Public Document Pack

Audit Committee

Supplementary Publication – Grant Thornton Audit Findings report

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Venue: The Council Chamber - City Hall, College Green, Bristol, BS1 5TR

Distribution:

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Agenda

6. Grant Thornton ISA 260 report

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The Audit Findings for Bristol City Council

Year ended 31 March 2023

Issued 26 March 2024

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

Barrie Morris
For Grant Thornton UK LLP
Date: 18 March 2024

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bristol City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements	
Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements [including the Annual Governance Statement (AGS) and Narrative Report], is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.	Our audit work was completed remotely during November 2023 to March 2024. Our findings are summarised on pages 38 to 56. We have identified adjustments to the financial statements that have resulted in a £42.4m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D. Our work complete and there are no matters of which we are aware that required modification of our audit opinion or material changes to the financial statements. We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited. Our financial statements audit report opinion is unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our 2022/23 Value for Money assessment was undertaken in conjunction with our 2021/22 Assessment. The Auditor's Annual Report was presented in draft format on 24th July 2023 Audit Committee. This report will be finalised once the financial statements audit for 2022/23 has concluded. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses relate to the following:

- council's arrangements for securing financial sustainability into the medium-term financial plan;
- unsustainable current level spend of Adult Social Care; and
- contract management and procurement;

A further explanation of the significant weaknesses we have identified in the Council's arrangements is detailed on page 29 of this report, with fuller commentary included in our Annual Auditors' Report for 2022/23.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

An objection was received within the public inspection window. This objection was reviewed and accepted. Our work on the objection is in progress.

Under the Local Audit and Accountability Act 2014, a local elector has the right to inspect the accounts and books and records of the Council and write to that external auditor to ask questions about the accounts. They may also object to the Council's accounts asking that the auditor issue a report in the public interest [under section 24 and paragraph 1 of Schedule 7 of the Local Audit and Accountability Act 2014) or apply for a declaration that an item in the accounts is contrary to law. We received such one objection to the financial statements during the public inspection period for the 2022/23 accounts. Work on this is underway and we expect to certify the completion of the audit once our work on the objection has concluded.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to complete this audit in timely and efficient way. We have seen massive improvement from the way the audit was prioritised in previous years which enabled us to complete this audit in a much shorter timeframe than previous periods. We, therefore, wanted to take this opportunity to acknowledge the hard work and commitment of finance and other colleagues within the Council for supporting the audit process and enabling the audit to be concluded, with the audit opinion expected to be shortly after the March 2024 Audit Committee.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The use of borrowings to fund investment properties has not been an issue for Bristol City Council. Since 1 April 2008, they have prudentially borrowed £9.4m to acquire an investment property for regeneration purposes. Since then, the Council has not undertaken any further prudential borrowing to acquire investment properties.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group to assess the significance of each component to determine the planned audit response [Bristol Holdings Limited, BE2020 Limited (on-going liquidation), Bristol Waste Company Limited, Goram Homes Limited, Bristol Heat Networks Limited (sold 4th of January 2023). From this evaluation we determined that audit of gross expenditure of Bristol Waste Limited was required, which was completed by PwC.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 29th of January 2024, to reflect the change of our planned approach for Bristol Waste Limited. See page 8 for the updated group audit scope.

Conclusion

We have completed our audit of your financial statements and we have issued an unqualified audit opinion on 26 March 2024. These outstanding items include:

Acknowledgements

We would like to take this opportunity to record our appreciation for the hard work and assistance provided by the Finance Team and other staff within the Council to support the audit process. We have faced some challenges in obtaining sufficient, appropriate audit evidence during the course of the audit, such as for management's estimate of the council dwellings depreciation. However, we would like to highlight that these issues have reduced when compared to previous audits. This has been a challenging audit with an ambitious timeline but with the dedication and support of the finance team of the audit process, we have been able to achieve this.

We will continue to work proactively with the Council to address areas for improvement in order for the audit to be completed as efficiently as possible.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 29th of January 2024

We set out in this table our determination of materiality for Bristol City Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	19,300,000	19,250,000	We considered material from the perspective of the users of financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services for the local community and therefore, gross expenditure at Net Cost of Services level was deemed as most appropriate benchmark. This benchmark was consistent with prior year. Recognising the size and scale of the Council and the level of public interest regarding these accounts, we deemed that 1.4% was an appropriate rate to apply to the expenditure benchmark. We also applied the same % to the Group.
Performance materiality	12,500,000	12,500,000	65% of materiality was deemed an appropriate level for performance materiality, reflecting our experience of auditing previous year's accounts.
Trivial matters	950,000	950,000	5% of materiality was deemed an appropriate level for triviality. We do not report anything below this figure.
Materiality for senior officer remuneration	None	20,000	We deemed senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality on the remuneration disclosure. This level applies to individual senior officer disclosures and not to the balance as a whole.

2. Financial Statements – Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Bristol City Council	Yes	Full scope UK statutory audit performed by Grant Thornton UK LLP	See risks identified on pages 9 to 17	Full scope audit performed by Grant Thornton UK LLP
Bristol Holdings Limited	No	Analytical procedures at group level	None identified.	Analytical review performed by Grant Thornton UK LLP
Bristol Waste Company Limited	No	Audit of one or more classes of transactions or account balances	None identified.	Review of Other Expenditure Testing Performed by the Component Auditor
Goram Homes Limited	No	Analytical procedures at group level	None identified.	Analytical review performed by Grant Thornton UK LLP
Bristol Heat Networks Limited (sold 4th January 2023)	No	Analytical procedures at group level	None identified	Analytical review performed by Grant Thornton UK LLP.

BE2020 Limited (formerly Bristol Energy Limited) is currently in the process of liquidating. We will not perform further procedure with regards to this component. This is also not consolidated in the Group Accounts.

Audit scope

- 🟪 Audit of the financial information of the component using component materiality
- ■ Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- 🟦 Review of component's financial information
- ▨ Specified audit procedures relating to risks of material misstatement of the group financial statements
- □ Analytical procedures at group level

