

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

18 June 2010

Report of: Strategic Director (Resources)

Title: Grant Thornton's Interim Audit Report 2009-10

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 Interim Audit report for 2009-10.

Summary

Attached to this report is Grant Thornton's Interim Audit report. This summarises the work completed at their interim audit visit in accordance with the agreed strategy set out in the Financial Statements Plan presented to the Audit Committee on 13 November 2009. This report considers:

- Interim work undertaken in preparation for our audit of the Council's financial statements;
- An update on our use of resources assessment; and
- Follow-up of prior year recommendations.

The attached report also includes, at Appendix A, a update of Grant Thornton's progress against its planned programme of work.

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 has discussed the attached report with officers.

External: None.

1 Introduction

- 1.1 Grant Thornton is required to form an opinion on the Council's annual financial statements and whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources. This report summarises the work completed at their interim audit visit.
- 1.2 We have discussed the report and recommendations with the Service Director, Finance and will report the actions management have taken at the conclusion of our audit, in our ISA260 report.
- 1.3 Members should note, in particular, that the Government has announced that the Comprehensive Area Assessment (CAA) would be abolished. Following this, the Audit Commission has confirmed that work for the Use of Resources assessment should cease with immediate effect and that a scored judgement will not be issued. The requirements under the Code of Audit Practice to issue a value for money conclusion are unchanged at this stage.
- 1.4 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 Interim Audit report for 2009-10.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None



Bristol City Council

Interim Audit Report 2009-10

June 2010

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1 Executive summary

Introduction

- 1.1 In carrying out our audit, we comply with statutory requirements governing our duties, in particular, the Audit Commission Act 1998 and the Code of Audit Practice (the Code).
- 1.2 The Code of Audit Practice emphasises the respective responsibilities between audited bodies and their auditors. The Council is responsible for putting in place proper arrangements for the preparation of its accounts, governance of its affairs and for making adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources. We are required to form an opinion on the Council's annual financial statements and whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources.
- 1.3 We have set out in Appendix A to this report our current progress in the delivery of audit work for 2009-10 under the Code of Audit Practice.

Scope

- 1.4 We have completed our interim audit at the Council in accordance with our agreed audit strategy as set out in our Financial Statements Plan presented to the Audit Committee on 13 November 2009. The scope of our interim audit covered:
 - Interim accounts audit;
 - Use of Resources; and
 - Follow up of prior year recommendations.

Overall conclusions

Accounts

- 1.5 Our initial assessment of risks facing the Council which could impact on our audit, as set out in our 2009-10 Financial Statements Plan, remains appropriate and provides a sound basis upon which to set our detailed financial statements audit strategy.
- 1.6 The internal audit service continues to provide a good and independent service to the Council and we are able to take assurance from their work in contributing to an effective internal control environment at the Council.
- 1.7 Our information systems specialists performed a review of the general information technology control environment, as part of the overall review of the internal control system. We have concluded that there are no material weaknesses in relation to the information technology systems which could adversely impact on the Council's statement of accounts, but have made two recommendations which should be addressed.
- 1.8 A number of accounting issues have been discussed with finance officers and recommendations made to ensure that they are adequately addressed in the preparation of the accounts.

- 1.9 Our follow up of the action taken by the Council to implement recommendations made in our 2008-09 ISA260 report shows that the Council has made progress in implementing all of the four recommendations. We will confirm the outcome of these actions as part of our audit of the 2009-10 statement of accounts.

Use of Resources

- 1.10 The Government recently announced that the Comprehensive Area Assessment (CAA) would be abolished and it has been confirmed that our work for the Use of Resources assessment (UoR) should cease with immediate effect.
- 1.11 Whilst there will not be a scored UoR assessment for 2009-10, the work already completed will inform the value for money conclusion on whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources, and a summary of our findings is provided in section two.

Use of this report

- 1.12 This report has been prepared to advise you of the matters arising from our interim audit and should not be used for any other purpose or be given to third parties without our prior written consent.
- 1.13 Our report is part of a continuing dialogue between the Council and ourselves and should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist. The Council should assess the wider implications of our conclusions and recommendations before deciding whether to accept or implement them, seeking your own specialist advice as appropriate.
- 1.14 We accept no responsibility in the event that any third party incurs claims, or liabilities, or sustains loss, or damage, as a result of their having relied on anything contained within this report.

