

## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Strategic Director – Finance and Legal</b>
<b>Date of Decision:</b>	<b>31 January 2017</b>
<b>SUBJECT:</b>	<b>GROUP COMPANY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT</b>
<b>Wards Affected: All</b>	
<b>1. Purpose of Report</b>	
1.1 A recommendation was made in the Annual Audit Letter 2013/14 regarding the Council's Group entities in relation to the overall governance controls needing to represent best practice.	
1.2 This report covers those Group entities considered material and consolidated with the Council's accounts. These entities have provided responses to a set of questions to provide assurance around governance and controls which is attached as Appendix 1.	
<b>2. Decisions recommended:</b>	
2.1 To note the processes in place to improve governance of Group entities.	
2.2 To note the responses received to inform the audit risk assessment.	

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### **3. Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies:  
The production of annual Group accounts is a Statutory requirement.
- 3.2 Relevant Ward and other Members /Officers etc. consulted on this matter:  
The Chairman of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):  
Section 151 of the Local Government Act requires the Strategic Director – Finance and Legal (as responsible officer) to ensure proper administration of the City Council's financial affairs.
- 3.4 Will decision(s) be carried out within existing finances and resources?  
Yes.
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):  
The issues raised in this report are largely of a technical financial nature.

### **4. Relevant background/chronology of key events:**

- 4.1 The Councils' auditors highlighted concerns in the 2013/14 Annual Audit Letter as follows:  
"The Council has significant financial interests outside of its core business. This includes companies owned through its group accounts structures (such as the NEC and Finance Birmingham), investments such as Birmingham Airport, and various partnership and accountable body activities such as the Advanced Manufacturing Supply Chain Initiative. Individual governance arrangements are in place for these activities but there is no overall assessment of the cumulative risk to the Council."
- 4.2 For the past 4 years and in response to the recommendation, Group entities have been asked to respond to a series of governance questions which are similar to the "Informing the Audit Risk Assessment" report that the Council completes each year.
- 4.3 An exercise is carried out each year to determine the "Group Boundary" i.e. to define which subsidiaries and associates' accounts are consolidated with the Councils' to produce the Group Accounts. This report includes assurance statements from those companies that meet the criteria for consolidation, including Finance Birmingham, Paradise and InReach for the first time. Appendix 1 is a collated set of responses to these questions.
- 4.4 Two companies that will be consolidated into the 2016/17 Group Accounts have not been required to respond to the assurance questions:
- 4.4.1 The National Exhibition Centre (Developments) PLC  
The Company was originally set up to raise finance, construct and operate exhibition halls 17-20 at the National Exhibition Centre. The Company issued £73m loan stock guaranteed by the Council and Loan Notes. Since

2010 the Council has held all of the Company's share capital and Loan Notes. Following the sale of the NEC Group in 2015, the sole function of the Company is servicing of the finance raised to fund the construction of halls and therefore the assurance questions do not apply.

4.4.2 PETPS (Birmingham) Limited (PETPS)

Following completion of the sale of the NEC Group by the Council on 1 May 2015, PETPS, a wholly owned subsidiary of the Council assumed the ongoing funding obligation of the NEC Limited Pension Fund and the NEC Executive Pension Scheme (The Schemes) with the agreement of the pension trustees. Although PETPS is legally responsible for funding the Schemes, due to the agreements in place the Council has economic responsibility, therefore the assurance questions do not apply

- 4.5 A review of governance was commissioned from Grant Thornton. The objective of the review was to recommend best practice. As part of the review an in-depth look at 5 organisations has taken place involving questionnaires, document reviews and individual meetings. The Review was reported to Cabinet on 26 July 2016. One of the outcomes of the review was the establishment of a Group Company Governance Committee.

**Signatures :**

Chief Officer: .....

Dated: .....

**List of Background Documents used to compile this Report:**

Audit Findings Report 2013/14

**Appendices**

Responses from:

Acivico

Birmingham Airport

Birmingham Museums Trust

Finance Birmingham

Innovation Birmingham

InReach

Paradise

Performance Birmingham

Service Birmingham

Question	Acivico Response
<p>Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.</p>	<p>Acivico uses the same systems and processes as Birmingham City Council. There are adequate internal controls within systems to help prevent, deter and detect fraud, errors or system anomalies.</p> <p>Compliance with controls is monitored by management as part of day to day governance arrangements and is reviewed by Internal Audit as part of delivery of the internal audit plan.</p> <p>Acivico's financial processes undergo continuous review and are constantly updated to reflect any changes required due to the operation of Acivico as a commercial company. All reviews are either reported through internal or external audit and significant findings reported to the Acivico Audit Committee, Acivico Leadership Team and Acivico Board.</p>
<p>Your Management's views on your risk assessment process as it related to financial reporting.</p>	<p>Acivico uses the same financial systems and processes as Birmingham City Council. There are regular risk assessments carried out by management and risks are addressed appropriately within the timescales identified as being high, medium, low risk. Financial reporting is corroborated by financial systems and are reviewed by external audit and internal audit as part of the delivery of the internal audit plan. A full risk assessment is also presented to the Strategic Partnership Board in Birmingham City Council as a requirement of the Acivico/Birmingham City Council contract, to the Acivico Audit Committee and to the Acivico Board, which has three Birmingham City Council members and currently one non executive officer as Directors.</p>

Question	Acivico Response
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	A new year end automated accruals system was used at the end of 2015/2016 and apart from some minor issues, this worked well. It is expected that this solution will be used again this year, but with the added aspect of including prior year accruals which it did not do in 2015/2016. This system will be tested during February 2017 and assuming all goes to plan will be used in the compilation of accruals for 2016/2017. If all does not go to plan with this solution, there is then time to bring in additional staff resources in order to meet the deadlines set for Acivico's accounts to form part of BCC's consolidated financial statements.
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	Accounting policies applied during the period are still appropriate and are to continue to be used in the future. These policies are reviewed regularly to determine if they are appropriate to the way in which Acivico now operates as a commercial entity and discussed at Senior Leadership Team within Acivico and/or Acivico Board. Discussions are also held with external auditors on the need to change any accounting policies as appropriate.
Your Management's processes for identifying and responding to risks of fraud.	Acivico uses the same systems and processes as Birmingham City Council and therefore uses the Council's Anti-Fraud and Corruption Policy and Fraud Response plan which set out the 'zero tolerance' stance to fraud. This is supported by Financial Regulations which require all suspicions of financial irregularity to be reported to Internal Audit. Fraud awareness information is available on PSPG, which Acivico has access to and electronic training material is available specifically targeted at managers.

<b>Question</b>	<b>Acivico Response</b>
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>Acivico uses the same systems and processes as Birmingham City Council and therefore Internal Audit provides the Acivico Audit Committee and the BCC Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken on behalf of Acivico.</p> <p>The Committee receives an annual report on fraud and updates on other initiatives eg National Fraud Initiative.</p>
Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified.	<p>Although there is an on-going risk of fraud being committed against Acivico, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on the internal audit plan for Acivico.</p> <p>The risk of material misstatement of the accounts due to undetected fraud is low.</p>
How management communicate to those charged with governance regarding business risks (including fraud).	<p>Acivico uses the same systems and processes as Birmingham City Council and therefore Internal Audit provides the Acivico Audit Committee and the BCC Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken on behalf of Acivico.</p> <p>The Committee receives an annual report on fraud and updates on other initiatives e.g. National Fraud Initiative.</p>

Question	Acivico Response
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>Acivico uses the same systems and processes as Birmingham City Council and therefore Internal Audit provides the Acivico Audit Committee and the BCC Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken on behalf of Acivico.</p> <p>The Committee receives an annual report on fraud and updates on other initiatives e.g. National Fraud Initiative.</p>
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	Any changes or events that would cause impairment to non-current assets would be reported to both the Senior Leadership Team of Acivico, to the Acivico Audit Committee and to the Acivico Board. As shareholder of the company a report would be completed on any such matters to the AD Finance in Birmingham City Council. Acivico has a limited number of assets, so there have not been any such events to report.
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	Senior Management are made aware in detail of any allegations of fraud as they affect them and their staff, via discussions with the Chief Executive and Head of Acivico Finance as appropriate. Serious fraud issues are also reported to the Acivico Board and the Acivico Audit Committee as appropriate, however, there have been none to date.
Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	Any events that would give rise to recognition or disclosure of significant accounting estimates are reported to both the Senior Leadership Team of Acivico, Acivico Audit Committee and to the Acivico Board. Such matters are also reported to the AD Finance in Birmingham City Council.

Question	Acivico Response
How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.	Acivico uses the same systems and processes as Birmingham City Council and therefore Internal Audit provides the Acivico Audit Committee and the BCC Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken on behalf of Acivico. The Committee receives an annual report on fraud and updates on other initiatives e.g. National Fraud Initiative.
How your organisation would communicate financial risks to BCC e.g. losses.	Monthly meetings with AD of Finance, BCC and meetings by exception, as necessary.



