

**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>16 December 2019</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 auditor, Grant Thornton UK LLP (Grant Thornton), is required to produce an Annual Audit Letter. This letter will be circulated to all members of the Council following this meeting.
1.2	Members are asked to consider the Annual Audit Letter and note the conclusions of the external auditor
<b>2 Decisions recommended:</b>	
2.1	To receive and consider the Annual Audit Letter, attached as appendix 1 to this report.

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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 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. 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.
- 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 exist.

### **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 In previous years, the external auditor has concluded in their value for money assessments, that the Council has weaknesses in a number of areas. The external auditor has recognised the significant improvements made by the Council over the last year and has concluded that value for money risks have been generally mitigated. The risks that the external auditor identified in their Annual Audit Letter for 2018 that were considered as being sufficiently mitigated up to 31 March 2019 relate to:
- Budget Delivery and Reserves management
  - Commonwealth Games
  - Services for Vulnerable children
  - Management of Schools

- 4.3 It was concluded that the risk identified for 2018/19 regarding the Highways Maintenance and Management PFI contract has been mitigated for the year ending 31 March 2019. This is on the basis of the Council's management of the contract and through securing the settlement between Amey LG Ltd and Amey Birmingham Highways Limited.
- 4.4 The external auditor identified one area, which related to Governance and the Waste Service, where it was concluded that the value for money risk had not been sufficiently mitigated. An independent review was originally due to report in September 2019 but the Council intends to wait for the final publication of this report before making decisions on the future operation model for waste. The external auditor determined that they did not yet have sufficient information to conclude that the risk had been sufficiently mitigated.

**Signature:**

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Rebecca Hellard – Interim Chief Finance Officer

Appendix 1, The Annual Audit Letter for Birmingham City Council – Year ended 31 March 2019