The way forward

- 1.15 We have discussed the recommendations with the Service Director, Finance and will report the actions management have taken at the conclusion of our audit, in our ISA260 report.

Acknowledgements

- 1.16 We would like to record our appreciation for the assistance and co-operation provided to us during our interim audit by the Council's staff.

Grant Thornton UK LLP

June 2010

2 Interim accounts audit

Introduction

2.1 As part of the interim audit, and in advance of our final accounts audit visit, we considered:

- the key risks facing the Council;
- the effectiveness of the internal audit function;
- a review of the information technology control environment;
- the National Fraud Initiative (NFI); and
- other accounting issues.

Key risks

2.2 Our 2009-10 Financial Statements Plan was presented to the Audit Committee on 13 November 2009 and set out the key risks facing the Council which could impact on the 2009-10 audit. As part of our interim audit, we reviewed these risks and have set out in Exhibit Two, the outcome of work completed, and any further work planned.

Exhibit one: 2009-10 Key risks

National and other financial reporting matters

SORP 2009 - Accounting for Private Finance Initiatives (PFI)	
Key risk	The Council continues to work on a number of PFI arrangements for schools. The 2009 SORP requires local authorities to adopt requirements for accounting for PFI schemes that are consistent with International Financial Reporting Standards and the adaptation of IFRIC 12 'Service Concessions' contained in the Government's 2009-10 Financial Reporting Manual.
Work completed	There are currently eight schools that were constructed under PFI schemes, which under UK GAAP were accounted for as off balance sheet. The Council has completed its initial assessment under IFRIC12 and determined that these schools will be brought onto the balance sheet. The Council is in the process of working through the detailed accounting entries to implement these changes and in doing so has identified that six schools were kept on the balance sheet in error. We have discussed with the Council its progress in implementing these accounting changes.
Further work planned	We will continue to discuss the accounting changes with the Council and review the detailed entries to be made once these are prepared.

SORP 2009 - Accounting for National Non Domestic Rates and Council Tax	
Key risk	The 2009 SORP has introduced a number of changes in the accounting for national non domestic rates and council tax in the Council's financial statements. It now requires local authorities to account for transactions on an agency basis. i.e. the Council only discloses its own share of debtors and creditors of the Collection Fund. There is a risk that the Council does not correctly account for these changes.
Work completed	We have discussed changes to the SORP through ongoing dialogue with the finance team. In addition, key members of the finance team attended our recent local government accounts workshop at which changes to the SORP were discussed.
Further work planned	We will continue to discuss accounting requirements with the Council and, as part of our accounts audit, we will specifically review the accounting treatment of items affected by changes introduced through the 2009 SORP.

International Financial Reporting Standards	
Key risk	CIPFA has confirmed that local authorities will be required to follow International Financial Reporting Standards (IFRS) from 1 April 2010. Financial data for 2009-10 will require restatement in order to provide comparative data in the financial statements. There is a risk that the Council has not put adequate plans in place to manage this transition and collate the required information to prepare the restatement entries.
Work completed	An update setting out the most significant changes under IFRS and the steps being taken to address these was presented to the Audit Committee in November 2009. Since that time an external specialist has been appointed by the Council on a temporary basis to assist with the transition to IFRS and we have liaised with him concerning implementation. This has included providing feedback over the proposed approach for accounting for holiday pay and leases under IFRS. Although no formal deadlines have been set, LAAP bulletin 80 recommends that a balance sheet as at 1 April 2009 should be prepared by the end of 2009 in order for an authority to achieve the introduction of IFRS by 2010-11. This has not been achieved and there is concern nationally about the preparedness of local authorities. The Council should ensure dates are set for the delivery of key milestones to ensure the successful implementation of IFRS.
Further work planned	We will continue to work with the finance team to ensure that arrangements are put in place for the preparation of comparative accounting information.

Recommendation 1

In order to ensure that the Council successfully achieves the introduction of IFRS by 2010-11, it must ensure that dates are set for delivery of key milestones and that progress against the implementation plan is closely monitored with any slippage identified and addressed.