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	**Commentary**
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.	As part of our work we: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regards to corroborative evidence; • analysed whether there are transfers between the General Fund and HRA and inter group journals and tested them where identified; • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions; and • tested high value and unusual journals processed during the year and at the accounts production stage for appropriateness and corroboration. Our audit work, including our review of journal entries and the related control environment, has not identified instances of management override of controls. We identified one super user who can post journals and also heads the cash office. This is considered to be a segregation of duties conflict. Management reviewed this and revoked the access in May 2023. However, since this issue was in place during the period under audit, we continued to make recommendations to management to revisit access and ensure there is adequate segregation of duties. Refer to Appendix B for further detail.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	**Commentary**
The revenue cycle includes fraudulent revenue transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of material fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition; • the Council's revenue streams are non-complex in nature; and • the culture and ethical frameworks of local authorities, including Bristol City Council, mean that all forms of fraud are seen as unacceptable. There has been no change to this assessment since the considerations set out in our Audit Plan.
The revenue cycle includes fraudulent revenue transactions In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.	We have determined that the risk of material fraud arising from expenditure recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. Our review has not identified indicators that a target-based environment exists at the Council. There has been no change to this assessment since the considerations set out in our Audit Plan.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our work, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the Council's valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and • engaged an auditor's expert to further challenge underlying assumptions and terms of engagement with the valuer. The Council's land and buildings were valued by the Council's internal valuer and a portion of the asset valuations were outsourced to an external valuer. We therefore undertook the processes above on both valuers used by the Council. We instructed our auditor's expert to review and comment on the valuation instruction process (i.e. terms of reference) and commentary on the valuation methodology and approach, resulting assumptions adopted and any other relevant points. A number of queries and challenges were raised for both the internal and external valuers used by the Council. We were able to obtain sufficient responses and further evidence where required from both valuers to satisfy us that the instruction process and overall valuation methodology and approach used were appropriate. We undertook detailed testing on a sample of assets where we considered, amongst other factors, assets where they have been significant changes in assumptions, assets where movements in valuation were not in line with our expectation or where we deemed assets to be large or unusual. Our detailed testing of these assets included recalculating valuer calculations, detailed testing of assumptions and source data (such as floor plans, pupil numbers, land size, price per acre, rental yields and income for carparks) and consideration of obsolescence. The assets were revalued as at 31 October 2022 and indexed to 31 March 2023, and we undertook detailed work to ensure the indexation process used by the valuer was appropriate. The indexation exercise carried out by the valuer also includes assets not formally revalued to which they have indexed it from last formal revaluation date. We have formed independent expectations to test the reasonableness of the adjustments processed and corroborate the valuer's opinion that the value at year end was materially correct. We have also engaged our experts to review the indices used by the valuer. Our work identified an issue with regards to incorrect income used for valuation of car parks. The total identified error is £2,952k. This is below our tolerance threshold, hence, we were able to satisfy ourselves that the valuation of land and buildings is materially correct as at 31 March 2023. Refer to Appendix D.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of council dwellings The Authority revalues its council dwellings on an annual basis using a beacon approach. Each bacon is revalued as part of a five-year rolling programme, with a desktop exercise covering all remaining council dwelling assets. This valuation represents a significant estimate by management in the financial statements, due to the size of the values involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. We therefore identified valuation of council dwellings as a significant risk, which was one of the most significant assessed risks of material misstatement. In our audit plan, this was reported as part of the significant risk in valuation of land and buildings, but we have separated this in this section to detail the procedures we have performed and the findings from the work we have completed.	As part of our work, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the Council's valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and • engaged an auditor's expert to further challenge underlying assumptions and terms of engagement with the valuer. Our auditor's expert also reviewed the instructions and overall methodologies for the valuation of the Councils housing stock which was undertaken by the internal valuer. We were able to obtain sufficient responses from the valuer for the queries raised by our expert. The Council applies a Beacon Approach to its revaluation of Council dwellings, with 113 beacon properties of which 28 were formally revalued in 2022/23. The whole portfolio is revalued over a 5-year rolling period. For those beacon properties not formally revalued, indices are applied by the valuer. The valuation is undertaken as at 1 October 2022 and the whole portfolio is uplifted using indices to the 31 March 2023. Our review included understanding the Council's approach to the Beacon valuations and selecting a sample of beacons and properties to test to ensure the beacon valuations were reasonable in comparison to compare properties being marketed for sale as well as completing the same review for individual asset valuations. We identified issues in terms of the beacon identification process of the Council wherein an incorrect beacon was selected as a representative for the beacon group. Based on further procedures we have performed, we have identified the error to be £4,586k understatement in the Council Dwelling valuation. This is below our tolerance threshold, hence, we were able to satisfy ourselves that the valuation of land and buildings is materially correct as at 31 March 2023. Refer to Appendix D for details.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of investment properties The Authority is required to revalue its investment properties at fair value on an annual basis at 31 March. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of investment property, as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our work, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • discussed with the valuer the basis on which the valuations were carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; and • engaged an auditor's expert to support our response to the valuation of investment properties. Majority of the Council's investment properties were valued by external valuers (Avison Young) and the remaining properties are indexed by the internal valuer. We therefore also undertook the processes above on both valuers used by the Council. We instructed our auditors expert to review and comment on the valuation instruction process (i.e. terms of reference) and commentary on the valuation methodology and approach, resulting assumptions adopted and any other relevant points. A number of queries and challenges were raised for both the internal and external valuers used by the Council. We were able to obtain sufficient responses and further evidence where required from both valuers to satisfy us that the instruction process and overall valuation methodology and approach used were appropriate for investment properties. We selected a sample of investment properties for detailed testing including individually significant properties, those where the value is outside of our expectation and a sample of those where the value is in line with expectation. Our testing covered properties within industrial, office and retail sectors. Our detailed testing included testing of the key assumptions and source data and review of the indexation process from the valuation date (1 October 2022) to year end. We have also reviewed the indexation exercise carried out by the internal valuer for some of the investment properties from 1 October 2021 (last valuation date) to 1 October 2022. We have also reviewed those investment properties carried at nil value and those that has not changed year on year to ensure that this is appropriate, and that the Council has revalued (either formally or through indexation exercise) all of its investment properties in line with the requirements of the Code. Our work identified that an incorrect site area was used for one of the investment properties. The actual error is an understatement of the investment property by £2,475k. Based on our communication with the external valuers, this was identified during remeasurements in 2023/24 valuations and was subsequently corrected. We have performed additional procedure to gain assurance that this is an isolated error. As this is below our tolerance threshold, we were able to satisfy ourselves that the valuation of investment properties is materially correct as at 31 March 2023. Refer to Appendix D.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Investment in First Corporate Shipping Limited The Authority holds material long term investments in its balance sheet. These include the estimated valuation an unquoted equity investment. These investments are by their nature hard to value estimates, and management have estimated their value based on a range of estimation techniques. We have identified the valuation of the Authority's long term unquoted investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our work, we have: • discussed the valuation techniques adopted with management and obtained their calculations for the valuation of the unquoted equity investments; • verified the accuracy of the source data and reperformed the calculations carried out by the management; • gained comfort over some of the assumptions used by the management such as dividend projections; • engaged our internal valuations experts to review management's estimates and to provide us with assurance over the valuation of the Authority's unquoted equity investments. It was agreed with the Council that they would engage an expert to support the valuation of the Port Authority on a cyclical basis with this last completed in 2021/22. Therefore in 2022/23, the finance team had refreshed the calculation based on current and relevant information. We have engaged our internal valuations expert to review management's estimates and were provided with a number of follow up queries and clarification points which we have shared with the finance team for comment. Our expert concluded that based on the procedures associated with their review of the valuation prepared by management, our experts understanding of the industry and discussions with management, it is not unreasonable to rely on the expert's valuation in recording the fair value of the investment as at 31 March 2023. Dividend projection is one of the key assumptions in the calculation of the valuation of the investment. This is based on the information provided by First Corporate Shipping Limited. We have performed sensitivity analysis based on reasonably possible changes on this assumption. We have used 13% based on historical comparison of projection and actual dividend received. We have identified change of £2.8m if the projection changes by +-13% and £4.8m if the dividend is consistent with the latest actual dividend received. As this is below our tolerance threshold, we were satisfied that the valuation is materially accurate as at 31 March 2023.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£342.4m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular, the discount and inflation rate. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation, which was one of the most significant assessed risks of material misstatement.	As part of our work, we have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. In 2020/21 the Council made an upfront payment of deficit contributions for the three years 2020/21 - 2022/23 totalling £20.43 million. The payment was made in April 2020 and gives the Council an overall saving of £1.295 million). We reviewed the supporting documentation for this up-front payment and the accounting treatment in the Statement of Accounts and were able to conclude this has been appropriately accounted for in 2020/21. We did identify two areas for recommendations to the Council: • we recommend that the Council includes additional narrative to explain to readers that the up-front payment leads to temporary imbalance between the net pension liability and the pensions reserve, and that the payment will be released to the pension reserve over the respective three-year period • it is deemed good practice for significant transactions, such as the above, are reported to members in advance of their undertaking and, therefore, we recommend this is done for any future up-front payments. We are pleased to report that both of these recommendations have been actioned by the council. As the triennial valuation was undertaken as at 31 March 2022, and published as at 31 March 2023, which was completed after the 2022/23 IAS 19 report of the Council was issued, management commissioned a revised IAS 19 reports to reflect the position of the Fund after triennial valuation. Management have adjusted their financial statements to reflect the amended disclosures. Refer to Appendix D for the details of audit adjustments. The Pension Fund Auditor (PFA) reported an unadjusted error of £14.572m relating to estimation difference identified in the valuation of Level 3 Investments. The investments were understated, and the proportion relating to the Council is approximately £5.115m, representing 35.1%, which is the BCC employer's share of the assets of the Fund. Given the PFA has reported that this difference identified was due to more up to date information being available at time of the audit, we are satisfied that the value of assets used were appropriate at the time of the preparation of the IAS 19 report. **Overall, we were able to conclude that the valuation of the net pension fund liability is materially accurate as at 31 March 2023.**

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation • Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2023 (early adoption) then in 2022/23 accounts as a minimum, we expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	Note 2 of the accounts include the following disclosure: At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom: a) IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year). The authority is implementing IFRS 16 in FY 2024/25, and the assessment of IFRS 16 has not yet been conducted. Other than IFRS 16, none of these amendments are anticipated to have a material impact on the Council's financial performance and financial position.	The disclosure in the accounts meets the requirements we would expect in order to comply with the requirement of IAS 8 para 31. The original implementation date for IFRS 16 of 1 April 2020 was deferred due to the Covid -19 pandemic.

