

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

16 APRIL 2010

Report of: Strategic Director (Resources)

Title: Grant Thornton's Audit Fee Letter 2010-11

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

Contact telephone number: 0117 92 22448

RECOMMENDATION

The Audit Committee note, and comment as appropriate, on Grant Thornton's Audit Fee Letter for 2010-11.

Summary

Attached to this report is Grant Thornton's Audit Fee Letter, which sets out the proposed audit fee and outline work programme for 2010-11.

The key considerations set out within this letter are:

- This audit fee letter covers the audit elements of the work only. The inspection elements of work, and the associated fees will be confirmed separately through the Comprehensive Area Assessment Lead (CAAL).
- This letter sets out Grant Thornton's responsibilities under the Code of Audit Practice.
- The proposed fee is prepared in accordance with the Audit Commission's work programme and scale of fees 2010-11.
- The letter includes an assessment of current local risks and the proposed audit response to these risks.

Policy

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

Consultation

Internal: Grant Thornton consulted with Senior Officers before finalising the Plan.

External: Grant Thornton has liaised with the Audit Commission's Comprehensive Area Assessment Lead (CAAL), in developing their proposals.

1 Introduction

- 1.1 The attached document is a short five page letter setting out at a high level the areas that the auditors anticipate covering during the 2010-11 audit, and the proposed fee. A more detailed financial statements audit plan and risk assessment, will be prepared and presented to Audit Committee at the end of 2010, following conclusion of the audit of the 2009-10 statement of accounts.
- 1.2 Grant Thornton's partner, John Golding, the appointed auditor responsible for the City Council's audit will be attending the Committee, and will be pleased to answer Members' questions.

Other Options Considered

Not applicable.

Risk Assessment

Not as a result of this report.

Equalities Impact Assessment

There are no issues arising from this report.

Legal and Resource Implications

None arising from this report.

Appendices:

Appendix 1: Grant Thornton's Audit Fee Letter 2010-11.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None



Our Ref JCG/JM - Bristol City Council

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31st March 2010

Dear Jan

ANNUAL AUDIT FEE 2010-11

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2010-11 financial year at Bristol City Council. The proposed fee includes the audit elements of work carried out by us as your appointed auditors. This is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and, work mandated by the Audit Commission for 2010-11.

This letter however does not include fees relating to the managing performance theme that informs the Comprehensive Area Assessment (CAA). This element of the work will be undertaken and charged separately by the Audit Commission. Your CAA Lead will contact you separately to confirm these arrangements.

As we have not yet completed our audit for 2009-10, the audit planning process for 2010-11, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The Audit Commission has published its work programme and scales of fees for 2010-11. It has defined the scale audit fee as the fee required by auditors to carry out the work necessary to meet their statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice. It represents the Audit Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.

The Audit Commission expectation is that the fee payable is the scale fee. Any variation to the scale fee needs to be justified on the ground of more or less work being undertaken than is envisaged within the scale fee because of specific local factors or risks.

From 2010-11, the Council will be required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS will increase our work, particularly in the first year when the Council needs to restate its previous year's accounts on the new basis, to provide prior year comparatives. The scale fee has been increased by 6% nationally to reflect the costs of this additional work. The Audit Commission has already confirmed its intention to offset this increase by a subsidy to cover

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the one-off element of the cost of the transition to IFRS. The Audit Commission will be writing to you separately to confirm the arrangements for payment of this subsidy.

The scale fee for Bristol City Council for 2010-11 is £479,372. Our proposed audit fee for 2010-11 is £500,950 and remains unchanged from last year. This is 4.5% above scale fee (2009-10 12% above). In addition, the Council is estimated to receive a subsidy equivalent to 6% of scale fee totalling £28,762 to cover the audit cost of the transition to IFRS. The audit fee after the subsidy is £472,188.

We expect out charges for the certification of grants to reduce by 21.4% to £55,000. A summary of our fees are shown in the table below.

Audit fee

Audit area	Planned fee 2010-11	Planned fee 2009-10
Financial statements	307,570	307,570
Use of Resources/VFM Conclusion	193,380	193,380
Total audit fee	500,950	500,950
Estimated subsidy to support audit costs for IFRS transition	(28,762)	-
Net audit cost to Council	472,188	500,950
Certification of claims and returns (estimate)	55,000	70,000

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2009-10. A separate plan for the audit of the financial statements will be issued in late 2010, once the outcomes of the 2009-10 audit are known. This will detail the risks identified, planned audit procedures and any changes in fee.

The quoted fee for grant certification work is an estimate and will be charged at prescribed rates set out in the Audit Commission's published work programme and scales fees guidance for 2010-11. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

Our use of resources assessments will be based upon the evidence from three themes:

- managing finances;
- governing the business; and
- managing resources.