Key local audit matters

Asset valuations	
Key risk	FRS 11 requires the Council to formally assess its assets for indicators of impairment and assess the impact of these on the carrying value of its assets. Our 2008-09 audit identified that whilst the Council formally documents its impairment assessment each year, there are inadequate arrangements in place to ensure that these are undertaken on a timely basis, nor do they sufficiently take into account when the last formal valuation was undertaken. There is a risk that assets are not recorded in the financial statements at appropriate values that reflect current market conditions. There is also the risk that the Council does not undertake this assessment on a timely basis to enable it to update its asset register to reflect any changes in value at the balance sheet date.
Work completed	We have met with members of the finance team and the property team to discuss arrangements for ensuring that asset values are fairly reflected in the 2009-10 statement of accounts. No significant impairments due to movements in property indices is expected. However, a formal written assessment will be undertaken and provided to the finance team in May to allow sufficient time for the accounting entries to be made.
Further work planned	We will review the formal impairment assessment provided by the Council's Head of Valuation Practice to ensure that changes in asset values are accurately reflected in the statement of accounts.
Accounting for fixed assets	
Key risk	Our 2008-09 audit identified instances where the Council had not correctly applied its depreciation policy on freehold land or non-operational properties. There is a risk that the Council's depreciation policy is not consistently applied to each type of asset.
Work completed	The Council has confirmed that the depreciation accounting policy in respect of non-operational properties has been updated and that a review is being conducted to ensure that depreciation is being charged in accordance with this policy.

Further work planned	As part of our final accounts audit we will undertake testing of a sample of freehold land and non-operational property assets to ensure that they have been depreciated in accordance with the Council's accounting policies.
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Adult social care expenditure

Key risk	At the time of writing our financial statements plan, the Council spending on adult social care was running in excess of budget. We are aware that the Council is focusing attention on the issue, and is putting steps in place to limit or eradicate the overspending. This area is likely, however, to remain at risk throughout the year.
Work completed	We have monitored the forecast position of adult social care spend for the year through review of reports presented to the Cabinet and the Resources Scrutiny Commission. The latest revenue monitoring report shows a projected net overspend of £1.2 million after consideration of expected savings and use of contingency. This is an improvement from the previous net projection of £1.6 million.
Further work planned	We will focus audit effort on this area of expenditure, and ensure that the Council's actions are appropriately reported within the statement of accounts.

Housing benefit overpayments

Key risk	Our 2008-09 audit identified that the debtor balance reported in the accounts in respect of housing benefit overpayments was not determined on the basis of amounts reported within the Council's housing benefits system. Furthermore, the Council did not have a clearly documented rationale for the determination of its bad debt provision for housing benefit overpayments. There is a risk that debtors are incorrectly stated in the financial statements.
Work completed	We have confirmed that a suite of reports making greater use of aged debtor analysis has been developed which will form the basis of the bad debt provision in the 2009-10 financial statements.
Further work planned	As part of our accounts audit, we will review the level of overpayments and recoveries made by the Council to ensure that the level of debtors and the associated bad debt provision are adequately supported.

Provisions and reserves	
Key risk	Our review of a sample of the Council's provisions disclosed within the 2008-09 accounts identified balances that did not meet the FRS12 criteria "provisions". There is a risk that balances are incorrectly classified in the Council's balance sheet.
Work completed	Discussion with the finance team has confirmed that work is on-going with directorates to ensure that balances are reviewed so that the correct classification is achieved.
Further work planned	As part of our accounts audit, we will review a sample of reported provision balances to ensure that they meet the FRS12 recognition criteria and are appropriately accounted for.

Presentation and format of accounts	
Key risk	Our review of the draft 2008-09 accounts identified a number of disclosure and presentational adjustments and instances where there was inconsistency between figures reported in more than one note to the accounts. There is further scope for the Council to improve the format and presentation of its accounts to ensure that these are better and more clearly understood by the reader.
Work completed	We have provided the finance team with feedback on where the presentation and understanding of the accounts could be improved and have provided examples of good practice from two other local authorities.
Further work planned	The Council have confirmed that a management review of the 2009-10 statement of accounts will be undertaken before they are approved. We have also discussed and agreed with the finance team that a more fundamental review of the content and format of the accounts will be undertaken as part of the introduction of International Financial Reporting Standards in 2011. We will review this and provide feedback to the Council during the course of our audit.

The Internal Audit function

- 2.3 We review internal audit's overall arrangements against the CIPFA Standards for Internal Audit, including the independence of internal audit, relationships with management and the Audit Committee, staffing, training and development, management of audit assignments, and quality assurance, to ensure that these are adequate to provide robust and reliable work. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.

