

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**8 November 2013**

**Report of: Strategic Director (Corporate Services)**

**Title: Grant Thornton's Annual Audit Letter for 2012-13**

**Ward: Citywide**

**Officer presenting report: Mark Taylor, Service Director, Finance**

**Contact telephone number: 0117 92 22448**

**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on Grant Thornton's Annual Audit Letter for 2012-13.

**Summary**

Attached to this report is Grant Thornton's Annual Audit Letter for the year ended 31 March 2013.

The Annual Audit Letter summarises the key issues arising from the work that Grant Thornton has carried out at Bristol City Council during the 2012/13 audit. The Letter is designed to communicate the key messages to the Council and external stakeholders, including members of the public. The letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Council's website.

## **Policy**

None affected by this report. The Audit Commission has statutory responsibility for 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 Annual Audit Letter.

**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 undertaken, and the conclusions from the work.
- 1.2 They have discussed the report with the Service Manager - Corporate Finance.
- 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 Annual Audit Letter November 2013

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:** None



# The Annual Audit Letter for Bristol City Council

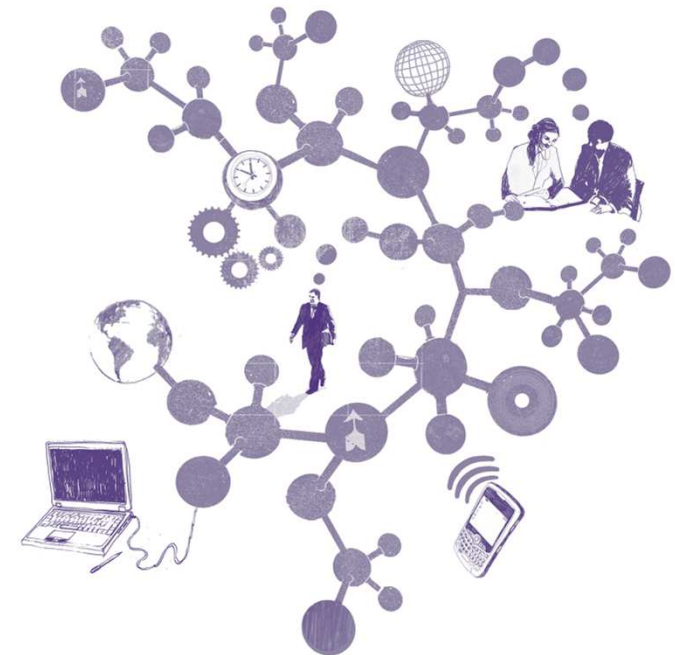
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**Year ended 31 March 2013**

November 2013

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## Section 1: Executive summary

**01. Executive summary**

02. Audit of the accounts

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04. Certification of grant claims and returns

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# Executive summary

## Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Bristol City Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 24 September 2013.

## Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified 2 grant claims and returns, both of which were certified without amendment. As at the date of this report two claims are being audited and will be completed by the statutory deadline.

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# Executive summary (continued)

## **Key areas for Council attention**

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

Whilst we concluded that the Council's arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness are adequate some key issues around governance were noted. Our review found that, whilst senior officers had undertaken extensive preparatory work prior to the elections of November 2012, this did not ensure complete readiness for the arrival of the Mayor. Given this, the last few months have seen senior officers working to shape an appropriate governance structure that is sufficiently robust, engages all elected Members and permits efficient and effective decision making to drive the Council forward towards meeting its strategic aims.

The Council has identified that savings of approximately £80m will need to be made from 2014/15 onwards. The budget has been agreed to 2013/14 but the Council has not published any detailed financial plans beyond the 2013/14 budget. Work is underway within the Council to develop a financial plan for the next three years and it is anticipated that the Medium Term Financial Plan will look at the years from 2014/15 onwards. However there remain uncertainties and the Council should ensure appropriate budgeting processes are in place and that identified savings are realistic and achievable.

A number of key messages were identified as a result of the audit of the financial statements relating to information provided by the financial system, delays in receipt of requested information and risks relating to the breadth of knowledge within the organisation. These are discussed further in the Audit of Accounts section to this report.

## **Acknowledgements**

This Letter has been agreed with the Section 151 Officer and was presented to Audit Committee on 8 November 2013

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

**Grant Thornton UK LLP  
November 2013**



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## Section 2: Audit of the accounts

01. Executive summary

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# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below:

## **Preparation of the accounts**

The Council presented us with draft accounts on 28 June 2013, in accordance with the national deadline of 30 June 2013. Appropriate working papers were made available from the start of the audit fieldwork, which commenced 1 July 2013.

## **Issues arising from the audit of the accounts**

We identified no adjustments affecting the Council's reported financial position but a number of adjustments to improve the presentation of the financial statements were made. The key messages arising from our audit were:

- The information provided by the financial systems were not of sufficient detail to allow full reconciliation between the accounts and the general ledger;
- Some instances of delay were incurred due to lateness of information being provided; and
- There continues to be a risk in regards to knowledge within the organisation. A number of individuals are the sole point of contact and should they be unavailable this could potentially cause serious delays in future years.

## **Annual governance statement**

The Council's Annual Governance Statement (AGS) complied with requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) and contained the elements as prescribed in Delivering Good Governance in Local Government: Framework.

## **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 24 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

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## Section 3: Value for Money

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# Value for Money

## Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code

**The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted that the Council faces significant financial challenges to meet the expected £80m savings from 2014/15 onwards and has yet to budget for these savings. Further details are provided in our Financial Resilience report presented in September 2013.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

## Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

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## Section 4: Certification of grant claims and returns

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# Certification of grant claims and returns

## **Introduction**

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

For the financial year 2012-13, our work on certification of grant claims is ongoing. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification Report upon completion of our work.

## **Approach and context to certification**

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

# Appendices

# Appendix A: Reports issued and fees

We confirm below the fee charged for the audit

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	270,513	270,513
Grant certification fee*	19,000	19,000
<b>Total fees</b>	<b>289,513</b>	<b>289,513</b>

\* This is an indicative fee. Certification work is still on-going. The final fee will be reported to Members later in the year as part of the annual certification report.

\*\* This fee is subject to final determination by the Audit Commission.

## Fees for other services

Service	Fees £
Challenge work **	5,000

## Reports issued

Report	Date issued
Audit Plan	April 2013
Audit Findings Report	September 2013
Certification report	Planned for January 2014
VfM – Financial Resilience Report	September 2013
VfM – Governance Review	September 2013
Annual Audit Letter	November 2013





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