

**BIRMINGHAM CITY COUNCIL**

**PUBLIC REPORT**

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Interim Chief Finance Officer</b>
<b>Date of Decision:</b>	<b>25 November 2020</b>
<b>Subject:</b>	<b>STATEMENT OF ACCOUNTS 2019/20</b>

**Wards affected: All**

**1 Purpose**

1.1 This report presents

- The 2019/20 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 2019/20;
- The Letter of Representation from the Interim Chief Finance Officer

1.2 Members are asked to approve the Statement of Accounts for 2019/20 subject to external audit clearance of any outstanding issues.

**2 Decisions recommended:**

2.1 Audit Committee is recommended to:

- Note the Audit Findings Report from Grant Thornton and accept the recommendations of that report;
- Approve the Letter of Representation from the Interim Chief Finance Officer;
- Approve the Statement of Accounts for 2019/20 subject to external audit clearance of any outstanding issues.

**Contact Officer:** Rebecca Hellard  
**Telephone No:** 0121 303 2950  
**E-mail address:** [Rebecca.Hellard@birmingham.gov.uk](mailto:Rebecca.Hellard@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 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 2019/20, 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 Interim Chief Finance Officer on 28 August 2020 and passed to the external auditors to enable them to undertake their audit work. With the current restrictions in place, Grant Thornton have undertaken their work remotely with contact generally through Teams and email.
- 4.2 The timetable for financial reporting was extended for the 2019/20 financial year; the deadline for producing the draft financial statements was moved to 30 August and the publication of the audited financial statements deadline was moved to 30 November.
- 4.3 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 2019/20, this has meant a continued focus on areas of high value and where there is an element of estimation. This has meant that there has been considerable focus on the valuations of non-current assets and of the net pension liability. There has also been considerable focus on cut-off testing to ensure that, within the levels of materiality, activity

has been recorded in the correct financial year.

- 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 and are included in Appendix C to the Audit Findings Report (AFR).
- 4.5 The AFR includes an action plan with a number of recommended actions which the Council needs to consider and address in the coming year. The AFR 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 these will be the subject of a report to the next meeting of this Committee and followed up with further reports on the progress made in the implementation of management actions.
- 4.6 The Annual Governance Statement has been updated to reflect a small number of changes relating to Covid-19.
- 4.7 A Letter of Representation is required to be sent to the external auditor by the Interim Chief Finance Officer, in her 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 small number of adjustments and disclosure changes to the accounts and the material adjustments are set out below.

- a) Non-current asset valuations

There have been two errors identified in the production of the draft financial statements that have been amended. The errors related to:

- An incorrect valuation being entered in the calculation of 1 bed maisonettes within the HRA which led to an overstatement in the Council Dwellings valuation
- An incorrect value being entered in respect of Other Land & Buildings which led to an understatement in valuation

These adjustments have had no impact on the Council's level of usable reserves.

- b) Financial Outturn

At its meeting on 10 November 2020, Cabinet agreed to amend the revenue outturn for 2019/20 through the replacement of £8.7m of Direct Revenue Financing of Capital by increasing the Council's Capital Financing Requirement, thereby increasing the level of usable reserves

available to the Council to provide additional resilience against the financial consequences of the actions taken to mitigate the impact of Covid-19.

5.2 There were also a number of minor amendments to the disclosures in the financial statements.

**Signature:**

.....  
Rebecca Hellard, Interim Chief Finance Officer

**Attachments:**

- Appendix 1: Audit Findings Report – Public
- Appendix 2: Audit Findings Report - Private
- Appendix 3: Letter of Representation to the External Auditor
- Appendix 4: Annual Statement of Accounts