- 2.4 We undertake a detailed review of the internal audit service every three years, with an interim review in intervening years. The last detailed review of the Council's internal audit service was completed in 2007-08 and this has been updated as part of our planned programme of work for 2009-10.
- 2.5 Overall, we have concluded that the internal audit service continues to provide a good and independent service to the Council and, that we can take assurance from their work in contributing to an effective internal control environment. However, it is noted that staff shortages have led to slippage in the planned programme of reviews for 2009-10.
- 2.6 In assessing the effectiveness internal audit work, we performed a detailed review of two internal audit files to ensure that:
- systems were adequately documented;
 - key controls had been identified and evaluated;
 - key controls had been tested; and
 - weaknesses had been reported to management.
- 2.7 We were pleased to note from these two files that work was produced to a high standard. However, a few improvement points were identified, which if implemented would further improve the quality of internal audit assignments:
- although terms of reference state general timescales, they do not set out expected dates for completion of fieldwork and issue of draft and final reports; and
 - a sampling approach has been adopted which determines sample sizes based on the frequency of the control being tested. However, in instances when the standard sample size was not followed, there was not always sufficient explanation on file to record the rationale for the reduced level testing.

Recommendation 2

Work on individual internal audit assignments could be further enhanced by ensuring that for each review:

- timescales for completion of fieldwork and issue of draft and final reports are agreed and incorporated into assignment terms of reference; and
- the rationale for sample sizes is clearly documented on audit files where they differ from the standard approach.

Information technology control environment

- 2.8 The Council makes extensive use of information and communications technology (ICT) to process financial transactions and to produce its financial statements. The principal finance system, the Central Finance System (CFS), was developed in house by the ICT department and the support, development and general administration of the CFS is performed in house. CFS sits within the Council's main information technology (IT) network, which is also managed by the ICT department.
- 2.9 Our information systems specialists performed a review of the general IT control environment as part of the overall review of the internal control system. We concluded that

there are no material weaknesses within the IT arrangements that could adversely impact on our audit of the accounts.

- 2.10 Our work did however identify some minor improvement opportunities which are summarised below and included at Appendix A: We do not consider these to pose a significant risk to the accounts, and have reported them to ICT management following our work.

CFS user access reviews

- 2.11 There is no formal process in place for Council management to review user access to the CFS on a regular basis. If user access is not reviewed on a regular basis, there is a risk that access not appropriate to reflect the specific job responsibilities for each user. There is also a risk of segregation of duties issues as individuals transfer or move on to different positions within the Council.

Recommendation 3

Management should implement a process to review user access to the CFS application on a regular basis to ensure access is appropriate based on job functions.

Network intrusion detection and prevention

- 2.12 There is some limited intrusion prevention as part of the Council's firewalls, but there is no separate or dedicated system for intrusion detection or prevention. As such, weaknesses may exist in both hardware and software that could compromise the security of the Council's information systems.

Recommendation 4

The Council should implement an intrusion detection or prevention system.

National Fraud Initiative

- 2.13 The National Fraud Initiative (NFI) matches electronic data within and between audited bodies to prevent and detect fraud and is managed by the Audit Commission. As part of our planned programme of work for 2009-10, we reviewed the procurement matches identified by the 2008-09 NFI exercise.
- 2.14 Our work indicated that adequate arrangements were in place to follow up and investigate matches, and that this work has led to identified errors., which are followed through by the Council

Other accounting issues

Debt rescheduling

- 2.15 The Council has repaid £50.45 million debt to the Public Works Loan Board (PWL) and in doing so incurred a £15.7 million premium as part of a debt rescheduling exercise. As part of our ongoing dialogue with finance officers we have provided advice over the accounting treatment for this debt rescheduling and as part of our interim audit, we

considered the Council's proposed accounting entries and discussed this further with the finance team.

Financial position

- 2.16 Revenue monitoring reports are presented to both the Cabinet and the Resources Scrutiny Commission to show the forecast year end position by directorate and for the Council as a whole. The latest monitoring report which was based on expenditure to the end of November 2009, forecast a net overspend of £500,000. However, the report noted that achievement of budget is anticipated through further restrictions on discretionary spending and vacancy management. This is a significantly improved position from the quarter two forecast which was a net £2 million overspend.
- 2.17 The most significant spending pressures have been within the Health and Social Care directorate. These have been monitored through the introduction of an action plan with update reports being presented to the Resources Scrutiny Commission to enable more detailed financial monitoring.
- 2.18 In addition, the Resources Scrutiny Commission receive regular updates on the impact of the recession on activity levels and income.