Question	Birmingham Airport Response
Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.	<ul style="list-style-type: none"> <li>• The Airport has a robust Internal Audit (IA) function which periodically reviews the financial functions and findings are reported through to the Airport's Audit Committee. IA reviews carried out during 2016/17 and as with previous years' support strong accounting and have highlighted no major concerns.</li> <li>• In addition the external audit review carried out by PwC on both the controls framework of The Airport, which is an equally important review for certifying accuracy of records, and the yearend statutory review have both demonstrated strong financial records and have highlighted strong controls and no major concerns.</li> </ul>
Your Management's views on your risk assessment process as it related to financial reporting.	<p>The risk assessment process is 'fit for purpose' and is supported by a robust internal audit function and external audit review. In addition we keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group.</p> <ul style="list-style-type: none"> <li>• Annually we set Budgets which outline the forthcoming year's expectations for financial and statistical results. Budgets are a useful function to benchmark and compare actual results against which could potentially highlight inaccuracies with accounting.</li> <li>• The Airport prepares Monthly management accounts (and adopted FRS102 (new UK GAAP) during 2015/16 and the monthly management accounts are being prepared on this basis), reporting actual results against budget on a monthly basis in a timely manner. In addition the report includes Key Performance Indicators (KPIs) which are traffic lighted (red, amber, green) which direct attention to variances from prior year and Budget. The process includes investigating variances to</li> </ul>

	<p>budget with any anomalies identified and followed through to resolution.</p> <ul style="list-style-type: none"><li>• The management accounts process is a thorough robust process and is able to disclose at any point in time the financial position of the company, subject to any processes that only occur at yearend such as actuarial valuations in accordance with accounting standard FRS17.</li></ul>
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Question	Birmingham Airport Response
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	None to report at this point in time.
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	<p>The financial statements continue to be prepared and comply with New United Kingdom Generally Accepted Accounting Practice (UK GAAP) following the adoption in 2015/16.</p> <ul style="list-style-type: none"> <li>• To the best of our knowledge using the experience and professional knowledge of staff and external guidance, the financial statements have been prepared in accordance with New UK GAAP and the Companies Act 2006.</li> <li>• It should be noted that during 2016/17 there have been no fundamental changes within The Airport which would raise any concerns with regard to financial statements being prepared consistently with previous years.</li> <li>• We have selected and applied consistently, suitable accounting policies that are relevant to the company's and group's business</li> <li>• The accounting policies adopted during the year are consistent with those applied in prior years.</li> <li>• Accounting Policies are considered with any new area which arises in the year.</li> </ul>
Your Management's processes for identifying and responding to risks of fraud.	<ul style="list-style-type: none"> <li>• Where risks of fraud are apparent or have been identified by internal audit or external auditors, management responds to these by reviewing existing controls and where necessary implementing additional controls.</li> <li>• Consideration to risks of fraud forms part of Management's processes, for example additional controls were implemented to reduce the risk of fraud on changing supplier bank account details.</li> </ul>

Question	Birmingham Airport Response
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>The Airport has a robust Internal Audit (IA) function which periodically reviews the financial functions and findings are reported through to the Airport's Audit Committee (AC).</p> <ul style="list-style-type: none"> <li>• The IA function reports to the Chair of the Audit Committee and reports independently from management to the AC three times per annum.</li> </ul> <p>The Executive Board (EB) of directors formally reports to the Board six times per annum, any concerns raised by the EB are followed up with further supporting work and reporting.</p>
Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified.	PWC identified during the economic downturn that there had been an increase in fraudulent activities in changing bank details held within supplier payment ledgers, with employee's changing bank details from supplier's details to their own personal details. Immediately following this awareness, The Airport increased its controls in this area and these were subsequently reviewed by the Internal audit and external auditors for satisfactory compliance.
How management communicate to those charged with governance regarding business risks (including fraud).	Internal Audit maintain a risk register which is updated by management and is reported to the Audit Committee three times per annum highlighting any changes.
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	Management are not aware of any events or changes in circumstances that would cause an impairment of non-current assets. Should there be an awareness of this situation then Management would report through the Executive Board and then subsequently through to the Board.
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	No fraudulent or irregularities have been identified by the Directors or the Internal and External audit process.

