

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	AUDIT COMMITTEE
Report of:	Corporate Director, Finance & Governance
Date of Decision:	30 July 2018
Subject:	STATEMENT OF ACCOUNTS 2017/18

Wards affected: All

1 Purpose

1.1 This report presents

- The 2017/18 Statement of Accounts including an unqualified audit opinion;
- Grant Thornton's Audit Findings Report, which summarises the significant outcomes, conclusions and recommendations from their work on external audit for 2017/18, including their opinion on the Statement of Accounts, Value for Money and their written recommendations to the Council under Section 24 of the Local Audit and Accountability Act 2014.

1.2 Members are asked to approve the final Statement of Accounts for 2017/18.

2 Decisions recommended:

2.1 Audit Committee is recommended to:

- Note the Audit Findings Report from Grant Thornton and accept the recommendations in Appendix A of that report;
- Note the written recommendations issued under Section 24 of the Local Audit and Accountability Act 2014;
- Approve the Annual Governance Statement included in the Statement of Accounts for 2017/18;
- Approve the Letter of Representation from the Corporate Director, Finance & Governance;
- Approve the Statement of Accounts for 2017/18.

Contact Officer: Clive Heaphy
Telephone No: 0121 303 2950
E-mail address: Clive.Heaphy@birmingham.gov.uk

Contact Officer: Martin Stevens
Telephone No: 0121 303 4667
E-mail address: martin.stevens@birmingham.gov.uk

3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The production of the annual accounts is a statutory requirement for the Council.
- 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 Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015. The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based on International Financial Reporting Standards (IFRS).
- Section 151 of the Local Government Act 1972 requires the Chief Finance Officer (as responsible officer) to ensure the proper administration of the Council's financial affairs.
- 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):
The issues raised in this report are largely of a technical financial nature.

4 Relevant background/chronology of key events:

- 4.1 The draft Statement of Accounts was signed by the Corporate Director, Finance & Governance on 31 May 2018. The Statement of Accounts, attached at Appendix 3, needs to be signed by 31 July 2018 to enable all statutory deadlines to be met.
- 4.2 Officers have worked closely with Grant Thornton through the audit of the financial statements to ensure that the final document presents a true and fair view of the Council's financial position.
- 4.3 The Audit Findings Report provides information about Grant Thornton's work on the Council's financial standing, internal control and value for money. Further detail on the value for money audit work is provided in the Annual Audit Letter which will be reported at the September meeting of this committee. The Council has received an adverse opinion in respect of the auditor's Value for Money conclusion. The auditor has also made seven written recommendations to the Council under Section 24 of the Local Audit and Accountability Act 2014. The recommendations are that the Council needs to:

Finance

- Deliver its savings plans in 2018/19, in particular by identifying alternatives where existing plans are not deliverable, to mitigate the impact of the combined savings and budget pressure risks.
- Develop a realistic medium term financial plan for 2019/20 to 2021/22 which incorporates realistic and detailed savings plans and takes account of key budget and service risks.
- Ensure that it maintains an adequate level of reserves to mitigate the impact of budget risks, in particular one-off risks such as the Commonwealth Games and Equal Pay.

Transparency and Governance

- Ensure that its financial monitoring and budget reports are clear, transparent, and timely particularly in relation to the use of reserves, whether in-year or at year-end.
- Report governance failures and emerging issues promptly and clearly to Members and local citizens.

Subsidiary Bodies

- Ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and appropriate Council nominees on subsidiary body boards, to ensure that emerging risks are monitored, reported and managed properly.

Place Directorate

- Ensure that robust management and governance arrangements are put in place within the Place Directorate, particularly to ensure effective oversight of the waste service, to ensure that it delivers its financial and service objectives.

4.4 The auditor will have sent details of the written recommendations to the Secretary of State at the same time as it has been forwarded to the Council. As a consequence of the written recommendations, the Council is required to:

- a) Consider the recommendations at a meeting held before the end of the period of one month from the date that the recommendations were sent to the Council. This period may be extended by the auditor if he is satisfied that it is reasonable to allow more time. Given the next meeting of the full Council is scheduled for 11 September 2018, the auditor will be asked to grant an extension to that meeting. Council will need to:
 - Determine at the meeting whether the recommendations are to be accepted

- Determine what action, if any, to take in response to the recommendations.
 - b) Follow particular procedures in notifying the public of the meeting to be held to discuss the written recommendations and also in publishing a notice of the decisions made in respect of the recommendations.
- 4.5 The Audit Findings Report includes an action plan with a number of recommended actions which the Council needs to consider and address in the coming year. The Audit Findings Report is attached as Appendix 1 and the recommendations are included in Appendix A of that report. The Council is required to respond formally to these recommendations and a report will be brought to the next meeting of this committee.
- 4.6 A Letter of Representation is required to be sent to the external auditor by the Corporate Director, Finance & Governance, in his role as Section 151 Officer. This advises the auditor of any material matters which have occurred since the draft Statement of Accounts was signed and which might impact on the accounts and the audit. The letter is attached as Appendix 2.

5 Material Adjustments

- 5.1 There were three material adjustments to the single entity accounts, which are also reflected in the group accounts. The material adjustments relate to:
- The treatment of the in-year depreciation charged to the HRA in respect of the revaluation of assets;
 - An error in the revaluation of HRA assets, which understated the net book value of those assets;
 - The treatment of cash held in instant access accounts which had been treated as a short term investment rather than cash.
- 5.2 The adjustments above had no impact on the Council's level of usable reserves.
- 5.3 There was also one additional adjustment which impacted solely on the group accounts in respect of the treatment of debtors and creditors associated with Innovation Birmingham, which was treated as an Asset Held for Sale at the year-end.
- 5.4 There were also a number of adjustments to notes within the financial statements where there has been a reclassification of expenditure between reporting lines without changing totals and where information has been

provided to aid clarity in the understanding of the accounts.

5.5 There were no material unadjusted items.

Signature:

Corporate Director, Finance & Governance:

Dated:

Attachments:

Appendix 1: Audit Findings Report

Appendix 2: Letter of Representation to the External Auditor

Appendix 3: Annual Statement of Accounts