



30th September 2015

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

Dear Sirs

Birmingham City Council
Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the 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 2015 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

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

Financial Statements, including group financial statements

- i I 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 2014/15 ("the Code") which give a true and fair view in accordance therewith.
- ii I have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the 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.

- iv I acknowledge my 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 I am 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 has 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 I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the group financial statements and for which the Code require 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 I 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 (except for those identified as not amended) and are free of material misstatements, including omissions.
- xiii I have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions
- xiv The Council has 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.
- xv I believe that the Group and Council 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 Council's needs. I believe that no further disclosures relating to the Group or Council's ability to continue as a going concern need to be made in the financial statements.

- xvi I have considered the impact of the Council's Equal Pay claims liability and I am satisfied that the Council can manage its cash flow through the sale of assets to meet all of its current Equal Pay liabilities.

Information Provided

- xvii I 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 I 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 I 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 I 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 financial statements.

- xxii I 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 I 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 group and parent Council financial statements.

- xxiv I have disclosed to you the identity of all the group's and the parent Council's related parties and all the related party relationships and transactions of which we are aware.

- xxv I 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 I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value. I also confirm the following.

- a) Property, Plant and Equipment. I 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. I also confirm that the reporting of Property Plant and Equipment complies with the relevant financial frameworks.
- b) Equal Pay - measurement. I confirm that the measurement method, including related assumptions and models is appropriate and have been consistently applied. I 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. I confirm that the receipt of an Equal Pay claim is the appropriate point at which to recognise the Council's liability and this recognition criteria has been consistently applied. I also confirm that it is not possible to accurately estimate the volume, type or value of future equal pay claims. I have reached this conclusion due to the number of variables impacting on the claim 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 a PFI. I confirm that no onerous contracts as defined by IAS 37 exist.
- e) Council Tax bad debt provision. I confirm that the Council considers that a further provision for irrecoverable Council Tax is not required.

Other representations

- xxvii For investment properties I have considered the Council's accounting policy and confirm that the Council does not hold properties for investment purposes.
- xxviii The Council has considered the need to generate capital receipts and is satisfied that it has appropriate plans in place to generate sufficient capital receipts in 2015/16 and 2016/17.
- xxix As contractual arrangements are not in place the Council confirms that it has adequate plans in place to generate the forecast capital receipts
- xxx If the Council is unable to generate sufficient capital receipts to meet its equal pay liabilities it could either defer the payments or utilise reserves
- xxxi The Council is satisfied that it will be able to deliver sufficient savings or utilise reserves to enable it to meet its 'financial duties'.

Annual Governance Statement

- xxxii 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.

Approval

- xxxiii The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 29th September 2015.

Yours faithfully

Jon Warlow

Director of Finance

Signed on behalf of the Council