Question	Birmingham Airport Response
Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	<p>The Airport's judgements and estimates made are reasonable and prudent.</p> <ul style="list-style-type: none"> <li>• The Airport makes relatively few judgments and estimates in preparing the financial statements and where the directors have had to make provisions they are reasonable and prudent.</li> </ul> <p>The provisions held are subject to a timed release policy where any greater than three years old are subject to a phased release, provisions held with this policy highlighted during PwC's review and identified within their audit report.</p>
How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.	The Airport's Board and Audit Committee include representatives from BCC and therefore any fraud or suspected fraud would be reported to BCC via their representatives on these bodies.
How your organisation would communicate financial risks to BCC e.g. losses.	The Airport's Board includes representatives from BCC and therefore any financial risks would be reported to the Board and hence BCC would be informed through this channel.

Question	Birmingham Museums Trust Response
<p>Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.</p>	<p>There is a strong management focus on ensuring that an effective internal control environment is maintained and continuously improved. The financial control environment is well-established with appropriate systems, procedures, and segregation of duties.</p> <p>During 2016 the control environment was further developed based on a resilience project to strengthen financial systems and processes together with the financial management culture. In addition, steps have been taken to strengthen the supporting IT control environment, including a project to implement new ticketing and EPOS systems from early 2017, and we have further embedded our project management approach.</p> <p>The external audit for 2015-16 was concluded in June 2016 with Board approval of the accounts on 14<sup>th</sup> July. This <b>five month improvement</b> in the timeframe (previously accounts were not approved until December although figures were provided to BCC in line with the group timetable) reflected the underlying improvements in the control environment and represented a significant achievement. The external auditor expressed an unqualified opinion on the group accounts of Birmingham Museums Trust and the accounts of its subsidiary companies. The auditor has recognised the progress made in respect of the operation of systems and controls and has recommended some further improvements which management will address. The Trust is well-placed to meet the BCC Group timetable for 2016-17.</p> <p>The Audit Committee has overseen the first year of a new three-year internal audit programme and the audit recommendations will underpin further improvements in the control environment.</p>

<b>Question</b>	<b>Birmingham Museums Trust Response</b>
<p>Your Management's views on your risk assessment process as it related to financial reporting.</p>	<p>Risks related to financial reporting are identified and managed within the overall risk management framework and processes. Risk relating to financial reporting has been assessed and reviewed regularly and mitigating actions have been followed through. It is the overall responsibility of the Trustees, aided by the Executive Team, to approve Birmingham Museum's risk management strategy and to promote a culture of risk management awareness throughout Birmingham Museums. The Audit Committee reviews the risk framework each year to confirm that it remains fit for purpose; the Board receives the Audit Committee's recommendation and approves this.</p> <p>A detailed risk register is maintained and updated at least quarterly. It records the key strategic risks facing the business, and identifies actions being taken to mitigate these. The risk register is presented to Birmingham Museums Trust Audit Committee and Board where it is reviewed and discussed. The strategic risk register is supported by directorate and project risk registers.</p>

Question	Birmingham Museums Trust Response
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	<p>No known accounting matters or business events.</p> <p>Birmingham Museums Trust is continuing to work urgently with the BCC Executive Team to put appropriate long term governance arrangements in place before March 2017 including leases, a services contract, and a collections management agreement. The future VAT status of the Trust is also being determined and will need to be supported by a shared financial strategy, if necessary. If not resolved, these matters may have implications for the future of the museums service which would require disclosure.</p>
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	<p>The accounting policies as set out in the 2015-16 accounts were considered to remain relevant and appropriate as at July 2016 when the accounts were approved. The new charity accounting Statement of Recommended Practice was successfully implemented for 2015-16 and will continue to apply, together with FRS102, for 2016-17. The accounting policies are reviewed as a matter of course ahead of each annual audit. There are no changes in activities which would require accounting policies to be updated.</p>
Your Management's processes for identifying and responding to risks of fraud.	<p>The policy relating to fraud, irregularity and corruption is included in Birmingham Museums Trust's <i>Governance Guidance and Financial Regulations</i>. There is a clear process for reporting and investigating potential fraud, under the responsibility of the Director of Finance and the museum Director. Any incidents would be reported to the Board under the policy.</p>



Question	Birmingham Museums Trust Response
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>The Board approves the policy and processes for identifying and responding to risks of fraud. The Audit Committee and Board receive and review the External Auditor's report and management letter and also the Internal Auditor's reports.</p> <p>On behalf of the Board, management carry out an annual Related Party Transaction declaration process, maintain a register of gifts and hospitality and also a register of interests.</p> <p>The Audit Committee considers fraud risk within it wider remit on risk management.</p>
Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified.	<p>The main fraud risk in respect of transactions relates to the risk of false supplier bank account details being provided and accepted.</p> <p>To counter this risk the finance team obtains independent confirmation of all new supplier bank details and ensures segregation of duties between those updating supplier bank details and those processing or approving payments.</p>
How management communicate to those charged with governance regarding business risks (including fraud).	The Board receives and comments on a report on business risks at each meeting.