2. Financial Statements: new issues and risks

Issue	Commentary
Measurement of Infrastructure Assets • The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. Depreciation depends upon the use of appropriate useful economic lives. • The update to the Code (November 2022) provides a temporary relief from the requirement to report the gross book value and accumulated depreciation for infrastructure assets, because historical information deficits mean that this information is unlikely to faithfully represent the asset position. • An amendment to the Local Authority Capital and Finance regulations (SI 2022 No 1232) permits Local Authorities when derecognising components of infrastructure assets, replaced by expenditure on existing assets, to determine the relevant amount to be nil. • Bristol City Council has material infrastructure assets, at net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	The inherent risks which we identified in relation to infrastructure assets were: • a normal risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components; and • a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. We have been working with CIPFA and the Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by Government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs). The English SI includes two key elements: • the local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets. • where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code. This has meant that the only remaining risks relates to the accuracy of in year depreciation and accuracy of any impairment consideration where relevant. The Council has updated its accounts to reflect the updated disclosure requirements as Infrastructure assets are now only required to be disclosed on a net book value basis. We have completed the following work focusing on the Council's current year's infrastructure assets: • reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets; • evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs; and • reviewed the sufficiency of the disclosure against the requirement of the Code. We have identified several issues relating to Infrastructure assets. The Council has used a long useful life for a number of infrastructure assets, which produces a lower-than-expected depreciation charge. We also identified that the depreciation charge is only allocated to one asset in the asset register rather than being allocated across all of the individual infrastructure assets. Finally, we identified that the overall depreciation charged in 2022/23 was outside of the range we determined using standard lives provided by CIPFA. Our review identified that the Council's depreciation charge was outside of the range by £1.4m and differed to the midpoint of the range by £4.0m. While neither of these values is material, we have raised recommendations relating to infrastructure lives in Appendix B. Additional disclosures were made to ensure it meets the minimum required disclosure as per the SI and the Code. Our work has been concluded and we are satisfied that the estimate is not materially misstated.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £694.3m	Other land and buildings comprises £508m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£186m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged both Avison Young and internal valuers to complete the valuation of properties as at 01 October 2022 on a five yearly cyclical basis. 81% of total assets were revalued during 2022/23. The assets were revalued as at 1 October 2022 and indexed to 31 March 2023. Assets not revalued were indexed from the date of last revaluation to 31 March 2023. We have carried out a review of the work to ensure the indexation processed of the valuer is appropriate and the indices used are reasonable. We have engaged our expert to support us in reviewing this. The total year end valuation of land and buildings was £694.3m, a net increase of £27.2m from 2021/22 (£667.1m).	We have carried out the following work in relation to this estimate: • assessed management's expert to ensure suitably qualified and independent; • assessed the completeness and accuracy of the underlying information used to determine the estimate; • confirmed there were no changes to valuation method; • assessed the consistency of the estimate against near neighbours and using the Auditor's expert report; • assessed the adequacy of disclosure of the estimate in the financial statements; and • engaged an auditor expert to further challenge underlying assumptions and terms of engagement with the valuer. Our audit work had not identified any significant issues with regards to this accounting estimate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

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Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £1,934.3m	The Council owns 26,687 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its internal valuers to complete the valuation of these properties. The year end valuation of Council Housing was £1,934.4m, a net decrease of £10.9m from 2021/22 (£1,945.2m).	We considered the competence, qualifications and independence of management's valuation experts and used our own valuation expert to review the relevant terms of reference and valuation report and identified no issues. We confirmed that the information used by the valuer was complete and accurate and that the Beacons used in the valuation process were appropriate and consistent. We challenged the indices used in the valuation process, with the assistance of our auditor's expert, and also corroborated the valuation of beacons valued in year to market data and were satisfied with the results. We identified issues in terms of the beacon identification process of the Council wherein an incorrect beacon was selected as a representative for the beacon group. Based on further procedures we have performed, we have identified the error to be £4,586k understatement in the Council Dwelling valuation. This is below our tolerance threshold, hence, we were able to satisfy ourselves that the valuation of land and buildings is materially correct as at 31 March 2023. Refer to Appendix D for details.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £282.2m	The Authority is required to revalue its investment properties at fair value on an annual basis. The Council has engaged Avison Young to revalue majority of its investment portfolio as at 1 October 2022. The rest of the portfolio is indexed by the internal valuer from 1 October 2021 to 1 October 2022. The internal valuer also indexed the investment properties from 1 October 2022 (valuation date) to 31 March 2023 (reporting date). The total year-end valuation of investment property is £282.2m, a net decrease of £74.4m from 2021/22 (£356.6m).	We have carried out the following work in relation to this estimate: • assessed management's expert to ensure suitably qualified and independent; • assessed the completeness and accuracy of the underlying information used to determine the estimate; • confirmed there were no changes to valuation method; • assessed the consistency of the estimate against near neighbours and using the Auditor's expert report; • assessed the adequacy of disclosure of the estimate in the financial statements; and • engaged an auditor expert to further challenge underlying assumptions and terms of engagement with the valuer. Our audit work had not identified any significant issues with regards to this accounting estimate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Net pension liability – £342.4m

Summary of management's approach

The Council's total net pension liability at 31 March 2023 is £342.4m (PY £1,046.7m) comprising the Avon Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed on 31 March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £766m net actuarial loss during 2022/23.

Audit Comments

We have carried out the following work in relation to this estimate;

- assessed management's expert to ensure suitably qualified and independent;
- assessed the actuary's roll forward approach taken;
- used PwC as auditor's expert to assess the actuary and assumptions made by actuary. The table summarises where Bristol City Council fall in the acceptable ranges set out by PwC:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7% - 4.9%	✓
Pension increase rate	2.8%	2.8%	✓
Salary growth	4.2%	3.2% - 5.2%	✓
Life expectancy – Males currently aged 45 / 65	23.7 / 22.4 years	22.4 - 24.3 / 21.0 - 22.6 years	✓
Life expectancy – Females currently aged 45 / 65	26.4 / 24.4 years	25.3 - 26.6 / 23.5 - 24.7 years	✓

We have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate.

We have also gained assurance over the reasonableness of the Council's share of Avon Pension Fund's pension assets, and we have reviewed the adequacy of disclosure of the estimate in the financial statements

As discussed in page 15, the Pension Fund Auditor reported £14.572m understatement in investment assets. Share of the Authority of this is £5.115m. Since this is below our tolerance threshold, we were able to conclude that the estimate of the Net pension liability is materially accurate as at 31 March 2023.