2009 Statement of Recommended Practice (SORP)

- 2.19 As identified above, the accounting requirements for PFI arrangements and similar contacts are no longer based on FRS 5 due to the adoption of IFRIC 12 in the 2009 SORP. As well as considering the impact on PFI schemes, the Council needs to ensure that any other arrangements with similar characteristics are also reviewed; for example, foundation schools.

Recommendation 5

All arrangements falling within the scope of IFRIC12 should be reviewed to ensure that are appropriately accounted for.

Annual Governance Statement

- 2.20 The annual governance statement (AGS) explains the processes and procedures in place to enable the Council to carry out its functions effectively as well as areas in need of development. As part of our planned programme of work, we reviewed the Council's arrangements to prepare its AGS.
- 2.21 A paper setting out the annual review process to support the production of the AGS was presented to a joint meeting of the Audit Committee and Standards Committee in early April 2010. This review process includes obtaining assurance from Strategic Directors, reviewing the governance framework against best practice, reviewing internal, external and inspection reports and a review of the prior year AGS.
- 2.22 At this joint meeting emerging issues were discussed and considered for inclusion in the AGS which will be presented to the Audit Committee in June.

Icelandic investments

- 2.23 The Council was affected by the collapse of the Icelandic banks, holding £3 million with Landsbanki and £5 million with Glitnir Bank in October 2008. As part of the 2008-09

financial statements audit we confirmed that the Council had followed advice provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) in LAAP bulletin 82 for accounting for these deposits.

- 2.24 CIPFA issued an update to the LAAP bulletin in May 2010 to provide advice on estimating the impairments based on the latest information available and the view that local authorities are not preferential creditors for Glinir Bank. The Council should ensure that this guidance is considered when accounting for these investments in the 2009-10 financial statements.

3 Use of Resources

Introduction

- 3.1 In May 2010, the Government announced that the Comprehensive Area Assessment (CAA) would be abolished. Following this the Audit Commission confirmed that our work for the Use of Resources assessment (UoR) should cease with immediate effect.
- 3.2 Whilst there will not be a scored UoR assessment for 2009-10, the work already completed will inform our value for money conclusion on whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources.
- 3.3 Our findings from the UoR assessment based on work completed prior to this announcement are summarised below.

Sound and strategic financial management

- 3.4 The Council has implemented and maintained strategies to deliver strategic priorities and objectives, and secure sound financial health. This includes a robust Treasury Management Strategy which is updated biannually to consider the current economic climate. The revenue budget is reviewed on a timely and regular basis, and include assumptions and risk assessments. The Council has been able to demonstrate that it has taken efficient and effective action to address any anticipated overspends, by reducing the predicted overspend of £2 million at quarter two to a draft outturn underspend of £2 million for 2009-10. Alongside this, the Council has a good track record of operating within budget.
- 3.5 The Council has foundations in place to understand its costs and achieve efficiencies, including a review of efficiency and value for money every six months. This report to the Resources Scrutiny Commission ensures all political parties are informed and up to date on key developments, such as Business Transformation. The Council achieved efficiency savings of £10 million in 2008-09, but it is anticipated the 2009-10 efficiency savings will fall short of the budget by £1.7 million. A value for money strategy has been introduced during the year, which sets out the priorities for the Council from 2010 onwards, based on its position in comparison to others. This will act as a basis for future comparisons and assessments. The Council also considers the costs, efficiencies, and wider social and economic aspects when making investment decisions.
- 3.6 The performance clinics held by the Council are one off reviews to focus on specific areas where performance is of concern. A review of these clinics has demonstrated that the Council has made improvements in the areas identified, and has been able to benchmark itself against other Councils. The Council forecasts to achieve savings of £534,000 as a result of these performance clinics for the year. The Council is also undergoing significant business transformation which is expected to deliver net cashable savings from 2011-12 of £3.7 million. The directorate healthchecks have also acted to achieve efficiencies and improvements.