Question	Birmingham Museums Trust Response
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	<p>None identified in the short to medium term.</p> <p>An impairment review is carried out annually.</p> <p>The potential impact of the High Speed 2 (HS2) Birmingham terminal on both the Thinktank site and the Museum Collection Centre continues to be monitored.</p>
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None identified to date.
Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None identified to date.
How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.	<p>Management meet regularly with the BCC sponsor team. In addition, the Director and Chair meet BCC senior managers. The Director of Finance has regular contact with the BCC finance team. Any issues would be raised through these channels or through the Chair of the Trust's Audit Committee, as appropriate.</p>
How your organisation would communicate financial risks to BCC e.g. losses.	<p>BCC nominates two Trustees who are members of the Birmingham Museums Trust Board. In addition, a BCC senior officer attends Board meetings as an observer.</p> <p>BCC's nominees are fully informed of all matters relating to risk and finances as reported to the Board.</p>

<b>Question</b>	<b>Finance Birmingham Response</b>
Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.	<p>As an FCA regulated company, Finance Birmingham has good and comprehensive governance and risk policies.</p> <p>Financial controls exist and a full accounts audit is undertaken by a third party (currently Grant Thornton) on an annual basis.</p>
Your Management's views on your risk assessment process as it related to financial reporting.	The company's financial performance is reported at every Board meeting – any anomalies are reported immediately. BCC officers and Councillors attend FB board meetings.
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	None.
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	Accounting policies remain consistent – no changes required.
Your Management's processes for identifying and responding to risks of fraud.	The senior operations team meets weekly and any identified risk of fraud would be managed via this team, led by the Compliance and Regulation Director.
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>Any instances of fraud would be immediately reported to the Board by the CEO.</p> <p>Management ensures that there is the appropriate segregation of duties in place to ensure that the risk of fraud is minimised.</p>

<b>Question</b>	<b>Finance Birmingham Response</b>
Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified.	None.
How management communicate to those charged with governance regarding business risks (including fraud).	Through regular (weekly) operational meetings.
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	None.
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None.
Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None.
How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.	The CEO would report to the FB board and, at the same time, raise awareness with senior BCC officers.
How your organisation would communicate financial risks to BCC e.g. losses.	Through financial updates and review of management accounts at monthly board meetings.

Question	Innovation Birmingham Response
Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.	We have internal HR and financial policies which has been agreed with Management and are adhered to. These are reviewed and updated regularly. Management is happy with the internal controls in place but the management is always proactive in reducing the risks further by making any necessary changes to the controls as and when needed. Fraud is rare within the business.
Your Management's views on your risk assessment process as it related to financial reporting.	Management is confident that the Financial policies in place are sufficient to manage the financial reporting risks. These reports are also assessed by the external auditors, Grant Thornton who also produce an audit findings report which is reviewed by the Directors of the business.
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	The increasing time pressures placed on the company by the BCC requirements for the final accounts to be completed earlier to meet its requirements has meant that our year end accounts process and audit dates have been pushed earlier in the year to meet these tight deadlines.
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	No issues have arisen on the accounting policies used in the period and no significant changes in activities are planned. No issues were raised by our auditors during the audit.

Question	Innovation Birmingham Response
Your Management's processes for identifying and responding to risks of fraud.	We have an Executive Management team which formally meets regularly (at least twice a month). Any identified risk of fraud would be managed via this management team and would be monitored and managed via the company risk register. The formal risk register is regularly reviewed by Management and shared with the Directors of the business during the quarterly board meetings. The Risk Register is also reviewed in detail annually by the Board's Audit and Remuneration Committee.
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	Once the management team identifies risk of fraud, it would go onto the risk register and the management team would take the necessary steps to reduce the risk.
Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified.	No major area of potential fraud risk was identified by our auditors in 2015-16.
How management communicate to those charged with governance regarding business risks (including fraud).	The company's management team meet regularly (at least twice a month) and is responsible for managing business risk. During these management meetings, any potential risks would be communicated and managed.
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	Main asset we hold is the long term lease on Faraday Wharf and iCentrum. Management is aware that negative economic impacts along with occupancy figures falling significantly could result in an impairment of this asset. The property is valued each year either externally or by the Directors of the business. We also hold a shareholding in a new start up business. We receive regular board papers for this start-up company so any negative news would be communicated to our management team which may result in impairment.

