

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

8 July 2011

Report of: Strategic Director (Corporate Services)

Title: Grant Thornton's Progress Report for 2010-11

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

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RECOMMENDATION

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

Summary

Attached to this report is Grant Thornton's Progress Report on their audit for the year ended 31 March 2011. This summarises their audit work in accordance with the agreed strategy set out in the Audit Plan presented to the Audit Committee in January 2011 and sets out the changes to the Value for Money work from the initial fee letter for 2010-11 issued in April 2010. This report considers the planned work and progress to date in:

- the financial statements audit;
- the Value for Money (VfM) conclusion 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 consulted with Senior Officers before finalising the progress report.

External: not applicable.

1 Introduction

- 1.1 Grant Thornton is required to form an opinion on the Council's annual financial statements and to provide a value for money conclusion. This report summarises the work planned and progress to date.
- 1.2 They have discussed the report and recommendations with the Service Manager, Corporate Finance, in the absence of the Service Director, Finance, and the Chief Internal Auditor, and will report the actions management have taken at the conclusion of our audit, in our ISA260 report. They will also follow up the previous years recommendations as part of our final audit.
- 1.3 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 Progress Report June 2011

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

Introduction

Reflecting the annual timetable for external audit, we present our outline Audit Plan, to the Audit Committee in April each year. We noted in April 2011 that our plan was prepared, based upon our initial assessment of risk, on our understanding of the impact of the Audit Commission's updated Code of Audit Practice (the Code); and on our expected contribution to work to be mandated by the Audit Commission.

As we indicated in the plan, our audit responsibilities involve us in making two formal conclusions, as follows:

- opinion on the Council's annual financial statements;
- value for money conclusion.

Overall, our work progressing is as planned. The following sections summarise the progress against our audit plan as at June 2011.

Financial statements audit 2010-11

Our interim audit was undertaken in March and April 2011. We performed further planning and risk assessment procedures and reviewed and tested systems of financial controls as required by auditing standards and the Code of Audit Practice. For the scope of the work, please refer to the Interim report and Update to Financial Audit Strategy issued with this progress report. During this fieldwork, we met with officers from the Council's corporate and directorate finance teams, ICT department and Internal Audit.

We have continued our discussions with finance officers on specific accounting matters highlighted in our audit plan or emerging in advance of the final audit fieldwork. These discussions have included:

- IFRS transition adjustments including:
 - property, plant and equipment classification
 - leases, including embedded leases
 - capital grants
 - investment properties
 - cash and cash equivalents
 - short term compensated absences, including holiday pay, accruals
- Financial performance update/budget position for audit social care
- Accounting for PFI schools, lifecycle costs
- Depreciation of council dwellings
- Valuation of investment in Bristol Port Company
- Accounting treatment of schools (IFRIC 12, Service concessions)
- Property, Plant and Equipment (Activity, valuation and impairment)

We will continue to work with the Council's finance team to discuss issues and provide support where required. Our final audit, following receipt of the draft financial statements, will commence at the end of June 2011 as in prior years. Table 1 sets out the timing for each key report in respect of the financial statements audit.

Table 1: Financial Statements audit – key reports

Report	Purpose	Expected date	Actual date
Audit Plan	<ul style="list-style-type: none"> • Outline audit approach • Identify initial high risk areas and our planned response • Confirm Plan with Audit Committee 	January 2011	January 2011
Interim report and update to Financial Audit Strategy	<ul style="list-style-type: none"> • Outline our audit strategy on conclusion of controls work • Review risks and update planned response accordingly • Highlight focus areas for the audit • Confirm with senior officers and Audit Committee 	June 2011	June 2011
Report to those charged with Governance (ISA 260)	<ul style="list-style-type: none"> • Highlight key issues arising from the audit of the accounts and VFM work and details of the resolution of these • Communication of adjusted and unadjusted audit differences • Improvement recommendations resulting from audit procedures 	September 2011	-
Auditor's Reports	<ul style="list-style-type: none"> • Financial statements audit opinion • Value for money conclusion • Individual reports to support the VFM conclusion 	September 2011	-
Annual Audit Letter	<ul style="list-style-type: none"> • Summarises the key issues arising from our 2010/11 audit 	November 2011	-
Grants Claim Certification	<ul style="list-style-type: none"> • Highlights key issues arising from our grants certification work • Recommendations identified for improvement 	December 2011	-