The Audit Commission is committed to carrying out a fundamental review of their approach to value for money work, including the use of resources, with a view to making changes with effect from 2010-11. Pending the results of this review, further details of the specified key lines of enquiry and the timetable for the 2010-11 assessments will be published as part of the use of resources guidance, on the Audit Commission's website. We will discuss any proposed changes to this approach with the Council, once these are known.

Our work on use of resources informs our 2010-11 value for money conclusion. However, we have identified a number of potential issues and risks in relation to our value for money conclusion. For each of these audit risks, we consider the arrangements put in place by the Council to manage this and, plan our work accordingly. Our initial assessment for our value for money audit work is shown in the table below:

Issue	Planned response
<p>Business Transformation</p> <p>The Council has identified a need for radical 'One Council' transformation to improve performance, release efficiency savings to invest in new services and improve others, and increase customer satisfaction. There is a risk that the Business Transformation programme is not delivered effectively, progressed sufficiently in the current economic climate and does not achieve the required outcomes</p>	<p>As part of our 2009-10 audit, we have undertaken a review of the Council's programme management arrangements for ensuring the effective delivery of the transformation programme, in particular focussing on the shared transactional services and new ways of working programmes.</p> <p>In 2010-11, we will continue this work to assess the Council's progress in delivering transformational change in key services such as adult social care and ensuring effective benefits realisation across the Council.</p>
<p>Performance Management</p> <p>The Council needs to ensure that it has an effective corporate performance management framework in place to support its business transformation agenda and ensure continuous improvement. Corporate performance management arrangements are required to ensure significant step changes in performance are achieved and sustained. There is a risk that the Council does not deliver its services effectively through addressing performance issues, driving change and facilitating improvement.</p>	<p>We will review how the Council is monitoring its performance to drive improvements in services and deliver its objectives. As part of this work we will consider how the Council uses real-time customer satisfaction data to assess how well its providing services and where performance issues need to be addressed.</p>
<p>Adult Social Care</p> <p>The Council is currently forecasting an overspend of £3.9m for 2009-10 on adult social care. There is a risk that the Council does not realistically profile its expenditure to reflect current demands within the service and manage the financial performance throughout the year.</p>	<p>We will, as part of our use of resources assessment, review the Council's arrangements to ensure that it achieves value for money in its provision of adult social care.</p>
<p>Total Place</p> <p>The Total Place initiative aims to identify service transformation opportunities across a locality, in order to improve services to customers, deliver better value and realise early efficiencies. It also aims to develop a body of knowledge on how effective cross-agency working can deliver these benefits.</p> <p>The key risk to the Council is that the Health and Well Being Board does not deliver improved outcomes and value for money and that the Total Place initiative is not able to deliver new and innovative approach to commissioning and delivering social care in the South West and does not accelerate work already underway.</p>	<p>We will review the specific arrangements put place by the Council to develop effective working arrangements with other public sector organisations across the city to address high cost areas such as adult social care.</p>

Issue	Planned response
<p>Impact of current economic climate</p> <p>In the current economic climate, the Council continues to face a challenging revenue budget. Government funding is reducing, income streams are significantly reduced and demand for services remains high. Monitoring of priorities and use of the budget to deliver services to the local population, will require close focus throughout the year and, where necessary, changes in resource allocations may be required.</p>	<p>As part of our use of resources assessment, we will review the Council's budget setting process for 2010-11 and, budget monitoring and prioritisation during the year, considering how effectively the budget is managed to maintain delivery of priorities where there are competing demands.</p>

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The proposed fee excludes any work requested by you that we may agree to undertake using our advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key numbers of the audit team for 2010-11 are unchanged from the previous year and, their contact details are:

John Golding - Engagement Lead	0117 305 7802
Julie Masci - Audit Manager	0117 305 7696
Ginette Beal - Performance Manager	0117 305 7623
Jenny Dwyer - Assistant Manager	0117 305 7647

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Head of Government Audit, Sarah Howard at sarah.howard@gtuk.com.

As part of our commitment to improving the quality of the our service, we may contact you during the year to request feedback on the audit service provided by your audit team.

Yours sincerely

JOHN GOLDING

**Director and Engagement Lead
For Grant Thornton UK LLP**

**c.c. Peter Robinson, Service Director (Finance)
c.c. Councillor Geoff Gollop, Chair of the Audit Committee**

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 1

Planned output	Indicative date
Annual Fee Letter	April 2010
Financial Statements Plan	November 2010
Interim Audit Report	May 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2011
Annual audit letter	November 2011
Grants certification report	December 2011