<b>Question</b>	<b>Innovation Birmingham Response</b>
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	The Management is not aware of any allegations of fraud, errors or other irregularities during this period.
Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	Management is not aware of such type of transactions, events and conditions.
How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.	We have BCC representative on our board as directors and BCC officers who attend the meetings. So any fraud or suspected fraud would be communicated in the quarterly board meetings. We also are in regular communication with BCC officers who would also be made aware of any such concerns.
How your organisation would communicate financial risks to BCC e.g. losses.	Same as above. Also the company's Management team would work closely with BCC's finance department to communicate and resolve any financial risks.

<b>Question</b>	<b>InReach Response</b>
Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.	Birmingham Audit have recently reviewed controls and recommendations have been implemented
Your Management's views on your risk assessment process as it related to financial reporting.	Financial performance is reported monthly to InReach Project Board and at Shareholder Meeting
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	none
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	External accountant and auditors for InReach satisfied with accounting policies, no changes made which would require an update.
Your Management's processes for identifying and responding to risks of fraud.	InReach Project Board meets at least once a month, the risk register would be updated with any identified risks and managed via this. The risk register is reviewed on at least a quarterly basis
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	Monitoring is via the risk register which is reviewed on at least a quarterly basis.
Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified.	None have been identified.
How management communicate to those charged with governance regarding business risks (including fraud).	InReach Project Board meets at least once a month, any business risks identified are raised and document during these meetings
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	none



<b>Question</b>	<b>InReach Response</b>
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	none
Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	none
How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.	Any fraud or suspected fraud would be raised during the monthly InReach Project Board meeting and fed through to BCC Shareholder Meeting
How your organisation would communicate financial risks to BCC e.g. losses.	Financial risks would be highlighted at the Shareholder Meeting

Question	Paradise Response
Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.	<p>Paradise Circus Limited Partnership (PCLP), acting by Paradise Circus General Partner Limited (the Board) considers the internal control environment to be strong and the overall inherent risk to be low. PCLP is a joint venture between BCC and BriTel Fund Trustees Limited. The Board is responsible for the governance of the joint venture and any financial risks would be communicated to the Board. In addition, PCLP is subject to an annual external audit, performed by HW Fisher. No issues have been reported in relation to the overall control environment or systems of internal controls.</p>
Your Management's views on your risk assessment process as it related to financial reporting.	<p>The risk assessment process relating to financial reporting is considered to be strong, with appropriate levels of internal controls implemented across the business.</p>
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	<p>Paradise Circus' financial statements adopted FRS 102 for the first time in the 2015/16 year. The reported financial position and financial performance for the previous period are not affected by the transition.</p> <p>No further known matters or events.</p>
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	<p>The accounting policies as set out in the 2015/16 financial statements were considered to be relevant and appropriate as at 20 December 2016 when the financial statements were approved.</p> <p>The accounting policies are reviewed ahead of each annual audit and discussed with the external auditors as appropriate. There are no changes in the joint venture's activities which would require the accounting policies to be updated.</p>

Question	Paradise Response
Your Management's processes for identifying and responding to risks of fraud.	There are processes in place across the business to identify and reduce the risks of fraud. This includes the segregation of duties, approval levels and structure of financial reporting. No instances of fraud have been identified to date.
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	The Board receive and review the External Auditor's report and representation letter.
Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified.	Fraud risks are reviewed and considered annually, in particular in relation to business propositions or significant changes within the business. There were no significant audit or fraud risks noted in the paper presented to the Board by the External Auditor. The Board also signed the audit representation letter which contained several representations on the identification and prevention of fraud. The risk of material misstatement of the financial statements due to undetected fraud is low.
How management communicate to those charged with governance regarding business risks (including fraud).	The Board receives and comments on various reports on commercial business risks, and considers the entity's governance structure and processes at each meeting as appropriate.
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	None identified to date.
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None identified to date.
Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None identified to date.

