

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**25 SEPTEMBER 2015**

**Report of: Service Director (Finance)**

**Title: Grant Thornton – 2014-15 Audit Findings Report**

**Ward: Citywide**

**Officer presenting report: Grant Thornton UK LLP**

**Contact telephone number: 0117 305 7600**

**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on Grant Thornton's Audit Findings Report for 2014-15 and the action plan agreed by management.

**Summary**

Attached to this report is Grant Thornton's Audit Findings Report to those charged with governance, which highlights the key issues arising from the audit of the Council's financial statements for the year ended 31 March 2015. This report enables Grant Thornton to discharge their responsibilities in accordance with International Standards of Auditing (ISA) 260. It also reports their conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Overall the auditors anticipate issuing an unqualified audit opinion on the Council's financial statements and an unqualified VFM conclusion. A number of recommendations have been made to management with regards to improvements required. Management responses to these recommendations have been provided as set out in the Action Plan within the report.

## **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 and agreed the findings of the audit with the Service Director, Finance and with Senior Finance Officers.

**External:** None.

## **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 sets out the outcomes of the audit of the Council's financial statements and the issues arising. It also provides details of the amendments processed by management arising from the audit.

1.2 Barrie Morris, 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 Findings Report 2014-15

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

**Background Papers:** None

# The Audit Findings for Bristol City Council

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**Year ended 31 March 2015**

17 September 2015

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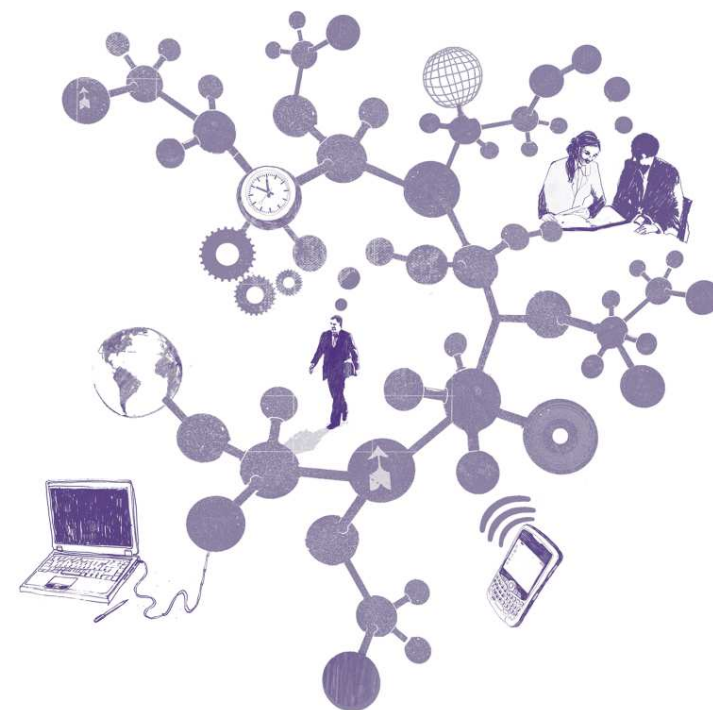
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17 September 2015

Dear Members of the Audit Committee

### **Audit Findings for Bristol City Council for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Bristol City Council, the Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Barrie Morris

#### **Chartered Accountants**

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## **Appendices**

- A Action plan
- B Audit opinion

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Bristol City Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 24 April 2015, with the exception of the removal of one of the identified risks. See page 12 for further details.

Our audit is substantially complete although we are finalising our work in the following areas:

- Final review of assessment of the carrying value of Property, Plant and Equipment compared to its fair value to ensure that this is not materially misstated.

- Review of the final version of the financial statements
- Obtaining and reviewing the final management letter of representation
- Review of final version of the Annual Governance Statement
- Updating our post balance sheet events review, to the date of signing the opinion; and
- Completion of our work on the Whole of Government Accounts.

We received draft financial statements and the majority of accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

At the time of writing this report, the Council has undertaken an additional desktop exercise to address a potentially material difference in its rolling programme of property valuations identified during the audit. We will provide an update on the outcomes of this exercise and any resulting impact on the accounts at the Audit Committee meeting.

Our audit has not identified any adjustments that impact the Council's reported General Fund balance, although there has been an increase on the original surplus reported in the Comprehensive Income and Expenditure Statement. We have identified a number of adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.



### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

## **Controls**

### **Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### **Findings**

We draw your attention in particular to control issues identified in relation to:

- Journals
- Debt Management workflow in the General Ledger system
- IT controls

Further details are provided within section two of this report.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Service Director - Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Service Director – Finance and the finance team.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**17 September 2015**

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 24 April 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 24 April except for the removal of a previously identified risk which is set out on page 12 below.

## **Audit opinion**

Our proposed audit opinion is set out in Appendix B.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We rebutted this as a significant risk in our Audit Plan. We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any issues in relation to revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. However, we noted that not all journals are required to be authorised prior to their posting, and we also identified a small number of journals where there was no description or evidence available .</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls operating in the operating expenses system</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Year end testing of creditors balances to subsequent payments to identify any un-accrued expenses</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Documented our understanding of the controls operating in the employee remuneration system</li> <li>• Performed walkthrough to confirm that controls are operating as described</li> <li>• Tend analysis on the full year payroll</li> <li>• Reconciliation of payroll system to general ledger and financial statements.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Property, Plant and Equipment</b></p>	<p>Property, plant and equipment activity not valid</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of the controls operating in the PPE system</li> <li>• Performed walkthrough to confirm that controls are operating as described</li> <li>• Tested PPE additions and subsequent expenditure on PPE assets</li> <li>• Tested heritage asset valuations</li> <li>• Tested REFCUS</li> <li>• Tested investment properties</li> </ul>	<p>Our testing of investment properties identified one land asset classified as an investment property which did not meet the criteria for recognition as an investment property. The asset was valued at £2.33m and should have been shown as an operational asset within Other Land and Buildings.</p> <p>Our testing also resulted in the accounting policy in relation to the recognition of capital expenditure and the policy relating to investment property valuations being expanded and updated to reflect the actual procedures adopted by the Council.</p> <p>No other significant issues were identified in relation to this risk.</p>

# Changes to risks identified in the audit plan

This section provides commentary on changes to the risks which were previously communicated in the Audit Plan

	Issue	Commentary
1.	<p><b>Welfare Expenditure</b></p> <p>Welfare benefit expenditure improperly computed</p>	<p>Our Audit Plan identified this as a risk. However, after completing further work, including documentation and walkthrough of the welfare expenditure system's processes and controls, we were able to conclude that the controls were designed effectively. This allowed us to conclude that the risk of material misstatement in relation to welfare benefit expenditure being improperly computed was low and we have therefore downgraded this risk from our initial assessment.</p>

# Significant matters discussed with management

	Significant matter	Commentary
1.	Fixed Asset Register and revaluation calculations	<p>Our sample testing of Property, Plant and Equipment (PPE) assets identified one asset, relating to the City Docks, that incorrectly showed a revaluation increase of £17m, against an opening balance of £nil. Further investigation identified that this was a duplication of part of an asset already included within the PPE opening balance and therefore the revaluation gain of £17m was an overstatement in its entirety. This revaluation gain has now been removed from the financial statements which has decreased both the value of the PPE balance and the revaluation reserve by £17m.</p>
2.	Frequency of revaluations.	<p>The Council currently employs a five year rolling revaluation programme in respect of its Property, Plant and Equipment assets, with the date of the valuations varying between 2010 and 2015. This approach was similar to many other authorities. This is acceptable under the Code, provided that all assets within a class are valued simultaneously. However, our review identified 84 assets with a carrying value of £15.76 million that had been last valued earlier than 1 April 2010, meaning they fell outside of the Council's stated policy and had not been valued in line with the Code requirements.</p> <p>In addition, the Council's rolling programme of valuations does not meet the Code's requirement to value items within a class of property, plant and equipment (PPE) simultaneously. The Code requirement, which is based on IAS 16 Property, Plant and Equipment, only permits a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> <li>• the revaluation of the class of assets is completed within a 'short period'</li> <li>• the revaluations are kept up to date.</li> </ul> <p>In our view, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p>
3.	Assessment of carrying value compared to fair value for Property, Plant and Equipment assets	<p>As the Council employs a five year rolling programme for the valuation of its Property, Plant and Equipment assets, we have sought additional evidence from officers to demonstrate that the carrying value of assets does not materially differ to the fair value, where assets have not been subject to a formal valuation during the current financial year. The Council provided us with a working papers that indexed assets from their previous valuation date, based upon a relevant index for the valuation methodology applied to that asset. This information suggested that the carrying value of its PPE assets could be understated by £45 million. The Council is currently undertaking additional work in this area in order to update asset valuations to ensure that there is no longer a material difference. At the time of writing this report, this additional information had not been provided. We will provide an update on the outcomes of this exercise and any resulting impact on the accounts at the Audit Committee meeting.</p> <p>We would again emphasise, as in previous years, that the evidence provided to us to support the PPE figures within the accounts was provided very late in the audit process, with key information not made available until 7 September 2015. Given the issues identified in this area in previous years and with similar issues in the current year, the Council should take urgent action to address the timeliness in the availability of this information for future years' audits.</p>



