

## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Interim Chief Finance Officer</b>
<b>Date of Decision:</b>	<b>24 March 2020</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>	
<p>1.1 The Council has created a number of companies that fall within its sphere of control, either as wholly owned subsidiaries, associates where the Council has significant influence, Joint Ventures or other arrangement. Where activity in companies is considered material to the overall entity, the Council has to prepare group accounts in addition to its own financial statements. The Council has to consider whether there are risks to the Council either through misuse of funds or misstatement of activities.</p> <p>1.2 The larger entities within the overall Council group boundary have been asked to provide information through the completion of a questionnaire to allow Members to gain assurance that funds are being used efficiently and effectively and that information provided in respect of their financial statements may be relied on. The responses provided are attached at Appendix 1.</p>	
<b>2. Decisions recommended:</b>	
<p>2.1 Members are asked to:</p> <ul style="list-style-type: none"><li>a) note the responses received to inform the audit risk assessment.</li><li>b) note the recommendation of Cabinet Committee – Group Company Governance that this committee should review any issues that would impact on the returns from any company prior to signing off the Council's financial statements</li><li>c) consider any further information required.</li></ul>	

**Contact Officers:****Rebecca Hellard****Telephone No:** 0121 303 2950**E-mail address:** [rebecca.hellard@birmingham.gov.uk](mailto:rebecca.hellard@birmingham.gov.uk)**Martin Stevens****Telephone No:** 0121 303 4667**E-mail address:** [martin.stevens@birmingham.gov.uk](mailto:martin.stevens@birmingham.gov.uk)

### **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 to consolidate entities that are controlled by the Council and which are material to its activities.
- 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):  
Section 151 of the Local Government Act requires the Chief Finance Officer (as responsible officer) to ensure proper administration of the 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 An exercise is carried out each year to determine the "Group Boundary", that is to define which subsidiaries, associates and joint ventures are consolidated with the Council's financial statements to produce Group Accounts. This report includes assurance statements from those companies that meet the criteria for consolidation or which may meet the criteria in the near future. The assurance statements have been broken down into three main areas:
- Company Environment – looking at the governance arrangements of the company
  - The Identification, Mitigation and Reporting of Risk – looking at how the company manages risk
  - Financial Statements – looking at factors that may impact on the company's financial health and financial statements.

Appendix 1 is a collated set of responses to these questions.

- 4.2 A review of the Group Boundary has been undertaken and there are no proposed amendments to the companies that are to be consolidated into the Council's financial statements.
- 4.3 Audit Committee is responsible for signing off the Council's financial statements, including relevant group accounts, in due course. As part of this sign off process, members of the Audit Committee will need to be confident that the information presented represents a 'true and fair view' of the financial position of the group and that the accounts are materially correct.
- 4.4 The company responses were considered by Cabinet Committee – Group Company Governance (CC-GCG) at its meeting on 16 January 2020. CC-GCG did not have any issues with the returns that it wished to raise with this committee. However, CC-GCG has recommended that this Committee review the impact of any changes within a company that would have an impact on any future response prior to signing off the

Council's financial statements. An update on any relevant matters will be provided at a future meeting of this Committee.

- 4.5 Members are asked to consider the responses received and identify any issues where it requires additional information.

**Signature :**

Interim Chief Finance Officer: .....

Dated: .....

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

None

**Appendix 1**

**Responses from:**

Acivico Limited  
Birmingham Airport Holdings Limited  
Birmingham Children's Trust C.I.C.  
Birmingham City Propco  
Finance Birmingham Limited  
InReach Limited  
The National Exhibition Centre (Developments) Plc  
Paradise Circus Limited Partnership  
PETPS (Birmingham) Limited  
PETPS (Birmingham) Capital Limited  
PETPS (Birmingham) General Partner Limited  
PETPS (Birmingham) Pension Funding Scottish Limited Partnership