<b>Question</b>	<b>Paradise Response</b>
How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.	Any instances of fraud or suspected fraud would be flagged at the regular Board meetings, which includes two representatives from BCC.
How your organisation would communicate financial risks to BCC e.g. losses.	PCLP is a joint venture between BCC and BriTel Fund Trustees Limited. The Board is responsible for the governance of the joint venture and any financial risks would be communicated to the Board. Joint venture reporting is completed on a quarterly basis and presented to the Board where the financial performance of the joint venture is discussed including any key financial/operational issues, risks or losses.

Question	Performances Birmingham Response
Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.	<p>The control environment is strong at performances Birmingham Limited (PBL) given the nature of the business (largely cash driven) and the need to pass on the majority of that cash to third parties (promoters, artists etc). There are a large number of controls and reconciliation processes in place in order to prevent problems occurring.</p> <p>In October 2016 PBL undertook a self-assessment of Internal Financial Controls recommended as good practise by the Charity Commission. The outcome of the review concluded that control was strong, but that minor actions could improve control still further. These actions are now being taken.</p>
Your Management's views on your risk assessment process as it related to financial reporting.	<p>The company's financial performance is reported at every Board meeting and Finance &amp; Scrutiny Group. Heads of Department (HoDs) receive monthly updates from the Head of Finance. Any unusual variances are reported and investigated immediately.</p>
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	None.
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	<p>The accounting policies are agreed as appropriate by PBL' external auditors. Currently there are no changes to activities to require them to be updated.</p>

Question	Performances Birmingham Response
Your Management's processes for identifying and responding to risks of fraud.	<p>PBL treats fraud extremely seriously and although the risk of fraud is high, the control environment seeks to prevent incidences. The highest risk is Box Office and Catering where high volumes of cash are handled.</p> <p>The actual incidence of fraud is negligible.</p> <p>Where there have been instances of fraud in the past, these have been dealt with immediately and reported to the Board.</p>
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>Any instances of fraud would be reported to the Board by the Head of Finance.</p> <p>Management ensure that there is the appropriate segregation of duties in place to ensure that the risk of fraud is minimised.</p> <p>Appropriate authorisation levels and counter-authorisation levels are set and enforced for all financial transactions and contracts.</p>
Fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	<p>Ticket sales and refunds: Processes and procedures are in place to ensure that all systems used in the transaction are reconciled. Any discrepancy is followed up and investigated immediately.</p> <p>Theft from bars and the shop: the risk of fraud is high but controls are in place to ensure the risk is minimised and defection high. There is a zero tolerance policy to fraud, which is considered a deterrent for what would be relatively low cash sums.</p>
How management communicate to those charged with governance regarding business risks (including fraud).	<p>Major business risks (including fraud) are reported in the Organisational Risk Register.</p> <p>The Risk Register is reviewed regularly by HODs and Finance &amp; Scrutiny Group on a monthly basis, and formally by the Board on an annual basis.</p>

<b>Question</b>	<b>Performances Birmingham Response</b>
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	None.
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None.
Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None.
How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.	PBL would raise any such issue with its Board, where there are two BCC representatives, and with its lead BCC officer; the Assistant Director, Culture and Visitor Economy.
How your organisation would communicate financial risks to BCC e.g. losses.	PBL's financial performance is reported to BCC on a regular basis. If further communication is need, this is done through the appropriate BCC Strategic Director.

Question	Service Birmingham Response
<p>Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review.</p>	<p>Service Birmingham Ltd Senior Management considers the internal control environment to be very strong and the overall inherent risk to be low.</p> <p>Service Birmingham Ltd is a Joint Venture (JV) between BCC and Capita plc.</p> <p>The JV Board forms part of the governance of the company and any financial risks or issues would be communicated to the board.</p> <p>In addition to the above the company is subject to yearly external interim and final statutory audit (performed by KPMG) and no issues have been reported in relation to the overall control environment or system of internal controls.</p> <p>The business is also subject to ISO20000 audit on a yearly basis. These audits have not identified any significant issues or concerns.</p> <p>Further to the above, Service Birmingham Joint Venture Governance and Accounting was subject to Capita Group Internal Audit review during June 2015. The Control Environment conclusion was rated 'Effective' and 'Risk Awareness and Responsiveness' was rated as Appropriate. No findings were raised from the sample testing undertaken.</p>



