

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	AUDIT COMMITTEE
Report of:	Interim Chief Finance Officer
Date of Decision:	26 September 2017
Subject:	STATEMENT OF ACCOUNTS 2016/17
Wards affected: All	
1 Purpose	
1.1 This report presents	
	<ul style="list-style-type: none">• The unqualified audit opinion on the 2016/17 Statement of Accounts, and• Grant Thornton's Audit Findings Report, which summarises the significant outcomes, conclusions and recommendations from their work on external audit for 2016/17, including their opinion on the Statement of Accounts and Value for Money.
1.2	Members are asked to approve the final Statement of Accounts for 2016/17.
2 Decisions recommended:	
2.1 Audit Committee is recommended to:	
	<ul style="list-style-type: none">• Note the Audit Findings Report from Grant Thornton and accept the recommendations in Appendix A of that report;• Approve the Annual Governance Statement included in the Statement of Accounts for 2016/17;• Approve the Statement of Accounts for 2016/17, subject to confirmation from the external auditor of a final opinion following the resolution of one outstanding issue;• Approve the Letter of Representation from the Interim Chief Finance Officer.

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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 Chairman 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 2016/17, 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. The Statement of Accounts includes an update to the Annual Governance Statement, which has previously been considered by this committee.

4 Relevant background/chronology of key events:

- 4.1 The draft Statement of Accounts was signed by the Interim Chief Finance Officer 1 June 2017. The Statement of Accounts, attached at Appendix 3, needs to be signed by 30 September 2017 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 November meeting of this committee. The Council has received an adverse opinion in respect of the auditor's Value for Money conclusion.
- 4.4 Members will note the comment in the Audit Findings Report from the external auditors that they are unable to conclude their work on the opinion of the

statement of accounts and value for money conclusion until they have completed their consideration of issues arising from the recent High Court decision of 20 September 2017. If this outstanding issue is not resolved by the date of the Audit Committee meeting, Members will need to consider the approach to sign off the accounts.

- 4.5 The Audit Findings Report includes 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 will bring a report to the next Audit Committee.
- 4.6 A Letter of Representation is required to be sent to the external auditor by the Interim Chief Finance Officer, in his role as Section 151 Officer. This advises the auditor of any material matters which have occurred since the draft Statement of Accounts were signed and which might impact on the accounts and the audit. The letter is included as Appendix 2.
- 4.7 The Annual Governance Statement, approved by Audit Committee at its meeting on 20 June 2017, has been amended to reflect changes in the Council's Senior Management Structure and to incorporate suggestions made by the External Auditor to provide additional information relating to the Statutory Recommendation under Section 24 of the Local Audit and Accountability Act 2014 following the audit of the 2015/16 Statement of Accounts.

5 Material Adjustments

- 5.1 There were 3 material adjustments to the single entity accounts which have impacted on the balance sheet, which are also reflected in the group accounts. The material adjustments relate to:
 - Expenditure of £6.7m on the Midland Metro Extension was initially treated as though it were expenditure on a Council asset rather than as a grant to the West Midlands Combined Authority. This has been corrected;
 - Expenditure of £5.3m on a school was included in Assets under Construction at the year end in the draft accounts rather than being identified under Other Land and Buildings as the capital project had been completed. This has been corrected and the value impaired as part of the annual valuation cycle of non-current assets;
 - Schools' bank balances at the year end were treated as cash or cash equivalent at the year end. However, a number of schools have invested cash balances of £4.3m in longer term deposits which should be accounted for as short term investments in line with the Council's accounting policy. This has been corrected and the amount of cash

and cash equivalents on the balance sheet has been reduced and offset by a corresponding increase in the level of short term investments held.

- 5.2 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.
- 5.3 The adjustments above had no impact on the Council's level of usable reserves.
- 5.4 There were no material unadjusted items.
- 5.5 The auditor has identified a number of changes to the disclosures within the accounts, which have been amended to provide additional clarity for the reader of the accounts.

Signature:

Interim Chief Finance Officer:

Dated:

Attachments:

- Appendix 1: Audit Findings Report
- Appendix 2: Letter of Representation to the External Auditor
- Appendix 3: Annual Statement of Accounts