditors had completed the substantial proportion of their audit of the financial statements, there remained a number of elements where further work was required. Following the completion of the work, the external has issued a revised Audit Findings Report, attached as appendix 1.
- 1.3 The revised AFR contains 13 new recommendations and follows up on 5 recommendations from prior years. Management responses, attached at appendix 2, are now submitted for review and approval.
- 1.4 Progress in implementing action to meet the recommendations has also been identified for the external audit recommendations.

2 Decisions recommended:

Members are recommended to:

- 2.1 Note the revised Audit Findings Report
- 2.2 Approve the management responses, attached as Appendix 2, to the recommendations set out in the Audit Findings Report
- 2.3 Seek reports to future meetings of this committee on progress in implementing the actions proposed in response to the recommendations.

Contact Officer: Rebecca Hellard
Telephone No: 0121 303 2950
E-mail address: rebecca.hellard@birmingham.gov.uk

Contact Officer: Martin Stevens
Telephone No: 0121 303 4667
E-mail address: martin.stevens@birmingham.gov.uk

3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The coverage of the Audit Findings Report, Annual Audit Letter and actions highlighted in this report are consistent with the policy framework and budget.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
The work of the external auditors is governed by the Code of Practice issued by the National Audit Office in accordance with the Local Audit and Accountability Act 2014.
- 3.4 Will decisions be carried out within existing finances and resources?
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
The Audit Findings Report includes details on activities where the External Auditor has identified that the Council can make improvements or reduce risks in its operations. This report provides a response as to how the recommendations made will be addressed.

4 Relevant background/chronology of key events:

- 4.1 The external auditor's Audit Findings Report (AFR) was considered by this committee at its meeting on 25 November 2020. Included within the AFR were details of work that still remained to be completed. This work has now been completed and a revised AFR has been produced.
- 4.2 The revised AFR includes additional recommendations in respect of:
- Consideration of the impact of assets that are valued at less than £50,000, which are assumed, on the basis of de minimis, to have a nil value
 - The disclosure of the Council's capital commitments had been based on business cases and estimated spend rather than on contracted amounts and actual expenditure
 - The valuation of the Council's Think Tank heritage asset is based on insurance value rather than on a formal valuation of the asset
- 4.3 The revised AFR also includes an additional two items in respect of unadjusted errors and uncertainties relating to:

- An uncertainty in respect of asset values based on movement in values between the date of valuation and the balance sheet date. As the auditor has explained, this is not necessarily an error but is an uncertainty in the valuation.
- Extrapolated error in West Midlands Pension Fund asset valuations. The figure identified is an extrapolation of an error based on a sample of asset values.

The uncertainties identified are not material to the Council's accounts.

- 4.4 Management responses to the recommendations contained with the revised AFR are set out in Appendix 2.
- 4.5 Further reports will be provided to this committee setting out the progress in implementing the proposed activity in response to the recommendations set out in the AFR.
- 4.6 The external auditor has also issued the Annual Audit Letter to the Council which is a statutory report of their activities for the year. The Annual Audit Letter is considered later at this meeting.

Signature:

.....
Rebecca Hellard, Interim Chief Finance Officer

Appendices

Appendix 1 – Revised Audit Findings Report

Appendix 2 - Management Response to Audit Findings Report Recommendations