Assessment

We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £24.5m	The Council is responsible for repaying a proportion of successful rateable value appeals. Management's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and success rates based on historical information.	Management calculate the percentage success rate of appeals based upon the number of appeals. We reviewed the VOA data which highlighted that higher value appeals appeared to have a higher success rate. As such, we recalculated a success percentage based upon the value of successful appeals, rather than the number of successful appeals, which resulted in a difference of £124k, which was not considered material to the estimate. We were able to satisfy ourselves that the estimate for Provision for NNDR appeals is materially accurate as at 31 March 2023.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.
Council Dwelling Depreciation- £29.7m	The Council determine its council dwelling depreciation by estimating the cost per year to replace a component and building from this information to determine the annual depreciation. The value of Council Dwelling Depreciation is $29.7m, a net decrease if £0.5m from 2021/22 (£30.2m)	We have selected samples to test the reasonableness of the management estimate however, management struggle to provide the evidence used in determining their estimate at that point in time. As we have identified various differences in our testing, we have had to carry out additional procedures to gain assurance over the balance. We have formed an expectation based on the acceptable useful lives as per CIPFA and compared this to the council dwelling depreciation determined by the management. Management's estimate is within range, albeit towards the lower range. Overall, we were able to satisfy ourselves that the estimate for Council Dwellings depreciation is materially accurate as at 31 March 2023.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £17.5m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £17.521m, a net increase of £3.910m from 2021/22	We have carried out the following work in relation to this estimate: • we recalculated the Council's MRP using the Council's methodology and our calculation was in line with the Council's; • confirmed the MRP meets the requirements as set out in regulations and statutory guidance; • considered the voluntary set aside made by the Council and concluded it had been appropriately made; and • confirmed the Council's MRP to Capital Financing requirement and Debt to Capital Financing requirements are appropriate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.
Unquoted Equity Investment in First Corporate Shipping Ltd - £24m	The Council has an investment in First Corporate Shipping Limited (trading as The Bristol Port Company) that is valued on the Balance Sheet at 31 March 2023 at £24m. The investments are not traded in an open exchange/market and the valuation of the investments is subjective. The value of the investment was calculated by the management as at 31 March 2023.	We have commissioned our internal Grant Thornton valuation specialists to support us with gaining assurance over the valuation of the Bristol Port Company as at 31 March 2023. We also carried out the following work in relation to this estimate: • checked the mathematical accuracy of the calculation; • checked the accuracy of the source data; • gained assurance over the current and projected dividends; and • performed sensitivity analysis over the projected dividends. Refer to page 14 for further information. We have been able to conclude that the valuation is materially correct.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Agresso	Roll forward ITGC assessment (design effectiveness only)	🟠	🟠	⚫	⚫	None
Civica	Roll forward ITGC assessment (design effectiveness only)	🟢	🟢	⚫	⚫	None
Northgate	Roll forward ITGC assessment (design effectiveness only)	🟠	🟠	⚫	⚫	None
iTrent	Roll forward ITGC assessment (design effectiveness only)	🟠	🟠	⚫	⚫	None

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟠 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, equal pay liabilities and Reinforced autoclaved aerated concrete (RAAC).
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted, and the requests were sent. All confirmations were received with no issues noted. We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted, and the requests were sent. We have received the pension fund auditor's letter of assurance, and no issues were noted that impacted on our pension liability work.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

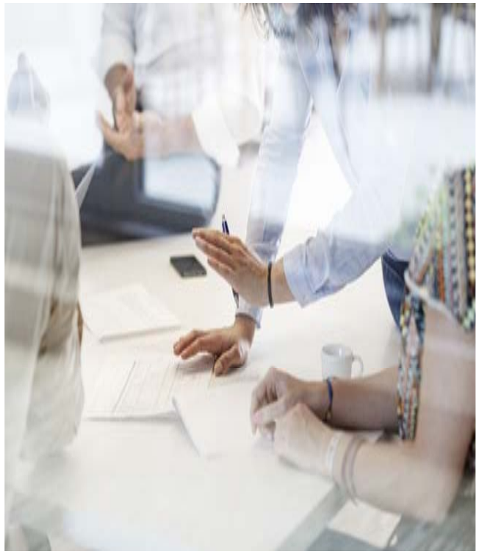
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We identified and reported significant weaknesses in the areas of governance and financial sustainability as part of our value for money work, assessing the council's arrangements for securing economy, efficiency and effectiveness in the use of its resources. These are detailed in the Annual Audit Report presented to the Audit Committee in July 2023.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council does not exceed the threshold no detailed work is required.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Bristol City Council once we have completed our work relating to the Bristol City Council Objection received during the 2022/23 window period.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Audit Committee in July 2023..

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified significant weaknesses in the Council's arrangements and so were not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Risk of significant weakness	Procedures undertaken	Conclusion
The Council's arrangements for securing financial sustainability into the medium term The Council set a balanced budget for 2021/22, but the longer-term picture looks more challenging with a £37.535m gap identified over the Medium-Term Financial Plan period to 2027/28. There is a risk that medium term financial plans are not sufficiently developed to close the funding gap, which in turn could impact on the council's ability to deliver services. Due to the inherent uncertainty, we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.	We reviewed the arrangements for: • the Council's arrangements for identifying and monitoring risks to financial delivery; • the robustness of the council's medium term financial strategy and savings plans; and • level and use of reserves.	We have identified two (2) significant weaknesses in arrangements for 2022/23 and raised three (3) key recommendations.
The current level of spend on Adult Social Care and Children's Social Care is unsustainable Value for Money work in 2020/21 identified that Bristol City has one of the highest Adult social care costs for Authorities of a comparable size. There is a risk that with the costs remaining as they are the spend will be unsustainable and will contribute to further financial pressures on the Council's medium-term finances.	We reviewed the arrangements for: • the Council's social care transformation programme; • plans to tackle the historic cost pressures; • monitoring spend against budget; and • reviewing and amending the medium-term financial plan in light of the economic climate.	As above
Contract management and procurement In 2021/22 and 2022/23, the number and value of contract breaches has increased since 2020/21 and remained high. Whilst actions have been introduced to reduce the contract breaches, these actions have not reduced the number or value of breaches in 2022/23. The breaches are predominantly due to failure to comply with the Council's internal procedures to gain authorisation as to why market testing has not been pursued and not the public contract regulations 2015. This risk was not originally communicated in either the Audit Plan or the Auditor's Annual Report, as it was identified late on in our VFM process.	We followed up an improvement recommendation previously raised in our 2020/21 assessment. Our follow-up review identified that the number of procurement breaches had continued to increase.	We have identified a significant weakness in arrangements for 2022/23 and raised a key recommendation.

3. VFM: our procedures and conclusions

Risk of significant weakness	Procedures undertaken	Conclusion
Setting and managing capital budgets The annual capital budgets did not reflect actual spend in 2020/21 leading to an improvement recommendation in the Auditor's Annual Report. In 2021/22, the economic climate has led to significant fluctuations in the cost of construction. As a result, the Council is reviewing all projects for feasibility. As a result of these factors, there is a risk that the Council's is unable to effectively manage its capital budgets.	We reviewed the Council's arrangements for setting, monitoring its capital budgets in 2021/22 and 2022/23. We also considered any changes made since the improvement recommendation relating to the Bristol Beacon was issued in our 2020/21 VfM report.	We have not identified any significant weaknesses in arrangements for 2022/23 but we have raised two (2) improvement recommendations.
Governance arrangements, how the Council ensures it makes informed decisions for its companies and for key decisions relating to high profile transactions	We reviewed the arrangements for: • the governance arrangements over changes to the Council's group structure; • procurement processes; and • the key decision in relation to City Leap	We have not identified any significant weaknesses in arrangements for 2022/23 but we have raised two (2) improvement recommendations.

4. Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue	Commentary
Objection	An objection was made by a local elector on 10 July 2023. This was within the public inspection period and was therefore considered for acceptance. The objection was accepted on 25th July 2023. Work on the objection is underway.