Question	Service Birmingham Response
Your Management's views on your risk assessment process as it related to financial reporting.	<p>The risk assessment process relating to financial reporting is considered to be strong and with appropriate levels of internal controls implemented across the business.</p> <p>Service Birmingham Ltd financial reporting process is fully aligned with Capita's financial reporting process, which is consistently applied across Capita Group. This process is subject to both external and internal audit.</p> <p>The Service Birmingham Ltd financial governance and reporting process has been designed and aligned to the business areas to ensure appropriate operational accountability, monitoring of financial performance and identification and timely reporting of key risks and issues.</p>
Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements.	None
The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated.	<p>Service Birmingham Ltd accounting policies are considered appropriate and are consistent with the prior financial year. There have been no changes in activities during the financial year which would necessitate a change or update.</p> <p>The accounting policies are also reviewed as part of the yearly external audit by KPMG and no issues/request for changes has been reported for the current or previous financial years.</p>

Question	Service Birmingham Response
Your Management's processes for identifying and responding to risks of fraud.	<p>Service Birmingham Ltd has put in place processes across the business to identify and reduce the risks of fraud. This includes but not limited to segregation of duties, approval levels, structure of financial reporting and operational MI.</p> <p>The Service Birmingham Risk Register is formally reviewed and updated by Senior Management Team on a quarterly basis. The Risk Register is also formally reviewed with Capita Group Risk.</p> <p>The internal Strategy and Policy team and Capita Group Risk are always informed and engaged at an early stage in case of any identified risks of fraud or specific cases.</p> <p>The financial processes and procedures in place also forms part of the ISO20000 audit.</p> <p>In addition to the above all Service Birmingham employees complete mandatory Fraud and Risk Awareness online course on a yearly basis.</p>
How those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>The Strategy and Policy team continuously assess the business risks and report to the Service Birmingham Ltd Senior Management team any concerns or risks identified.</p> <p>The processes and procedures in place also forms part of the ISO 20000 audit.</p>

Question	Service Birmingham Response
Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified.	<p>Fraud risks are continuously reviewed and considered and in particular in relation to business propositions or significant changes within the business.</p> <p>Capita Group Risk are always engaged and consulted at an early stage if needed to ensure the overall risk exposure to Service Birmingham Ltd is managed and limited.</p>
How management communicate to those charged with governance regarding business risks (including fraud).	<p>The business risks are identified and communicated by the Service Birmingham Ltd Senior Management team to the wider business and in particular the direct reports for each business area.</p> <p>All material transactions or business decisions are always reviewed and approved by the Senior Management team.</p> <p>In addition to the above all Service Birmingham employees complete mandatory Fraud and Risk Awareness courses on a yearly basis and ISO20000 training for relevant individuals.</p>
Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets.	<p>Service Birmingham Ltd Senior Management is not aware of any events or changes in circumstances which would cause an impairment of non-current assets.</p> <p>The proportion of non-current assets to total assets on the Service Birmingham Ltd balance sheet is very low (c. 3%).</p>
Your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	Service Birmingham Ltd Senior Management is not aware of any such material circumstances/events during the period.

Question	Service Birmingham Response
<p>Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.</p>	<p>Service Birmingham Ltd Senior Management is not aware of any such transactions, event or conditions relating to the current financial year.</p> <p>Capita Group financial technical experts are engaged in relation to any events/transactions which are of a non-standard nature and could have a significant accounting impact or require significant judgement. This ensures that the appropriate accounting treatment and financial consequences are completely understood.</p> <p>It is worth noting that in January 2017, the Revenues Collection Service has ceased operation within the Service Birmingham joint venture. A Deed of Variation is in place to cover this transfer of services back to the Council.</p>
<p>How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud.</p>	<p>Any significant fraud issues or suspected fraud would be communicated to BCC through the Joint Venture Board (see below) or the monthly Partnership meetings (BTSP) which are attended by both Service Birmingham Ltd and BCC key Senior Management.</p> <p>BCC Audit would also be notified of any instances of fraud or suspected fraud.</p>

Question	Service Birmingham Response
How your organisation would communicate financial risks to BCC e.g. losses.	<p>Service Birmingham Ltd is a Joint Venture (JV) between BCC and Capita plc.</p> <p>The JV Board forms part of the governance of the company and any financial risks or issues would be communicated to the Board.</p> <p>The Service Birmingham Monthly Operating Board (MOB) financial reporting cycle perform a review of financial assets, liabilities and profit and loss performance.</p> <p>JV reporting is completed and presented to the JV Board members on a bi-monthly basis where the financial performance of the JV is discussed incl. any key financial/operational issues, risks or losses.</p>