## Significant matters discussed with management - continued

	Significant matter	Commentary
4.	Provisions	<p>The Council had included a provision in its draft accounts of £12m in respect of the potential future costs arising from a claim that had been made against it by the Council's approved waste contractor. We have held a number of discussions with management over the substance of this claim and the likelihood of the costs being actually incurred. At the conclusion of our audit we were informed that the Council and its contractor had entered into a settlement agreement for the early termination of the waste contract and that this provision was no longer appropriate. It has been removed from the final version of the audited accounts. Additional disclosures have been made in the accounts to reflect this outcome.</p>

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p><b>Revenue recognition</b></p>	<p>Revenue from provision of services is recognised when the council can measure reliably the level of completion of the transaction and it is probable that benefits will flow to the council. It is accounted for in the year that it takes place and not when the payment is made.</p> <p>Revenue grants received are accounted for on an accruals basis when the conditions of their receipt are met.</p>	<ul style="list-style-type: none"> <li>Accounting policies are appropriate and compliant with the Code of Practice on Local Authority Accounting 2014/15 (the Code) and accounting standards</li> <li>The revenue recognition policy covers all material revenue streams including non-exchange transactions (Council tax and non-domestic rates)</li> <li>We have undertaken substantive testing of grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies.</li> <li>The disclosure of accounting policies are adequate.</li> </ul>	<p style="text-align: center;">● <b>Green</b></p>
<p><b>Estimates and judgements</b></p>	<p><b>PPE Revaluations</b></p> <ul style="list-style-type: none"> <li>Accounting Policy xviii sets out the Council's revaluation programme, with the Council revaluing its land and buildings within a 5 year period.</li> </ul>	<p>Compliance with the Code</p> <ul style="list-style-type: none"> <li>In our view this does not meet the Code's requirement in paragraph 4.1.2.35 to value all items within a class of property, plant and equipment simultaneously.</li> <li>This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:                             <ul style="list-style-type: none"> <li>- the revaluation of the class of assets is completed within a '<i>short period</i>'</li> <li>- the revaluations are kept up to date</li> </ul> </li> <li>We would normally expect this '<i>short period</i>' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets covers more than one financial year</li> <li>Our work also identified that some assets were last valued over 5 years ago, and are therefore outside of the period stated in the accounting policy.</li> <li>The Council are currently completing additional work to confirm to us that the carrying value of their assets is not materially different to their fair value.</li> </ul>	<p style="text-align: center;">● <b>Amber</b></p>

**Assessment**

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Estimates and judgements</b>	<p><b>Other estimates and judgements</b></p> <ul style="list-style-type: none"> <li>NDR Provisions</li> <li>Depreciation and asset values</li> <li>Pension fund valuations and settlement</li> </ul>	<ul style="list-style-type: none"> <li>The Council has appropriately disclosed its significant judgements and estimates.</li> <li>The Council has appropriately relied upon the work of experts for pension fund valuations.</li> <li>Our review of other estimates and judgements did not identify any issues.</li> </ul>	<p>● Green</p>
<b>Judgements - local authority maintained schools premises</b>	<p>Land and building assets used by schools are recognised when the Council directly own the asset or where the school or school governing body own the assets or have the right to use them transferred from another entity.</p>	<p>The Council provided us with a paper on 25 June 2015 that focussed on the legal form of ownership rather than substance over form. We requested further assessment of the substance of the arrangements in order to support the accounting treatments in line with the Code.</p> <p>The Council provided us with its updated assessment, which included detailed consideration of the substance of transactions, ownership and use of the assets on 16 September 2015. The Council has updated its accounting policy disclosures following this assessment. The accounting treatment has not changed as a result of this further consideration.</p> <p>Following the updated disclosure, the accounting policy is now appropriate.</p>	<p>● Green</p>
<b>Going concern</b>	<p>The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.</p> <p>The Council did not make reference to Going Concern in their draft financial statements. A disclosure was added as part of the audit process.</p>	<p>● Green</p>
<b>Other accounting policies</b>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	<p>● Green</p>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.