5. 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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council’s Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to March 2024, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	£10,000 (2022/23) £10,000 (2021/22)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £268,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services) Management	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teacher's Pension Return	£10,000 (2022/23) £10,000 (2021/22)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £268,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services) Management	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	£44,850 (2022/23)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £44,850 in comparison to the total fee for the audit of £268,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	£42,198 (2021/22)	Self-review (because GT provides audit services) Management	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

5. Independence and ethics

Audit and non-audit services (continued)

Service	Fees £	Threats identified	Safeguards
Audit related			
Agreed procedures on behalf of Homes England	£6,000 (2021/22) £6,000 (2022/23)	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £268,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
CFO Insights Subscription	£34,000	Self-Interest (because this is a recurring fee) Management Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £34,000 in comparison to the total fee for the audit of £268,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We are not taking any managerial responsibilities at the client. The scope of work does not include making decisions on behalf of the management. No significant self-review threat. The audit will consider the accounting treatment of the payments made and this is not part of CFOi service, The work will be undertaken by a team independent to the audit team

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These services are consistent with the group's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

Appendices

A. Communication of audit matters to those charged with governance

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 including significant risks	●	
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	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 10 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24. 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.

Assessment	Issue and risk	Recommendations
🔵	We experienced difficulties obtaining evidence to support management's estimate of HRA depreciation. We have had to carry out additional procedures to gain assurance over the balance.	We continue to recommend that management should have a robust process in place in determining the estimate for HRA depreciation and they should be able to retain their evidence used to support their calculation at the time oi estimation. Management response When depreciation is calculated, the evidence in the form of valuations and invoicing is now extracted and is to be stored for external auditing purposes.
🔵	The Council still did not have a formal cybersecurity framework in place during 2022/23. We deemed that having no framework in place creates a risk for systems to be compromised including finance systems.	While we did not identify any breaches of the council's systems during the year, we continue to recommend that management should ensure a formal cybersecurity framework is in place. Management response The Council's information assurance officer is to implement a cyber security framework and this is expected to be completed in the 2023/24 financial year.
🔵	We have identified a segregation of duties conflict within the finance system. One council employee has been granted with system access which enables him to have the same privileges as super user and also heads the cash office with financial responsibilities.	We continue to recommend that management should revisit access to ensure that there is adequate segregation of duties between those with administration rights and those who use the journals system. Management response This issue was brought to our attention at the conclusion of the 2020/21 audit. (Audit Findings Report to Audit Committee in May 23). The super user access was revoked at this point.
🟤	Based on the review of our auditor's expert of the terms of engagement of the Council and its internal valuer, the Basis (es) of value adopted is not covered within the document in line with the requirements of RICS Valuation - Global Standards	The Council and its internal valuer should ensure all requirements of RICS guidance are followed in the terms of engagement. Management response The internal valuer (being the Valuation and Business Rates Team Manager) has reviewed this and have agreed the required element to be included in the Terms of engagement moving forward.

Key

- 🟣 High – Significant effect on financial statements or the underlying control environment
- 🔵 Medium – Limited Effect on financial statements or the underlying control environment
- 🟤 Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
🔵	Based on the IT audit work completed, we have identified the following findings: • Weak password configuration settings for i-Trent; and • Lack of process for proactively reviewing IT service provider assurance reports. This creates a risk for unauthorised or inappropriate changes to the applications. Detailed recommendations are provided via the IT audit report.	The Council should ensure they review these findings. Detailed recommendations are provided via the IT audit report. We acknowledge that management has made good progress on the recommendations, which were first raised in 2021/22. The items to the left were outstanding at the time of our IT audit work. Management have asserted that these have now been actioned. **Management response** Following the 2021/22 Audit Report the findings have been actioned and at a minimum, multiple levels of security has been implemented
🔵	We identified reconciling items in our bank reconciliation testing that relates to previous period. Management and stated that this has not been actioned due to staff shortages and sickness leave during the audit. Also, there are still reconciling items that are not true reconciling items included in the bank reconciliation. This issue has been noted also in 2020/21 and 2021/22.	We continue to recommend that the Council should review their bank reconciliation and ensure that only proper reconciling items are included and also review long outstanding reconciling items even where these are low in value. We recognise that management has taken steps to address this and were able to address the number of reconciling items. There were however a number of long-standing items which remained. **Management response** Staff resources have been assigned to Financial Planning and Reporting team alongside co-ordination with the Business Support Services support manager and have a plan in place to complete and clear items before 31 March 2024.
🟤	As part of our Council dwellings valuation testing, we identified issues in terms of the beacon identification process if the Council wherein an incorrect beacon was selected as representative for the beacon group. This means that when revalued formally during the year, an incorrect beacon will be used as a basis for valuation and will be applied to the rest of the beacons within the Group. This creates a risk of material misstatement when the value of the beacon selected differs significantly from that of the actual representative.	The management and its internal valuer should ensure that the correct beacon is selected as a representative of the Group in line with their valuation process. **Management response** Agreed. The "incorrect" beacons have been revalued this year as 'extra beacons' and adjusted and reflected in the 2023/24 valuation of the HRA estate. All beacons valued in 2023/24 have been checked and are representative of the groups.
🟤	The Council insured the repairable sums [indemnity amount] of its heritage assets again in 2022/23, with no additional insurance cover taken out for one of the Council's heritage assets.	Management should ensure that all heritage asset values are included in the next insurance valuation taken. **Management response** The asset has been correctly valued and recorded in the Council's accounts and is backed for insurance purposes by an indemnity provided by the Arts Council. A management decision has agreed to insure to the value of the repair of the asset.

Key

🟣 High – Significant effect on financial statements or the underlying control environment
🔵 Medium – Limited Effect on financial statements or the underlying control environment
🟤 Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	We have identified several issues relating to Infrastructure assets. The council has used a large useful life for a number of infrastructure assets, which produces a lower than expected depreciation charge. We also identified that the depreciation charge is only allocated to one asset in the asset register. Finally, we identified that the overall depreciation charged in 2021/22 was outside of the range we determined using standard lives provided by CIPFA. Our review identified that the council's depreciation charge was outside of the range by £1.4m and differed to the midpoint of the range by £4.0m. This creates a risk that the depreciation charge can be materially misstated.	We continue to recommend to the Council that they review the useful lives of infrastructure assets. **Management response** The Council's Capital and Investments Manager will review the treatment of the Highways Network assets with the Head of City Transport and other relevant asset with relevant managers in accordance with the latest guidance and accountancy codes as they are updated. The review will be completed within the Financial Year 2024-25
●	Due to the way that the Council operates its financial ledger, it is not possible to produce a listing that only exclusively details year end debtor and creditor balances. As a result, the listing contains opening balances carried forward from the prior year as well as in-year movements. This has resulted in significant additional audit team and management resource during the previous five years audits. Whilst there are improvements during the year, the audit process can be more efficient if cleansed transaction listing is readily available. We acknowledge the progress management have made to date on this recommendation which has improved the experience of auditing this balance compared to the prior period.	The Council should undertake a detailed review of its financial ledger coding to ensure that year-end transactional listings can be produced for year end balances such as debtors and creditors and these should be provided as a routine working paper at the start of future annual financial statements audits. **Management response** Improvements have been made by the Agresso Systems team to create new transaction type reports to identify in year and prior year postings. The coding and format is complete for financial year 2023/24.
●	To simplify the Expenditure and Funding Analysis (EFA) note, the client eliminated the 1st and 2nd columns, namely Revised Outturn and Adjustment EFA (Note 1). Whilst this is in line with the requirements of the Code re EFA, para 3.1.1.14 of the Code also recommends that local authorities should cross-refer to the outturn provided in the expenditure and funding analysis.	Management should consider this recommendation in the Code and should be able to demonstrate how the outturn reconciles to the EFA. **Management response** The Council has considered the recommendations of the Code, and looked at how other local authorities present this note to the accounts. The conclusion was that the three-column presentation, widely used by other authorities, provided greater clarity for the reader of the accounts.

Key

- ● High – Significant effect on financial statements or the underlying control environment
- ● Medium – Limited Effect on financial statements or the underlying control environment
- ● Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Bristol City Council's 2021/22 financial statements, which resulted in 12 recommendations being reported in our 2022/23 Audit Findings report.

