

**BIRMINGHAM CITY COUNCIL****PUBLIC REPORT**

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Strategic Director – Finance &amp; Legal</b>
<b>Date of Decision:</b>	<b>12 September 2016</b>
<b>Subject:</b>	<b>STATEMENT OF ACCOUNTS 2015/16</b>
<b>Wards affected: All</b>	
<b>1 Purpose</b>	
1.1 This report presents	
	<ul style="list-style-type: none"><li>• The unqualified audit opinion on the 2015/16 Statement of Accounts, and</li><li>• Grant Thornton’s Audit Findings Report, which summarises the significant outcomes, conclusions and recommendations from their work on external audit for 2015/16, including their opinion on the Statement of Accounts and Value for Money.</li></ul>
1.2 Members are asked to approve the final Statement of Accounts for 2015/16.	
<b>2 Decisions recommended:</b>	
2.1 Audit Committee is recommended to:	
	<ul style="list-style-type: none"><li>• Note the Audit Findings Report from Grant Thornton and accept the recommendations in Appendix A;</li><li>• Approve the Statement of Accounts for 2015/16, which will receive an unqualified opinion from the Auditor; and</li><li>• Approve the Letter of Representation from the Strategic Director – Finance &amp; Legal.</li></ul>

**Contact Officer:** Jon Warlow  
**Telephone No:** 0121 303 2950  
**E-mail address:** [jon.warlow@birmingham.gov.uk](mailto:jon.warlow@birmingham.gov.uk)

**Contact Officer:** 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 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 2015/16, which is based on International Financial Reporting Standards (IFRS).  
Section 151 of the Local Government Act 1972 requires the Strategic Director – Finance & Legal (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 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 Strategic Director – Finance & Legal on 22 June 2016.
- 4.2 Officers have worked closely with Grant Thornton to address issues raised in previous action plans and to deliver working papers to their requirements.
- 4.3 The Statement of Accounts needs to be signed by 30 September 2016 to enable all statutory deadlines to be met. In recognition of the need to deliver an audited set of accounts for the 2017/18 financial year by the earlier deadline of 31 July, the Council has brought forward the production of the Statement of Accounts to test processes and identify challenges in delivery to an earlier timetable.
- 4.4 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 a qualified "except for" Value for Money conclusion.

- 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 Strategic Director – Finance & Legal, 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.

## **5 Material Adjustments**

- 5.1 There were 3 material adjustments to the single entity accounts and 2 to the group accounts. The material adjustments relate to:
- The recognition of £15m of Pallasades rental income that was offsetting Assets under Construction;
  - A grant by the Growth Fund in respect of the Metro was accounted for as though the Council were acting as principal rather than as an agent. The grant receipt and payment were eliminated from the Council's accounts;
  - The understatement of the asset valuation of two assets.
  - The recognition of the impact of the disposal of the NEC Group Limited as discontinued operations within the group financial statements.
- 5.2 The adjustments above had no impact on either the Council's level of usable reserves or on the Group's reported net expenditure.
- 5.3 There were no material unadjusted items.
- 5.4 The auditors have identified a number of changes to the disclosures within the accounts. The major amendments relate to the provision of additional information and supporting evidence in respect of the sales of the NEC Group Limited and of Grand Central.

## **6 Recommendations**

6.1 Members are recommended to:

- approve the revised Statement of Accounts 2015/16, attached at Appendix 3;
- accept the Audit Findings Report from Grant Thornton; and
- approve the Letter of Representation.

**Signature:**

Strategic Director – Finance & Legal: .....

Dated: .....