	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no non-trivial omissions in the financial statements</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
6.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to a number of financial institutions for bank and investment balances . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation, providing sufficient assurance for our testing.</li> </ul>

# Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Property, Plant and Equipment as set out on pages 10 and 11 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Amber	Our testing of debtors identified an issue with the workflow in the Agresso ledger system whereby aged debtors (over 90 days old) get stuck in the system with no further action taken to collect the debt.  There is a risk that income is not collected by the Council due to this issue, resulting in a requirement for an increased provision or debt write offs.  We are aware that there is currently work underway with a view to resolving this issue.	We recommend that the Council reviews this system issue and resolves it as soon as possible, along with the review of aged debts to identify collection actions or any potential write offs.
2.	 Amber	Our testing of journals identified that not all journals are required to be reviewed or authorised by a second officer prior to being input to the ledger system. Therefore there is a risk that fraudulent or erroneous journals could be posted to the financial ledger.	The Council and members should consider the current journals authorisation process and ensure that they are satisfied.

## Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

# Internal controls

	Assessment	Issue and risk	Recommendations
3.	<p>●</p> <p>Amber</p>	<p>Security administrators rely on the end-user community to notify them of which accounts should be disabled as a result of HR activity. There exists potential for accounts belonging to terminated employees to remain enabled within these systems.</p> <p>Access to information resources and system functionality may not be restricted on the basis of legitimate business need and enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls. Also, terminated employees may continue to access information assets through enabled, no-longer-needed user accounts and revocation of access rights may not be performed accurately, comprehensively, or on a timely basis.</p>	<p>All logical access belonging to terminated personnel (i.e. "leavers") should be revoked in a timely manner (preferably at time of termination) by:</p> <ul style="list-style-type: none"> <li>• timely, proactive notifications from HR of leaver activity for anticipated terminations; and</li> <li>• timely, per-occurrence notifications for unanticipated terminations.</li> </ul> <p>Security administrators of financially critical applications and the network should then use these notifications to either;</p> <ul style="list-style-type: none"> <li>• end-date user accounts associated with anticipated leavers, or</li> <li>• immediately disable user accounts associated with un-anticipated leavers.</li> </ul>
4.	<p>●</p> <p>Amber</p>	<p>Our review of user accounts and associated permissions for Active Directory, Agresso Business World and Northgate applications identified that they are not being formally and proactively reviewed for appropriateness.</p> <p>If periodic reviews of user accounts are not conducted on a regular basis, there is an increased risk that segregation of duties may be circumvented resulting from individuals changing roles without their access rights being reviewed and amended accordingly, affecting the integrity of financial data.</p>	<p>Regular reviews of user accounts should take place at least annually with sufficient evidence to enable a third-party to confirm when the reviews were performed, who was involved, and what access changed as a result.</p>
5.	<p>●</p> <p>Amber</p>	<p>There is no documented process to review security audit logs from the network, Agresso Business World or Northgate applications on a periodic basis.</p> <p>There is a risk that unusual activity or security events taking place within the network or applications named above might not be detected in a timely manner in the absence of such a control. Given the criticality of the data in these systems, it is advisable that there are processes to identify any unauthorised access, thereby reducing the risk of fraud, manipulation or error.</p>	<p>Management should identify the more critical audit logs on each system and review them on a periodic basis for any anomalies.</p>

## Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position. There are no unadjusted misstatements to report.