We have followed up on the implementation of our recommendations and note 8 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	We have identified a segregation of duties conflict within the finance system. One council employee has been granted with system access which enables him to have the same privileges as super user and also heads the cash office with financial responsibilities. We have recommended to the management that they should revisit this access to ensure that there is adequate segregation of duties between those with administration rights and those who use the journals system.	The issues was brought to the attention of the management at the conclusion of the 2020/21 audit (Audit Findings Report to Audit Committee in May 2023). The super user access was revoked at this point. However, this remains an issue for the period under audit. We have again made a recommendation relating to this in 2022/23 – see Appendix B.
X	The Council did not have a formal cybersecurity framework in place to during 2021/22. We deemed that having no framework in place creates a risk for systems to be compromised including finance systems. We have recommended to the management that they should ensure a formal cybersecurity framework is in place.	There is still no formal Cybersecurity Framework in place within the Council. We have again made a recommendation relating to this in 2022/23 – see Appendix B.
Partially	Based on the review of our auditor's expert of the terms of engagement of the Council and its internal valuer, the following elements are not covered within the document in line with the requirements of RICS Valuation - Global Standards: Valuation (financial currency), Basis (es) of value adopted, Nature and extent of valuer's work, nature and sources of information, All assumption and special assumptions to be made, Firm's complaints handling procedures, and statement of compliance. We have recommended to the management and its internal valuer that they should ensure all requirements of RICS is followed in the terms of engagement	All apart from Basis (es) of value adopted has been included in the 2022/23 Terms of Engagement with the Internal Valuer. We made continued recommendation in 2022/23 relating to this element – see Appendix B.
✓	We identified a sample in our PPE disposal testing where the completion of property transfer was completed in 2020/21 but was only derecognised in the fixed asset register in 2021/22. We have recommended to the management that all disposals should be properly accounted for in the correct period.	This finding was remediated in 2022/23. No issues identified with regards to our disposal testing.

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially	Based on the IT audit work completed, we have identified the following findings: • Inadequate oversight around generic user in Northgate application; • Weak password configuration settings for Civica and i-Trent; • Lack of process for proactively reviewing IT service provider assurance reports; and • Audit monitoring is enabled but not monitored for Civica. This creates a risk for unauthorised or inappropriate changes to the applications. Detailed recommendations are provided via the IT audit report.	These findings were partially remediated. We have continued to recommend the remaining findings of our IT auditor in Appendix B. Management have confirmed that these have been fully remediated after the year end.
X	We have identified several issues relating to Infrastructure assets. The council has used a large useful life for a number of infrastructure assets, which produces a lower an expected depreciation charge. We also identified that the depreciation charge is only allocated to one asset in the asset register. Finally, we identified that the overall depreciation charged in 2021/22 was outside of the range we determined using standard lives provided by CIPFA. Our review identified that the council's depreciation charge was outside of the range by £1.1m and differed to the midpoint of the range by £3.6m. We have recommended to the management that they review the useful lives of infrastructure assets.	This review has not been carried out. We have again made a recommendation relating to this in 2022/23 – see Appendix B.
X	We have identified reconciling items in our bank reconciliation testing that relates to previous period. Management and stated that this has not been actioned due to staff shortages and sickness leave during the audit. Also, there are still reconciling items that are not true reconciling items included in the bank reconciliation. This issue has been noted also in 2020/21. The management should review their bank reconciliation and ensure that only proper reconciling items are included and also review long outstanding reconciling items even they are low in value.	This remains an issue for 2022/23. We recognise that management have taken steps towards addressing this, but continue to recommend a focus on long-standing reconciling items. We have again made a recommendation relating to this in 2022/23 – see Appendix B.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Due to the way that the Council operates its financial ledger, it is not possible to produce a listing that only exclusively details year end debtor and creditor balances. As a result, the listing contains opening balances carried forward from the prior year as well as in-year movements. This has resulted in significant additional audit team and management resource during the previous four years audits. We have recommended to the management that they should undertake a detailed review of its financial ledger coding to ensure that year-end transactional listings can be produced for year end balances such as debtors and creditors and these should be provided as a routine working paper at the start of future annual financial statements audits.	This remains an issue for 2022/23. We have still identified a material opening balance in both debtors and creditors. We have again made a recommendation relating to this in 2022/23 – see Appendix B.
✓	When valuing the Bristol Port Authority Investment, the Council and its expert built up the Cost of Equity using information after the date of the year end. There is a risk that not using information as at the year-end date will impact on the accuracy and validity of the valuation. We have recommended to the management that they should ensure all elements of the valuation information used should be as at the year-end date.	This finding was remediated in 2022/23. Our internal expert has not identified similar issue in their review of the valuation in 2022/23.
X	The Council insured the repairable sums (indemnity amount) of its heritage assets again in 2021/22, with no additional insurance cover taken out for one of the Council's heritage assets. We have recommended to the management that they should ensure that all heritage asset values are included in the next insurance valuation taken.	This remains an issue for 2022/23. The Council has not updated the value of heritage assets during the year. We have again made a recommendation relating to this in 2022/23 – see Appendix B.
✓	The Council is unable to access bank statements that are dated older than 15 months. If bank statements are required, then the bank charge the Council at a significant cost. We have recommended to the management that they should carry out an exercise regularly throughout the year to ensure all bank statements are saved so they can be accessed during the time of the audit. This should cover all relevant bank accounts of the Council.	This finding was remediated in 2022/23. We have not identified any difficulties in requesting bank statement evidence in our testing during the year.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	We experienced difficulties obtaining evidence to support management's estimate of HRA deprecation. We have recommended to the management that they should ensure calculations for depreciation are reviewed each year to ensure they are up to date and still appropriate and at the time of calculating management should save the evidence used to support the calculation at that point in time.	This remains an issue for 2022/23. We have again identified issues in obtaining sufficient supporting evidence for the management calculation of HRA depreciation. We have again made a recommendation relating to this in 2022/23 – see Appendix B.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

The three adjustments identified on this page were all first adjusted for in the 2021/22 financial statements audit. On commencement of the 2022/23 financial statements audit, management provided us with an updated set of accounts which reflected these amendments.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
CIL receipts are received by the Council without conditions, hence, should have been recognised as an income when received. This resulted to reclassification from Grants received in advance to Grants unapplied account.	Cr Capital Grant Income - £4,533	Dr Capital Grants Received in Advance (Current) - £6,606 Dr Capital Grants Received in Advance (Non-current) - £19,819 Cr Capital Grants Unapplied Account – £26,425k Dr Capital Adjustment Account £4,533k	(£4,533)	Nil
Revenue grants received in advance amounting to £13.1m should be presented separately from short-term creditors within the balance sheet in line with the requirements of the Code.	Nil	Dr Short-term creditors - £13,115 Cr Revenue Grants Received in Advance - £13,115	Nil	Nil
A portion of the Provision for NNDR appeals was reclassified to short-term liability rather than recording all provision against long-term liability.	Nil	Dr Long-term Provision - £10,000 Cr Short-term Provision - £10,000	Nil	Nil

D. Audit Adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
The IAS 19 report was revised following triennial valuation as at 31 March 2022. The revision was required due to audit backlogs delaying the conclusion of the 2021/22 audit, requiring an updated report to be obtained. This resulted to a decrease in the net pension liabilities of the Council.	Cr Remeasurement on Defined Net Liability £31,007 Dr Financing and Investment Income and Expenditure £587 Cr Employee Benefit Expenditure £3,981	Dr Pension Liability £13,443 Dr Pensions Reserve £20,958	(£3,981)	Nil
Cash equivalents amounting to £10m should be classified as short-term investments in line with the Council's accounting policy.	Nil	Dr Short-term Investment - £10,000 Cr Cash and cash equivalent - £10,000	Nil	Nil
The valuation of the Council's Investment in Bristol Holdings and its subsidiaries was based on the draft accounts of Bristol Waste Company Limited. Following audit, the net asset increased by £3,485k. This resulted to an increase in the valuation of the investment	Cr Changes in Fair Value of Financial Instruments £3,485	Dr Investment in Subsidiaries £3,485 Dr General Fund £3,485 Cr Capital Adjustment Account £3,485	Nil	Nil
Group Adjustment – The consolidated balances still includes short-term creditor for BHNL which should have been derecognised as BHNL was disposed during the year. This has been adjusted which resulted to Gain on disposal of BHNL amounting to £1,765k.	Cr Financing and Investment Income and Expenditure £1,765	Dr Short-term creditors £1,765	Nil	Nil
Overall impact	(£42,419)	£42,419	(£8,514)	Nil

