

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	AUDIT COMMITTEE
Report of:	Chief Finance Officer
Date of Decision:	30 July 2019
Subject:	STATEMENT OF ACCOUNTS 2018/19
Wards affected: All	
1 Purpose	
1.1	This report presents <ul style="list-style-type: none">• The 2018/19 Statement of Accounts;• Grant Thornton's Audit Findings Report, which summarises the significant outcomes, conclusions and recommendations on the financial statements from their work on external audit for 2018/19;• The Letter of Representation from the Chief Finance Officer
1.2	Members are asked to approve the Statement of Accounts for 2018/19 subject to external audit clearance of any outstanding issues.
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 of that report;• Approve the Annual Governance Statement included in the Statement of Accounts for 2018/19;• Approve the Letter of Representation from the Chief Finance Officer;• Approve the Statement of Accounts for 2018/19 subject to external audit clearance of any outstanding issues.

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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 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 2018/19, 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 Chief Finance Officer on 31 May 2019 and handed to the external auditors. Grant Thornton began their audit work on site on 28 May and have worked closely with Council officers since that time to ensure that the current document presents a true and fair view of the Council's financial position.
- 4.2 The Financial Reporting Council requires that external auditors satisfy themselves that, in signing off financial statements, they provide safe opinions and satisfy themselves that, where there are estimates within the statements, figures used are reliable. For 2018/19, this has meant an increased focus on the valuations of non-current assets and of the net pension liability within the financial statements. This has meant an increase in the workload of external auditors and for the Council during the period of audit and is likely to lead to an increase in fees for the audit. This increase in audit activity has not just been within Birmingham but has been replicated across the sector.

- 4.3 The Public Sector Audit Appointments (PSAA) agency has indicated to external auditors that they will not be considered to have missed audit deadlines if audit opinions are published by 30 September 2019.
- 4.4 During the audit, the external auditors have identified areas where changes to the financial statements have needed to be made in respect of entries within the accounts or around disclosures. Details of the adjustments are set out in section 5 of this report.
- 4.5 Whilst the external auditors have completed the substantial proportion of their audit of the financial statements, there remain some elements that have still to be completed, namely work on valuation of HRA assets and on cut off testing of expenditure ensuring that expenditure is accounted for in the correct financial year. This means that the auditors may not be in a position to issue their audit opinion on the Council's financial statements.
- 4.6 Where an audit of accounts has not been concluded, the Council is required to,
- Publish as soon as reasonably practicable on or after 31 July a notice stating that it has not been able to publish the statement of accounts and its reasons for this; and
 - Publish the statement of accounts, including Annual Governance Statement and Narrative report, as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit.
- 4.7 Whilst the audit of the Council's financial statements is substantially complete, the external auditor still needs to finalise work on the value for money (vfm) assessments. One major issue that is still outstanding relates to an assessment of Amey Plc, and the view of their external auditors, following the outcome of the agreement between the Council and Amey in respect of the Highways Maintenance and Management PFI. Amey Plc was originally due to lodge its accounts with Companies House by 30 June 2019. However, from the information on Companies House website, it appears that Amey Plc has sought and been granted an extension for lodging their accounts until 31 July 2019.
- 4.8 The Audit Findings Report provides information about Grant Thornton's work on the Council's financial accounting and internal control. A separate report will be provided to Audit Committee at its meeting on 24 September in respect of value for money.
- 4.9 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.

- 4.10 The Audit Findings Report also includes details of adjustments made between the draft financial statements and the version presented at this committee following the outcome of audit work.
- 4.11 A Letter of Representation is required to be sent to the external auditor by the 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 was signed and which might impact on the accounts and the audit. The letter is attached as Appendix 2.

5 Audit Adjustments

- 5.1 There have been a number of adjustments and disclosure changes to the accounts and the material adjustments are set out below.
- a) Non-current asset valuations
Given the additional focus on non-current asset valuations this year, there have been a number of items identified, which have been adjusted for in the accounts. The major changes relate to:
- A valuation for one property being linked to another property when entering into the asset database
 - Incorrect space requirements applied to those secondary schools valued
 - The impact of additions to school assets which did not increase pupil numbers within the school, whilst immaterial on a yearly basis, was cumulatively a significant value and this was adjusted for
- b) Net pension liability adjustment
The government was refused leave to appeal a decision regarding age discrimination in respect of judges and firefighter pension schemes in respect of the transition arrangements in moving from a final salary to a career average scheme. This decision impacts on the Local Government Pension Scheme. The decision was announced after the draft accounts were produced and, given that the impact was likely to be material, the Council requested an updated actuary report. This has been amended for.
- 5.2 There were also a number of minor adjustments that have been amended in the final statement of accounts.
- 5.3 The adjustments above had no impact on the Council's level of usable reserves.

Signature:

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