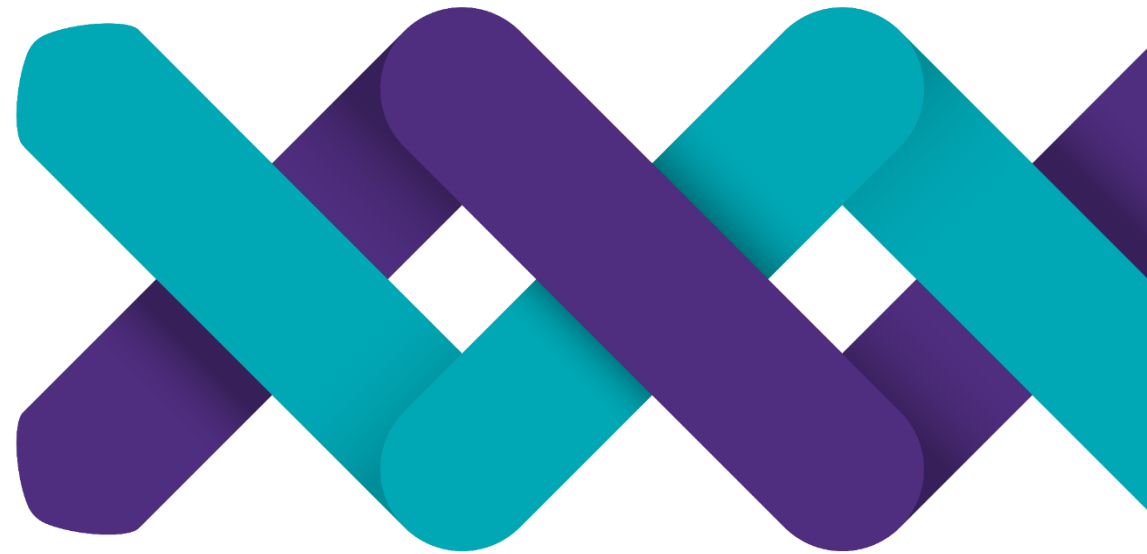


Audit Progress Report and Sector Update

Birmingham City Council
Year ending 31 March 2018

June 2018



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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- An update to the Audit Plan which was originally reported to the Audit Committee in March 2018.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at June 2018

Financial Statements Audit

We undertook our interim audit work between January 2018 and April 2018. Whilst from our audit procedures to date we have identified no significant matters which would impact on our original audit approach, we have identified two additional audit areas which require special audit consideration. One of these is deemed to be a key audit matter and has been included as a new significant risk to the three already highlighted in the original plan.

The one new additional significant risk has been identified as:

- Equal pay provision (valuation).

In view of the size and sensitivity of the equal pay provision our audit procedures will consider the estimation techniques and assumptions used to calculate this provision.

Further details are set out on page 5 of this report.

In addition, we have also set a specific lower level of materiality for Senior Officers' Remuneration (including exit packages for Senior Officers). This has been set at £100k, based on the fact that we consider the disclosures to be sensitive and are of specific interest to the reader of the accounts.

The statutory deadline for the issue of the 2017/18 opinion has been brought forward by two months to 31 July 2018. We discussed our plan and timetable with officers and are currently implementing this.

The final accounts audit began on the 4 June and our findings will be reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

We undertook our initial risk assessment to determine our approach in March 2018 and reported this to you in our Audit Plan.

The significant risks identified were:

- Budget delivery and reserves management, including the Future Operating Model (FOM) and Equal Pay;
- Improvement Panel;
- Services for vulnerable children;
- Management of schools; and
- Commonwealth Games.

The provisional outturn report for 2017/18 shows a small net overspend of £4.9 million, but this is after the significant application of reserves. We will examine in particular the progress the Council has made in delivering its planned savings programme and the extent of reliance on reserves in delivering its financial budget.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work will be reported to you in our certification letter.

Meetings

We met with the Corporate Director Finance and Governance in early June as part of our monthly liaison meetings and continue to be in discussions with finance staff regarding emerging developments, to ensure the audit process is smooth and effective. We also met with the Leader of the Council in April 2018 and the Chief Executive in May 2018 to discuss the Council's strategic priorities and plans.

Objections

The objection relating to the Council's LOBO loans has now been concluded.

Consideration of the PFI objection is underway and is expected to be completed within the next two months.

Update to the Audit Plan

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgemental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Equal pay provision (valuation)	<p>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 estimates with a high degree of estimation uncertainty give rise to a significant risk.</p> <p>We identified the valuation of equal pay provision as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none">• Review the assumptions on which the equal pay provision estimate has been based;• Consider the events or conditions that could have changed the basis of estimation;• Reperform the calculation of the estimate;• Check that the estimate had been determined and recognised in accordance with accounting standards;• Determine how management has assessed the estimation uncertainty; and• Consider the impact of any subsequent transactions or events.

Audit deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	30 July 2018	Not yet due
Auditor's Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