Strategic commissioning and good governance

- 3.7 The Council has performed a substantial amount of work in the current year to strengthen their framework and to deliver better quality commissioning and procurement. This includes the introduction of the Sustainable City Strategy, to demonstrate the Council is considering its needs over the long term. Strategies have been redesigned so they are aligned with the Sustainable City Strategy, and Medium Term Financial Plan. For example, both the Commissioning Service Delivery Plan, and Procurement Strategy. The Council also actively ensures consultation takes place when significant change is taking place, such as changes among its adult social care. The Council is also currently exploring procurement opportunities with other Public Bodies.
- 3.8 The Council has a well communicated Data Quality policy in place which also incorporates risk management. The Council has been able to demonstrate that it secures good quality data, and that it is following the collect once use numerous times (COUNT) principles. Regular performance monitoring against corporate objectives is focussed at directorate level but there is not Council wide integrated finance and performance reporting on a regular basis. However, performance clinics and directorate healthchecks both demonstrate that the Council has processes in place to identify problem areas, and to improve under performance. Data security governance arrangements have been improved, the Information Assurance Board set up and compliance with ISO27001 is achieved.
- 3.9 New procedures have been implemented this year to improve the governance arrangements surrounding significant partnerships. These include a Partnership policy and toolbox, and Value for Money in the Partnership Framework. These should assist in delivering LAA outcomes. The Council also has a website in place with a list of its partnerships which is to be updated with the approved guidance. The governance arrangements surrounding significant partnerships are reviewed by the Audit Committee. The Council has also achieved the Charter for Councillor Development by the Improvement and Development Agency in April 2009 in recognition of the its commitment to member support and development.
- 3.10 The Council has introduced partnership risk registers for its five significant partnerships, which are monitored regularly. It also carried out a risk management survey during the year to establish the level of knowledge, and embeddings of Risk Management. The outcomes of this survey were positive, and used to inform training in 2010-11 and produces an improvement action plan.

Management of natural resources, assets and people

- 3.11 The Council has aligned its Corporate Asset Management Plan with the Sustainable City Strategy, aiding delivery of their strategic plans. An individual asset management plan has also been created for the Children and Young People's services, a critical area for the Council. This incorporates investment plans and any further actions proposed for the individual assets.
- 3.12 The Council has implemented Local Asset Management Plans for each Neighbourhood Partnership Area, identifying core assets and any proposed plans, however this has not yet been fully implemented. These aim to assist in achieving specific priorities set for each Neighbourhood. This demonstrates that the Council is starting to focus specifically on the Neighbourhood Partnership areas, and also that it is considering the implications for the asset base of medium longer-term service planning.

- 3.13 The Council has also undertaken a recent feasibility study to identify where energy savings could be made. This demonstrates that the Council is starting to focus on using the asset base to help deliver sustainable social, environmental and economic outcomes for local communities.
- 3.14 The Council promotes itself as a good employer and targets recruitment at under represented groups. It advertises all posts electronically resulting in savings of £140,000 during the year. Job satisfaction improved from 67% in 2007 to 73% in 2009, but pride in working has reduced from 80% to 64%. High performance is rewarded, but only 56% of staff think they received enough praise for good performance.
- 3.15 A new People (Workforce) Strategy was developed with partners and agreed in January 2010 setting out high level workforce commitments over the next five years and the Council is currently developing directorate plans to support this. This reflects the Medium Term Financial Plan, and budget. The Council is also actively managing significant change and has planned workforce reductions with no planned actual redundancies. A formal vacancy management process was developed in full consultation with trade unions in response to the economic climate and a panel has reviewed 350 jobs in 2.5 months saving £250,000.

4 Follow up of prior year recommendations

Progress in implementing recommendations

- 4.1 As part of our planned programme of work, we followed up the recommendations made in our ISA260 report issued last year. Our work indicates that the Council has made progress in implementing all of the four recommendations and we will confirm the outcome of actions taken as part of our audit of the 2009-10 Statement of Accounts.
- 4.2 A report is now presented to each meeting of the Audit Committee providing details of progress of implementation of high priority external audit recommendations as monitored by internal audit. However, the latest report presented at the meeting on 16 April 2010 covered the 2007-08 ISA260 but not recommendations from the 2008-09 ISA260.

Recommendation 6

Progress in implementing external audit recommendations should incorporate those recommendations arising from the audit of the 2008-09 statement of accounts.