Detail	Comprehensive Income and Expenditure Account £'	Balance Sheet £	Impact on total net expenditure £
1 A piece of land classified as an investment property valued at £2.33m did not meet the criteria for classification of an investment property which states it should be held for capital appreciation or to earn rentals. The land should have been classified as Property, plant and equipment in the Balance Sheet.	0	Dr Property, Plant and Equipment £2.33m  Cr Investment Properties £2.33m	
2 £1.79m of the capital grants received in advance balance totalling £34.2m relates to a grant that is paid in arrears. This balance should have been shown as a capital grant unapplied.	0	Dr Capital grants received in advance £1.79m  Cr Capital Grants Unapplied £1.79m	
3 Fairfield High School and Brislington Enterprise College both transferred to Academy status on 1 Feb 2015. Upon transfer, these assets totalling £51.072m should have been recorded as a disposal of assets. However these were incorrectly accounted for as an impairment.	Dr loss on disposal £51.072m Cr Impairments – costs of services £49.741m	MIRS £1.3m	
4 A duplication of part of the City Docks asset already was included within the PPE opening balance and therefore the revaluation gain of £17m was an overstatement in its entirety.		Dr Revaluation Reserve £17m Cr PPE £17m	

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position. There are no unadjusted misstatements to report.

Detail	Comprehensive Income and Expenditure Account £	Balance Sheet £	Impact on total net expenditure £
5 The Council its approved waste contractor entered into a settlement agreement for the early termination of the waste contract and it was concluded that this provision was no longer appropriate. It has been removed from the final version of the audited accounts. Additional disclosures have been made in the accounts to reflect this outcome.	Cr Cost of Services £12.0m	Dr Provisions £12.0m	
<b>Overall impact</b>	<b>£13.3m</b>	<b>£13.3m</b>	



## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	Various	Officers' Remuneration – Note 32	The salaries disclosed for three senior officers did not include certain relevant salary payments in the senior officer note and were therefore understated. Senior officers were also included in the £5k bandings note, but the narrative stated that they were not. The narrative has been updated.
2 Disclosure	4,313	Pensions – Note 42	In the 'Reconciliation of fair value of the Local Government Pension Scheme' disclosure, the figures for employer contributions and benefits paid both incorrectly included £4.3m relating to the Teachers' Unfunded Pension Scheme. Both were reduced to remove these.
3 Disclosure	Various	Collection Fund Income and Expenditure Account	The Council Tax precepts, demands and shares figures disclosed in the draft financial for Central Government, Bristol City Council, Avon & Somerset PCC and Avon Fire Authority were transposed against the incorrect lines. The statement also incorrectly referred to Avon & Somerset Police Authority.
4 Misclassification	Various	Financial Instruments – Note 16	The disclosure of creditors meeting the criteria of financial instruments included £12.0m or statutory creditors, which do not meet the definition of a financial instrument. The defined benefit liability of £705m is not required to be disclosed within the financial instruments note.
5 Disclosure	Various	Various	A number of corrections were made to the financial statements to reflect typographical, grammatical and arithmetic issues identified throughout the course of the audit by both the audit team and Council officers.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

These criteria are:

**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; and
- Financial control.

Overall our work highlighted that the Council has demonstrated that it has proper arrangements in place to secure financial resilience. The Council has delivered a breakeven position on its revenue budget. The Council annually reviews and updates its financial strategy and sets out how it will meet the financial challenge based on updated assumptions. It continues to face the challenge of delivering further significant savings going forward.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

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 our work highlighted that the Council has proper arrangements in place. The Council is challenging the way it provides services and delivers savings through the single change programme as well as exploring other options such as local authority trading companies and devolution. The single change programme should deliver significant savings, from 2015/16 onwards

