

Our Ref: MOD/MS01

Date: 26th September 2017

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

Dear Sirs

**Birmingham City Council
Group Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with the audit of the group financial statements of **Birmingham City Council** and its subsidiary undertakings (as listed in Note 48 of the Council's financial statements) for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i) We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii) We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been reflected appropriately and disclosed in the group and parent Council financial statements.
- iii) The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

Mike O'Donnell
Interim Chief Finance Officer
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- iv) We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi) We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii) Except as disclosed in the financial statements:
 - a) there are no unrecorded liabilities, actual or contingent
 - b) none of the assets of the group or parent Council have been assigned, pledged or mortgaged
 - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii) We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and accounted for properly. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix) Related party relationships and transactions have been accounted for appropriately and disclosed in accordance with the requirements of the Code.
- x) All events subsequent to the date of the group and parent Council financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi) Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii) We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii) We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiv) We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

- xv) We have considered the impact of the Council's Equal Pay liability and we are satisfied that the Council can manage its cash flow through the receipts from the sale of assets to meet all of its current Equal Pay liabilities.
- xvi) We have reviewed the Council's contracts with subsidiary companies and do not believe that there are guarantees in place to cover any annual trading losses.

Information Provided

- xvii) We have provided you with:
 - a) access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
 - b) additional information that you have requested from us for the purpose of your audit; and
 - c) unrestricted access to persons within the group and parent Council from whom you determined it necessary to obtain audit evidence.
- xviii) We have communicated to you all deficiencies in internal control of which management is aware.
- xix) All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xx) We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xxi) We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent Council involving:
 - a) management;
 - b) employees who have significant roles in internal control; or
 - c) others where the fraud could have a material effect on the group and parent Council financial statements.
- xxii) We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, regulators or others.
- xxiii) We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the group and parent Council's financial statements.
- xxiv) We have disclosed to you the identity of all group and parent Council's related parties and all related party relationships and transactions of which we are aware.
- xxv) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

xxvi) We confirm the reasonableness of the significant assumptions used in making accounting estimates, including those measured at fair value. We also confirm the following:

- a) Property, Plant and Equipment. We confirm that the controls operated over the recognition, valuation, presentation and disclosure of Property, Plant and Equipment are appropriate and materially accurate estimates of the Council's non-current assets. We also confirm that the reporting of Property, Plant and Equipment complies with the relevant frameworks.
- b) Equal Pay – measurement. We confirm that the measurement methods including related assumptions and models are appropriate and have been applied consistently.

We also confirm that we have provided you with all information available to us that could impact on the estimated value of the Council's liability.

- c) Equal Pay – recognition. We confirm that the receipt of an Equal Pay claim is the appropriate point at which to recognise the Council's liability and these recognition criteria have been consistently applied. We also confirm that it is not possible to estimate the volume, type or value of future Equal Pay claims accurately. We have reached this conclusion due to the number of variables impacting on the claims including future court judgement, the number of claims the Council receives, the settlement amount for claims, and any costs in respect to taxation.
- d) Academy Schools subject to PFI. We confirm that no onerous contracts as defined by IAS 37 exist.
- e) Council Tax and Business Rates bad debt provision. We confirm that the Council considers that a further provision for irrecoverable Council Tax and Business Rates is not required.

xxvii) We are satisfied that the Council will be able to deliver sufficient savings or utilise reserves to enable it to meet its 'financial duties'.

xxviii) We confirm that we do not hold any other properties for investment purposes other than that disclosed in the financial statements as per the Council's accounting policies.

Annual Governance Statement

xxix) We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxx) The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the **Audit Committee** at its meeting on 26 September 2017

Yours faithfully

Councillor Mariam Khan
Chair of Audit Committee
26 September 2017

Mike O'Donnell
Interim Chief Finance Officer
26 September 2017
Signed on behalf of the Council

