

**BIRMINGHAM CITY COUNCIL****PUBLIC REPORT**

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Strategic Director – Finance &amp; Legal</b>
<b>Date of Decision:</b>	<b>22 November 2016</b>
<b>Subject:</b>	<b>ANNUAL AUDIT LETTER</b>
<b>Wards affected: All</b>	
<b>1 Purpose</b>	
1.1	Each year, the Council's external auditors, Grant Thornton, are required to produce an Annual Audit Letter. This letter must be circulated to all members of the council. This Letter will be considered formally by Cabinet on 13 December 2016.
1.2	The external auditors have made a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014, which requires the Council to consider the matter raised at a public meeting and publish its response. The recommendation will be considered and the Council's response agreed by Council at its meeting on 10 January 2017.
1.3	The timescale that the Audit Findings Report was produced to in September precluded a detailed response to the recommendations made by the external auditor in that report. These are now concluded and submitted for review and approval.
<b>2 Decisions recommended:</b>	
2.1	To receive the Annual Audit Letter, attached as appendix 1 to this report.
2.2	To note the written recommendation, issued under section 24 of the Local Audit and Accountability Act 2014, contained within the Annual Audit letter.
2.3	To approve the management responses, attached as appendix 2, to the recommendations set out in the Audit Findings Report issued in September 2016.

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### **3 Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:  
The coverage of the Annual Audit Letter and actions highlighted in this report are consistent with the policy framework and budget. The preparation and approval of the Annual Audit Letter are statutory requirements.
- 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):  
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. The Code identifies the Annual Audit Letter as one of the means by which the auditor will discharge its responsibilities. The Annual Audit Letter is concerned with the council's management of all of its resources. Implications for finance, people, property and IT are set out in the body of the letter.
- 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):  
These are set out in the Annual Audit Letter, which emphasises areas where the external auditor feels significant risks to the council exists.

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

- 4.1 The Annual Audit Letter is the statutory report by the council's external auditor, Grant Thornton, of its activities for the year. The Annual Audit Letter covers the external audit of the council's financial affairs, the council's financial standing, value for money and overall performance. A copy of the Annual Audit Letter to members is attached as appendix 1 to this report.
- 4.2 The external auditors have included a written recommendation, made under section 24 of the Local Audit and Accountability Act 2014, which states that the Council needs to:
- Ensure that there is Council-wide commitment to delivering alternative savings plans to mitigate the impact of the combined savings and budget pressure risks in 2016/17
  - Demonstrate that it is implementing achievable actions to deliver its cumulative savings programme in the Business Plan 2017+, by:
    - revising savings programme from 2017/18 onwards to reflect the delayed or non-delivery of savings plans in 2016/17; and

- ensuring that all savings plans are assessed for both lead time to implement and delivery risk
  - Re-assess the impact of the combined savings and budget pressure risks on the planned use of reserves in 2016/17 and the impact of this on the reserves position from 2017/18 onwards.
- 4.3 The full Council is required to consider the written recommendation at a meeting held before the end of the period of one month of it being sent to the Council. This period may be extended with the agreement of the external auditor. Grant Thornton has agreed that it would be appropriate for the recommendation to be considered at the Council meeting on 10 January 2017.
- 4.4 At the meeting, the Council must decide:
- Whether the recommendation is to be accepted, and
  - What, if any, action to take in response to the recommendation.
- 4.5 The Council, as soon as practicable after making any decisions as detailed in paragraph 4.4 above, must:
- Notify the Council's external auditor of those decisions, and
  - Publish a notice containing a summary of those decisions which has been approved by the auditor.
- 4.6 The Audit Findings Report was considered by this committee on 12 September 2016 and the addendum to the Audit Findings Report is included in the agenda today. At the time of reporting to this committee, there had been no time to consider the management responses to the recommendations. There are now included as appendix 2 to this report for approval.

## **5 Recommendations**

- 5.1 To receive the Annual Audit Letter (appendix 1 to this report).
- 5.2 To note the written recommendation made under section 24 of the Local Audit and Accountability Act 2014.
- 5.3 To approve the management responses to the recommendations set out in the Audit Findings Report.

### **Signature:**

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Jon Warlow – Strategic Director – Finance & Legal