## 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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<p>The Council has been compared with the other English core cities. The Council is in line with the core cities for the majority of the indicators. The exception to this is the level of school balances and the level of reserves. The ratio of useable capital and revenue reserves as a share of expenditure, the Council is lower than four other core cities, but is higher than Newcastle, Sheffield and Leeds. The Council continues to review and carefully monitor its level of reserves.</p> <p>The Council achieved a revenue breakeven position and continues to monitor its capital position, improving the amount of slippage compared to previous years.</p> <p>However, sickness absence rates (at 8.46 days compared to a target of 8.0 days) and the recording of completion of annual PMDS remain areas of improvement for the Council.</p>	<b>Green</b>
<b>Strategic financial planning</b>	<p>The Council published its first three year Medium Term Financial Strategy (MTFS) in February 2014 covering the period 2014/15 to 2016/17. The MTFS is updated annually along with agreement of the budget. This update includes updates in assumptions and the previous year end position. Work is underway to develop the MTFS for the next three years.</p> <p>Following the Council restructuring, the HR departments have begun working across teams, at different levels, to provide key workforce planning information and statistics to support teams to develop their future workforce planning arrangements. In addition, the single change programme is focused on having a consistent single approach across the Council. A formal Change Board has been implemented whose membership included every Service Director and Strategic Director. The Board meet every 5 weeks and the joined up approach to this programme ensures delivery of the savings as identified in the MTFS. These changes can then be developed within service plans and the next three year MTFS.</p>	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Financial governance</b>	<p>The Council has a good understanding of the financial position of the Council. The Mayor, Members and the Senior officers are engaged through regular meetings from the directorate team meetings to the strategic leadership team and on to Cabinet. The Financial Regulations have been updated to reflect current governance arrangements. However, these have yet to be finalised and taken to Full Council for approval. The version on the Council's website is dated June 2012.</p> <p>During 2014/15 the Council became aware of a number of governance issues within its trading company Bristol 2015 Ltd. As a result an independent review was commissioned and a number of changes were made to improve the governance arrangements, including appointing the City Director as the Chief Executive.</p> <p>The Council has introduced a 'Decision Pathway Project' which assists officers in planning their decision-making route, thereby reducing the number of decisions that arise without sufficient notice and reduces the number of pending items on the Mayor's forward plan. Scrutiny arrangements have been reviewed by the Centre for Public Scrutiny and improvements made as a result.</p> <p>Within the Council work continues to improve performance monitoring and the Council's Annual Governance Statement recognises that the Council's performance indicators could more effectively align to the Mayor's vision for Bristol. Further work is required to ensure the most appropriate measures are in place.</p>	<b>Green</b>
<b>Financial control</b>	<p>The Council has a good track record of achieving its planned budget and achieved a breakeven position for 2014/15.</p> <p>The Head of Internal Audit opinion has recognised improvements in the control environment, but the overall rating remains at medium.</p> <p>The Council has strengthened its strategic risk management processes and Directorate Risk Registers are now in place.</p>	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Prioritising resources</b>	<p>The Council continues to challenge and prioritise resources through its single change programme. The single change programme aims to deliver gross cumulative savings in the region of £64m by 2016/17.</p> <p>Regular monitoring reports are presented to the Senior Leadership Team (SLT), Cabinet and the Business Change Commission.</p> <p>The Better Care Fund is a key area where the Council is working with NHS Bristol CCG and intends to deliver savings across the health economy. Verbal updates are presented to the Health and Wellbeing Board, but to date no detailed reports have been made publicly available which would provide an indication as to whether the initiative is progressing as planned.</p> <p>Decision making processes have been strengthened with the introduction of the 'Decision Pathway Project'. Following on from the review of scrutiny arrangements last year a further review has been commissioned. A report by the Centre for Public Scrutiny, was reported and agreed in March 2015.</p> <p>The Council has made progress in aligning its indicators with the themes set out within the Corporate Plan. Work continues on the Council's performance management system and work has begun on revising the Council's performance indicators to ensure they are effectively aligned to the Mayor's vision.</p>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<p>In order to improve cost comparison information available across the Directorates the Council is working with CIPFA to develop a number of comprehensive expenditure and income comparator reports by service. CIPFA will be holding workshops sessions with the Council in order to assist the Council in analysing and taking key messages from the benchmarking reports. Business Partners are also in post to provide support to the Directorates.</p> <p>The Head of Internal Audit Opinion identifies information security as an area of concern in the AGS. However, information security is not included in the AGS action plan.</p> <p>The Council has introduced monitoring of the savings plans at Directorate, SLT and Cabinet. The target for 2014/15 was £46.2m. The Council has achieved its target and achieved a breakeven position on its revenue budget. However, not all savings were delivered as planned due to slippage. The Council was able to identify other savings to mitigate the impact of these delays.</p> <p>A key focus for savings in the future remains the single change plan and significant savings should be delivered from 2015/16. We consider that the Council should also agree SMART non-financial benefits for all its services which are included in the single change programme.</p>	<b>Amber</b>

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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non-audit services and independence**

05. Communication of audit matters

# Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

## Fees

	Per Audit plan £	Actual fees £
Council audit	271,583	271,583
Grant certification on behalf of Audit Commission	11,810	11,810
<b>Total audit fees</b>	<b>283,393</b>	<b>283,393</b>

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
Teachers Pensions' Return (2013-14)	4,200
<b>Non audit related services</b>	
Bristol Green Capital – Business Risk Services review	8,700
Alternative Delivery Models – Advisory services	18,400

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.