D. Audit Adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Group Adjustment – Bristol Waste Company Limited made an adjustment relating to changes in IAS 19. This resulted to a decrease in Net Pension Liability as at 31 March 2023 of the Group Accounts.	Cr Remeasurement on Defined Net Liability £3,463	Dr Pension Liability £3,463	Nil	Nil
Overall impact (Single Entity Accounts)	(£42,419)	£42,419	(£8,514)	Nil
Overall impact (Group Accounts)	(£47,647)	£47,647	(£8,514)	Nil

D. Audit Adjustments

Misclassification and 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.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Our review of the Income and Expenditure Analysed by Nature identified misclassifications within line items. The following adjustments were processed: • Grant amounting to £24.4m was incorrectly presented under fees, charges, and other income. This has been moved to Government Grants and Contributions • Loss in Investment Property Revaluation amounting to £73.2m was reclassified from Other Service Expenditure to a separate line item.	We have recommended these adjustments to be processed.	✓
Various small presentational changes to wording and typography were made to the financial statements.	We have recommended these adjustments to be processed.	✓
A number of presentation disclosure updates were made to the narrative report to ensure it was consistent with the information presented in the financial statements.	We have recommended these adjustments to be processed.	✓
Note 18 School Reserve Transfers In and Out had been amended to match the actual schools reserve balance. Transfers Out corrected from £6,398k to £7,431k Transfers in corrected from (£35k) to (£1,068k)	We have recommended this adjustment to be processed.	✓
Accounting policy for cash and cash equivalent had been updated to clarify that the cash shown net of overdraft is referring to the cash flow statement.	We have recommended this adjustment to be processed.	✓
The following adjustments were processed in Note 17 Adjustments between Accounting and Funding Basis: • Revenue expenditure Funded from Capital Under Statute has been updated from £10,015k to £34,551k to include the REFCUS funded through capital grants and to match the REFCUS in other note disclosures. • Capital grants and contributions has been updated from £51,587k to £80,656k to reflect the REFCUS as above and the adjustments relating to CIL – refer to page 45.	We have recommended these adjustments to be processed.	✓
Note 19 narrative has been updated to change ‘fair value’ to ‘current value’ in line with the CIPFA Code and IAS 16.	We have recommended this adjustment to be processed.	✓
The Basis of valuation for surplus asset in Note 23 has been amended from 'fair value less costs to sell' to 'fair value with no deduction' in line with CIPFA Code.	We have recommended this adjustment to be processed.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The capital receipts set aside for repayment of debt amounting to £11,718k in Note 25 Capital expenditure and Capital Financing has been moved under Sources of Finance heading rather than under Capital Finance.	We have recommended this adjustment to be processed.	✓
The deferred capital receipt line item and narrative in Note 31 creditors has been removed as this relates to Long-term debtor. Note that this is only a presentation adjustment as this is nil in either period.	We have recommended this adjustment to be processed.	✓
The following amendments were made in Note 38 Related Parties: • The description against Bristol LEP as a joint venture has been removed as this is strategic partnering agreement rather than joint venture. • Additional disclosure relating to Bristol Food Network was added specifically relating to the total value of the transaction during the year amounting to £45k. This is required to be disclosed as the transaction is material to the related party. • Additional disclosure relating to transaction with 1 company wherein one of the Director is a spouse of a BCC Councillor. Transaction amounting to £6k was disclosed as this is material to the related party.	We have recommended these adjustments to be processed.	✓
Pensions Reserve relating to subsidiaries in the Group Accounts have been reclassified from Unusable to Usable Reserves amounting to £18.6m.	We have recommended this adjustment to be processed.	✓
Pooled Budgets - There is an inter-fund adjustment between Fund 1 and Fund 4 due to one of the schemes being incorrectly classified. There is a movement of £1.3m between both funds. However, there is no impact on the total of the pooled budgets.	We have recommended this adjustment to be processed.	✓
Additional disclosures in Note 19 PPE relating to infrastructure assets was made to meet the required minimum disclosure as per SI 1232/2022 and CIPFA Bulletin 12.	We have recommended this adjustment to be processed.	✓
External audit cost disclosure was amended from £320k to £342k to reflect the correct figure.	We have recommended this adjustment to be processed.	✓
Additional disclosures relating to Clean Air Zone scheme were made to the accounts to meet the requirements of CIPFA Code. This includes brief nature of the scheme and gross and income expenditure of the scheme.	We have recommended this adjustment to be processed.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
As per paragraph 4.10.4.1 (b) of CIPFA Code, the financial statements shall set out the authority's policy for the acquisition, preservation, management, and disposal of heritage assets. The policy for acquisition and disposal is not included in either Accounting Policies nor Note 20 Heritage Assets.	We have recommended this adjustment to be processed. **Management response** This will be reviewed in 2023/24 accounts.	X
The CIPFA code states that senior officers must be stated by job title if their salary and employers pension contributions are over £50,000 or more per year (or by name and job title where salary is £150,000 or more per year). Original note had included some officers by name where their salary does not exceed £150k. As a result, the accounts have been updated so that 5 officers are not disclosed by name.	We have recommended this adjustment to be processed.	✓
A narrative to disclose intragroup loans has been added in Note 23 Financial Instruments for additional information for the reader to understand the nature of the financial assets. “Debtors include a £5.8m loan to Bristol Waste and a £10.6m loan to Goram Homes Limited as per Note 38 Related Parties.”	We have recommended this adjustment to be processed.	✓
In the "Disclosures of fair value are not required" for financial instruments such as short-term trade receivables and payables amounting to £119,645k and £ 191,358k, respectively, were excluded from the FV tables, rather than reporting as though level 2 in the hierarchy as that is not relevant.	We have recommended this adjustment to be processed.	✓
The value calculated using early repayment discounts rates (as an alternative) that was described as a fair value were removed as it does not meet the requirements of IFRS 13.	We have recommended this adjustment to be processed.	✓
Our work in checking the fair value of financial instruments identified that there is difference of £1,241k from the report of Link Asset Services, management’s expert.	We have recommended this adjustment to be processed. **Management response** Not material and do not impact the accounts as this relates to fair value disclosure only.	X
The service concession between Bristol City Council and Bristol Waste Limited is added in the Note 38 Related Parties disclosures.	We have recommended this adjustment to be processed.	✓

D. Audit Adjustment

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The following adjustments were made in Note 23 Financial Instruments 1) Financial Instruments – Financial Liabilities @ Amortised Cost: Current creditors (2023) - Exclusion of pension contributions and holiday pay accrual c. £14m from financial liability as they do not meet the definition of a financial instrument (either not statutory or would not be settled by cash or another financial asset). Cash and cash equivalents (2022) - inclusion of the bank overdraft amounting to c.£19m to financial liability instead of offsetting the financial assets. Reclassification between short-term and cash equivalents amounting to £10m 2) Gains and Losses: Fair Value Movement (2023) - adjusting the amount agreeing with the Note 9 (Changes in the Fair Value of Financial Instruments) figure. Instead of an increase of £710k, it should be a decrease of £5,181k. Difference of £5,891k. Reclassification of £730k from interest income to expense 3) Reconciliation of Fair Value measurements Level 3 The disclosure amendment relates to additions classification regarding investments amounting to £2,474k	We have recommended this adjustment to be processed.	✓
In Cash Flow Statement, cash flow proceeds from sale of Property, Plant and Equipment, Investment Property and Intangible assets has been updated from £30,248k to £37,484k to include the proceeds of the Heat Network Asset Disposal and remove the impact of the debtors not relating to the disposal of an asset.	We have recommended this adjustment to be processed.	✓
Various changes effected in Note 3 Critical Judgments in Applying Accounting Policies and Note 4 Assumptions made about the Future and other Major Sources of Estimation Uncertainty to meet the requirements of IAS 1 and CIPFA Code.	We have recommended this adjustment to be processed.	✓
Additional disclosures made relating to the impairment of Bristol Beacon to meet the requirements of paragraph 4.7.4 of the CIPFA Code.	We have recommended this adjustment to be processed.	✓
Update in Note 19 Revaluation Table Programme to state that Council Dwellings has been revalued as at 01 October 2022 rather than carried at historical cots.	We have recommended this adjustment to be processed.	✓
As long-term debtor of Group Accounts is material, a separate note has been added to meet the requirements of IAS 1 and CIPFA Code.	We have recommended this adjustment to be processed.	✓