Value for Money (VFM) conclusion

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

In August 2010, a new approach to local value for money audit work was introduced by the Audit Commission. This was followed by the results of the Government's Comprehensive Spending Review in October 2011. From 2010-11, we give our value for money conclusion based on two reporting criteria specified by the Audit Commission:

- the Council has proper arrangements for securing financial resilience; and

- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The following tables summarise the changes we have made in agreement with officers since we issued our indicative fee letter, issued April 2010 and prior to the changes in approach and subsequent guidance issued, as noted above. These revisions were agreed and discussed with the Council's Chief Executive and Strategic Director of Resources in January 2011.

Our VFM audit follows a risk based approach. The revisions are summarised below to reflect the change in priorities and risks. Table 3 summarises our work to date and progress made at June 2011.

Table 2: Revisions to VFM work from 2010 fee letter

	Originally planned (April 2010)	Revised plan (January 2011)	Agreed with
Business transformation	We planned to continue to assess the Council's progress in delivering transformation change in key services, such as adult social care and ensuring effective benefits realisation across the Council.	The review will include: <ul style="list-style-type: none"> • an overview of current objectives • follow-up of last year's review • a review of the Health and Social Care programme; and • comparisons across the core cities. 	Chief Executive, the Strategic Director of Resources
Performance Management	We planned to review how the Council is monitoring its performance to drive improvements in services and deliver objectives. This would include considering how the Council uses real-time customer satisfaction data to assess performance.	Performance Reporting This review has been modified to assess the performance reporting information introduced during 2010-11, the Council's performance scorecards. And to address our priority recommendation "to ensure both the Strategic Leaders and Cabinet fully understand how the Council is performing and delivering its strategic objectives across the Council". It is not considering real-time customer data.	Strategic Director of Resources and Business Finance Partner (Head of Performance Improvement Team)
Total Place	We planned to review the Total Place arrangements introduced by the Council to develop effective working arrangements with other public sector organisations across the city to address high cost areas.	Following the change in government, it was agreed that Total Place was no longer a priority for the Council or a risk which might impact on the VFM conclusion. No work to be undertaken.	Chief Executive, the Strategic Director of Resources
Adult social care	We planned, as part of our use of resources work, to assess the Council's arrangements to ensure that it achieves value for money in its provision of Adult Social Care.	As a scored use of resource review is no longer undertaken, we have agreed to assess how management of the Adult Social Budget impacts on financial resilience and how it supports value for money. Adult Social Care has been considered as part of our VFM conclusion risk assessment.	Chief Executive, the Strategic Director of Resources

Table 2: Revisions to VFM work from 2010 fee letter (continued)

	Originally planned (April 2010)	Revised plan (January 2011)	Agreed with
Impact of current economic climate	We planned, as part of our use of resources work, to review the Council's budget setting process for 2010-11 and budget monitoring and preparation during the year.	Financial resilience A detailed review will be undertaken in line with the revised VFM criteria. It will consider financial planning and budget setting, and will look at the 2011-12 budget to ensure the Council is financially resilient going forward. Detailed review specification to be agreed.	Chief Executive, the Strategic Director of Resources The detailed review specification will be agreed with the Strategic Director of Resources and the Action Section 151 Officer.

Table 3: Progress of work against revised plan

Review	Progress to date	Date report due	Final report due
Business transformation	Project specification agreed and fieldwork under way. Discussions are being held with the appointed auditors of the other core cities to explore and consider comparisons across the core cities. This review may be reported in two parts: local findings and core city comparisons.	July 2011	August/September 2011 Core city Comparisons September/October 2011
Corporate Performance reporting	Project specification agreed and fieldwork underway.	June 2011	July 2011
Financial resilience	Project specification agreed. It was agreed to commence this review in June following the completion of the medium term financial plan.	July 2011	August 2011



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