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## Section 5: Communication of audit matters

01. Executive summary

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04. Fees, non-audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report 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)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	We recommend that the Council reviews the Accounts Receivable system and resolves the issue with the workflow that results in debtors getting stuck with no collection action taken it as soon as possible. We also recommend a review of aged debts to identify collection actions or any potential write offs.	Medium	This review is already underway. In July, the finance service implemented a corporate debt project to review and improve the councils approach to debt management and accounts receivable. This is already delivering improved results and has resulted in the need to make a lower provision for future bad debts. The project is ongoing during the financial year, to establish an improved baseline for future years.	Implementation throughout 2015/16. Service Director, Finance.
2.	The Council and members should consider the current journals authorisation process and ensure that they are satisfied.	Medium	The current process requires all journals to be reviewed and authorised by a member of the finance team prior to posting. Journals submitted directly to the systems team are returned for review and authorisation. We believe this to represent satisfactory control.	Service Director, Finance
3.	<p>All logical access belonging to terminated personnel (i.e. "leavers") should be revoked in a timely manner (preferably at time of termination) by:</p> <ul style="list-style-type: none"> <li>- timely, proactive notifications from HR of leaver activity for anticipated terminations; and</li> <li>- timely, per-occurrence notifications for unanticipated terminations.</li> </ul> <p>Security administrators of financially critical applications and the network should then use these notifications to either;</p> <ul style="list-style-type: none"> <li>- end-date user accounts associated with anticipated leavers, or</li> <li>- immediately disable user accounts associated with un-anticipated leavers.</li> </ul>	Low	<p>Network accounts are disabled upon receipt of notification of leavers. This is generally from line management rather than HR (although this is likely to change once new HR system is implemented).</p> <p>A number of Line of Business (LoB) applications have their own administration teams who are responsible for enabling/disabling system accounts and roles.</p> <p>It is recognised that commonality of process would likely improve adherence to this recommendation. Two activities are currently underway:</p> <ul style="list-style-type: none"> <li>- A review of internal processes (such as starters and leavers) to identify improvement opportunities.</li> <li>- Some centralisation or consolidation of administration of corporate and LoB applications</li> </ul>	Jan 2016 Service Director, Business Change

# Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
4.	Regular reviews of user accounts should take place at least annually with sufficient evidence to enable a third-party to confirm when the reviews were performed, who was involved, and what access changed as a result.	Low	This activity takes place to varying degrees by system and service, but agreed that needs to be more formally implemented and evidenced.	April 2016 Service Delivery & Integration Manager
5.	Management should identify the more critical audit logs on each system and review them on a periodic basis for any anomalies.	Low	Agreed. We are currently discussing centralised log monitoring capabilities with suppliers.	April 2016 Service Delivery & Integration Manager
6.	The Council should ensure that the carrying value of its PPE assets in the financial statements are not materially different to their fair value, particularly where they have not been subject to a formal revaluation in year.	High	Agreed. We are reviewing our policy and approach to satisfy this requirement.	December 2015 Service Director Property Services
7.	The Council should ensure that it complies with the requirements of the Code that all assets within a class are revalued at the same time and that all revaluations are carried out in line with the Council's accounting policy (i.e. at least every 5 years).	High	Agreed. We are reviewing our revaluation process.	December 2015 Service Director Property Services
8.	Officers should provide supporting information, in a timely manner, to support the valuation of Council assets, any movements and a full reconciliation, with corroborating explanations and evidence, between the financial statements and the valuation certificate.	High	Agreed, as above.	April 2016 Service Director Property Services Service Director Finance

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL CITY COUNCIL**

We have audited the financial statements of Bristol City Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Bristol City Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities: The Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to

identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Bristol City Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Bristol City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

**Barrie Morris**

for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

Date .....



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