A Schedule of Audit Progress

Audit progress report					
Work Area	Reason chosen	Work objective	Draft to lead officer	BCC Lead Officer	Progress to date
Performance					
Financial Standing	Identified risk	To review the effectiveness of the Council's internal management reporting arrangements, including estimates and the quality of data in support of the assumptions made to project its year end outturn forecasts.	May 2010	Peter Robinson	Draft discussed with lead officer. Final report to be presented to July Resources Scrutiny meeting.
Follow up of capital project management (review of Redland Green)	Identified risk	To review the Council's arrangements to monitor and deliver its significant capital projects, both on schedule and within budget. This work is part of a follow up of our review in 2007- 08 of the Redland Green project. We will assess whether action has been taken to address issues identified, using the Museum of Bristol project as a tracer.	June 2010	Peter Robinson & Alun Owen	Field work has been completed. Draft to be issued to lead officer shortly. Final report to be presented to July Resources Scrutiny meeting.
Follow up review of asset management arrangements	Identified risk	This review will follow up the outcomes of the work of the Audit Commission's Asset Management review undertaken in 2007 and consider the Council's current arrangements to ensure delivery of its Capital Strategy.	June 2010	Peter Robinson	Fieldwork has been completed. Draft to be issued to lead officer shortly. Final report to be presented to July Resources Scrutiny meeting.

Audit progress report					
Work Area	Reason chosen	Work objective	Draft to lead officer	BCC Lead Officer	Progress to date
Business Transformation	Identified risk	To review 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.	May 2010	David Trussler & Chris Tatner	Draft report discussed with lead officers. Report has also been reviewed by Chief Executive and Deputy Chief Executive. Final report to be presented to September Audit Committee.
Neighbourhood Partnerships	Identified risk	To review the project management, governance and partnership arrangements for the My Neighbourhood programme to deliver its objectives and improved outcomes.	To be confirmed	Jon House	Scope has been discussed with Deputy Chief Executive. Recent discussions held on timings of fieldwork to meet Council's requirements.
Review of West of England Partnership (Transport) - Joint review with Audit Commission.	Identified risk	To review the effectiveness of the organisational arrangements to formulate and deliver the joint transport plan of the four councils through the West of England Partnership.	N/A	Jan Ormondroyd	Due to the impact of the abolition of CAA, the Audit Commission has discontinued work in this area.

Audit progress report					
Work Area	Reason chosen	Work objective	Draft to lead officer	BCC Lead Officer	Progress to date
Assessment					
Use of Resources/ Value for Money conclusion	Code of Audit Practice	To provide evidence for Value for Money conclusion	October 2010	Jon House	<p>Due to the impact of the abolition of CAA, scored judgements will no longer be provided.</p> <p>Our fieldwork was substantially complete at the time of the announcement. We have agreed with officers that a feedback report and action plan will still be provided to support the Council in continuing to improve its arrangements. This will be presented at the September 2010 Audit Committee.</p> <p>The VFM conclusion which is based on this work will be delivered alongside our accounts opinion in September 2010.</p>
Accounts					
Systems of internal financial control	Code of Audit Practice	To gain assurance from systems of financial control for opinion	June 2010	Peter Robinson	Interim audit now complete. Report now discussed with officers. Report presented at June audit committee.

Audit progress report					
Work Area	Reason chosen	Work objective	Draft to lead officer	BCC Lead Officer	Progress to date
Internal Audit	Code of Audit Practice	To review the extent of reliance and compliance with professional standards	June 2010	Dick Powell	Interim audit now complete. Report now discussed with officers. Report presented at June audit committee.
Annual Governance Report (ISA260 report)	Statutory requirement	To comment on all code work undertaken to date and include the items needed to be discussed with those charged with governance	September 2010	Peter Robinson & Dave Miles	On site work to commence early July 2010. Report to be presented at September Audit Committee.
Opinion	Code of Audit Practice	To provide an opinion on the accounts	September 2010	Peter Robinson	On site work to commence early July 2010. Report to be presented at September Audit Committee.
Other reports					
Annual Audit Letter	Code of Audit Practice	To summarise issues arising from audit inspection and assessment work	October 2010	Jan Ormondroyd & Peter Robinson	To be drafted once audit work for the year has been completed. This will be presented to the November 2010 Audit Committee.



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