D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	**Comprehensive Income and Expenditure Statement £'000**	**Statement of Financial Position £' 000**	**Impact on total net expenditure £'000**	**Impact on general fund £'000**	**Reason for not adjusting**
The valuer used an incorrect site area in the valuation of one investment property. This resulted in an understatement of the related property.	(£2,475)	£2,475	Nil	Nil	Not material and was corrected in 2023/24 valuations
We identified a difference in the income and expenditure data used in the valuation of Trenchard Multi-Storey Car Park, as compared to the figures generated during our IPE observation. We performed additional procedures to identify any other errors and have included in the amount of misstatement. This resulted to understatement in the valuation.	(£2,952)	£2,952	Nil	Nil	Not material.

D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Our review of infrastructure assets identified that the council's depreciation charge differed to the point estimate we calculated by £1.4m understatement.	£1,393	(£1,393)	£1,393	Nil	Not material and based on estimate only.
The Pension Fund Auditor (PFA) reported an unadjusted error of £14.572m relating to estimation difference identified in the valuation of Level 3 Investments. The investments were understated, and the proportion of the Council is approximately £5.115m. This is 35.10% of the error, which is the Council's share of the assets of the Fund.	(£5,115)	£5,115	Nil	Nil	Not material.
Our beacon identification testing as part of the Council Dwelling valuation identified three (3) groups wherein the selected beacon was not in line with the valuation process (i.e. selecting the beacon with most numbers within the group). This has an impact as to the beacon being valued and the application of such value to the rest of the beacons within the group. This resulted to understatement in the valuation of Council Dwellings.	(£4,586)	£4,586	Nil	Nil	

D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
The data of supplied by Bristol City Council and the Fund to the actuary is based on Month 9. The actuary estimates the annual figure based on this. As part of our testing of source data, we have compared this against the records of BCC (i.e. payroll reports used in other audit procedures) and we have identified a difference between the actual data and the estimated data by actuary. We have identified the impact to be £1.5m overstatement in liability.	(£1,452)	£1,452	Nil	Nil	Not material and based on estimate only.
Overall impact	(£15,187)	£15,187	£1,393	Nil	

D. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
The valuation of the council's investment in Bristol Waste was based on its draft accounts and following audit, the net asset had changed resulting to £1.592m decrease in valuation.	£1,592	(1,592)	£1,592	Nil	Not material
Our review of infrastructure assets identified that the council's depreciation charge differed to the point estimate we calculated by £1.1m understatement.	£1,100	(£1,100)	£1,100	Nil	Not material and based on estimation
We have identified errors in Council dwellings depreciation testing. The extrapolated error is £3.2m understatement in Council dwellings depreciation.	£3,231	(£3,231)	£3,231	Nil	Not material and based on projection only
A £3.27m loan relating to Bristol Heat Networks had been erroneously recognised as Capital GRIA rather than borrowings.	Nil	Nil	Nil	Nil	Immaterial and misclassification only within liability
We have identified one sample in our Investment properties valuation testing wherein the valuer had not considered the break option in valuing the property as they have not been made aware. The deemed error for this sample is £1.355m and we have projected this across the Investment property balance which shows a potential £4.563m overstatement in valuation.	£4,563	(£4,563)	£4,563	Nil	Not material and based on projection only

D. Audit Adjustments

Detail	Comprehensive Income and Expenditure Statement £‘000	Statement of Financial Position £’ 000	Impact on total net expenditure £’000	Impact on general fund £’000	Reason for not adjusting
We have identified one sample in our Depreciation testing whereby its Depreciation Charge and SDPS have been overstated by £36,268.56. This does not impact the CIES as both figures net off however, the presentation in Note 20 for 'Depreciation charges' and 'Depreciation written out to SDPS' is overstated by that figure. We have projected a misstatement of £4.582m overstatement.	Nil	Nil	Nil	Nil	Not material and presentation error only
Our recalculation of the land and building valuation identified additions amounting to £1.4m that was incorrectly added to the asset being valued. This relates to a completely new asset, and this should be Assets under construction instead of land and building. We are satisfied that this does not impact the valuation of the asset.	Nil	Nil	Nil	Nil	Not material and presentation error only
Estimation variance noted in one of our samples in fees, charges and other income testing which is greater than our acceptable threshold of +- 5%. We have extrapolated this across the population.	£1,034	£1,034	£1,034	£1,034	Not material and based on projection only
Variances identified in creditors testing which shows net overstated creditors both from key items and sample testing variances	(£903)	£903	(£903)	(£903)	Not material and based on projection only
Overall impact	£10,617	(£10,617)	£10,617	£131	

E. Fees and non-audit services

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

Audit fees	**Proposed fee**
Scale fee published by PSAA 2019	£172,902
Additional audit procedures arising from a lower materiality	£3,750
Enhance audit procedures for Property, Plant, and Equipment	£5,000
Brought forward ongoing fee from 2019/20	£181,652
New issues for 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£6,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Additional procedures to address other local risk factors	£43,150
Total audit fees 2020/21 (excluding VAT)	£253,802
New issues for 2021/22	
FRC response - additional review, EQCR or hot review	£1,500
Enhanced audit procedures for Infrastructure assets	£2,500
Total audit fees 2021/22 (excluding VAT)	£257,802

E. Fees and non-audit services

Audit fees (continued)	**Proposed fee**
New issues for 2022/23	
Enhanced audit procedures for Payroll - Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs – 315	£5,000
Additional VFM work relation to significant risk areas (reduced as offset by joint report efficiencies)	£2,000
Procedures to assess the transfer of the Heat Networks	£2,500
Additional procedures performed over council dwellings depreciation	£3,500
Additional procedures performed in relation to the beacon allocations	£5,000
Total proposed audit fees 2022/23 (excluding VAT)	£277,052

E. Fees and non-audit services

Audit fees	**Proposed fee**	**Final fee**
Council Audit Scale Fee	£172,902	£172,902
Additional Audit Fee	£95,650	£104,150**
2021/22 Objection	£7,500	£7,500**
2022/23 Objection	£7,500	£7,500**
Total non-audit fees (excluding VAT)	£283,552	£292,052

Non-audit fees for other services	**Proposed fee**	**Final fee**
Audit Related Services		
Housing Benefit Certification	£44,850	£44,850*
Pooling of Housing Capital Receipts	£10,000	£10,000*
Teacher's Pension Certification	£10,000	£10,000*
Agreed procedures on behalf of Homes England	£8,000	£8,000*
CFI Insights subscription (multi year subscription – the total value is disclosed)	£37,000	£37,000
Total non-audit fees (excluding VAT)	£109,850	£109,850*

*Fees still subject to change as work remains in progress.

**Additional fees are subject to approval by PSAA.

Note that audit fees disclosed in the financial statements are £269,000. This differs to the audit fees above by the two newest additional fees first disclosed in this audit findings report, of £3,500 and £5,000 respectively as well as the two objection fees as these are all still subject to PSAA approval.

Note that non-audit fees disclosed in the accounts are £73,000. This differs to the £109,850 due to the CFI Insights subscription which is multi-year having been reported in totality in our report.

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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