

BIRMINGHAM CITY PROPCO LTD	
Question	Response
Company Environment	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	One of the Directors is a qualified Accountant. The other Director is newly appointed to Propco but is a director of other City Council companies. No specific formal training has been provided for Propco, although training has been provided on Company Directorships by Legal Services.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Propco completed its first trading year in March 2019 and the audit of final accounts was completed in August 2019. The company has a relatively small number of transactions (approximately 40 transactions per annum. At present, there is unlikely to be more than an annual meeting. However, the company could expand to deal with other commercial property transactions and if this were the case, the frequency of business/meetings would need to be reviewed.
Please explain the system of governance and the financial control environment within the company	A Finance Business Partner and Finance Manager oversee all transactions. There are established contracts with PWC for accounting support and VAT/Tax advice and UHY Hacker Young as auditor. As above, the level of transactions with this company are low and monitored against an established business model/forecast spreadsheet.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	All property related transactions are authorised by Property Services (i.e. rent income is raised via Manhattan and expenditure invoices are authorised for payment). The Finance Business Partner and Finance Manager roles are purely to action payment to and from Propco. A few

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	non-property transactions i.e. professional fees are authorised by the directors themselves.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	This has been well covered for the initial dealings of the company relating to 2 hotels at the NEC but the business plan could evolve to include more commercial property transactions. There are no plans at present to expand the company at present.
What is the company's approach to the development of business continuity plans.	Nothing specific at present as the only 2 matters are long term leases relating to 2 well established hotels at the NEC site. This will be kept under review.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Nothing particular as the transactions are receipt of lease/rental and repayment of borrowing (together with some modest running costs). No major GDPR risk.
The Identification, Mitigation and Reporting of Risk	
Please set out your management's views on your risk assessment process as it related to financial reporting.	Nothing of concern at present.
Please set out your management's processes for identifying and responding to risks of fraud.	Separation of duties in place and there is a model which governs/monitors the transactions.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	Annual Board meeting.

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Appendix 1

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Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	None
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	See above
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None reported
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Would report internally and escalate accordingly
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Embedded in monitoring but we have leases for both hotels for the long term.
How would the company communicate any breach of GDPR requirements to the Council.	Would report to Council reporting officer.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	Insurance is in place. Low risk of fraud with the controls in place and nature of the company and with the monitoring undertaken.

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Financial Statements	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	The accounting processes and transactions were thoroughly reviewed by FHY Hacker as part of the audit of accounts for the year 2018/19. The Directors were supplied with the resulting management report, briefed on the findings and asked to approve the resulting management actions. These have been largely implemented however, further work is required to complete these by March 2020.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	Late submission of 2018/19 accounts to Companies House arising from delays in engaging the auditor. They had been procured earlier but not informed. The closedown timetable needs to be rigorously followed.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	Impairment of the finance lease debtors was shown in the accounts for 2018/19 on the basis of revised accounting treatment of leases. It is not expected that there will be any further impairment of current or non-current assets.
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None

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Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	<p>These were:</p> <ol style="list-style-type: none"> 1. VAT creditor overstated by £8k 2. Trade creditor of £67k misanalysed as an accrual 3. Interest on loan for 1 month (£67k) not accrued 4. BAC's controls – independent authorisation where bank account changes 5. Bank statements require authorisation to ensure reconciliation 6. Insufficient Directors meetings during year, 7. Operating lease relating to land has been classified as a finance lease. 8. The Council's policy of a 30%/70% land and buildings split valuation has been used rather than independent separate valuation.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None