The Annual Audit Letter for Bristol City Council

Year ended 31 March 2019

September 2020

Contents

Your key Grant Thornton team members are:

Jon Roberts
Key Audit Partner
T: 0117 305 7699
E: Jon.Roberts@uk.gt.com

Jackson Murray
Director
T: 0117 305 7859
E: Jackson.Murray@uk.gt.com

Beth Garner
Manager
T: 0117 305 7726
E: Beth.AC.Garner@uk.gt.com

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Bristol City Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £17,500,000, which is approximately 1.5% of the group's gross revenue expenditure. Our materiality for the Council's single entity accounts was £16,500,000.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 31 July 2020.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2020.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions, the annual Teachers' Pensions Return and certification of the SSIF return for the Department for Education. Our work on these claims was completed in 2019. We also certify the Council's Pooling of Housing Capital Receipts return to MHCLG. Our work on this claim is not yet complete and will be finalised following receipt of the last pieces of audit evidence. We will report the results of this work to the Audit Committee separately.
Certificate	We certified that we have completed the audit of the financial statements of Bristol City Council in accordance with the requirements of the Code of Audit Practice on 4 August 2020.

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

Grant Thornton UK LLP

August 2020

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £17,500,000, which is approximately 1.5% of the group’s gross revenue expenditure. We determined materiality for the audit of the Council’s financial statements to be £16,500,000, which is approximately 1.5% of the Council’s gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration disclosure of £17,000.

We set a lower threshold of £825,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements including the narrative report and annual governance statement to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the group's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent transactions (partially rebutted) 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 fraud arising from revenue recognition at the Council can be rebutted, therefore we do not consider this to be a significant risk for Bristol City Council. We also rebutted this risk for certain Group entities, as we do not consider there to be a risk of material misstatement due to fraud relating to revenue recognition. We considered that the risk of fraudulent revenue recognition existed at Bristol Energy Limited due to the significance of the company's turnover and the estimation required in recognising accrued income. We therefore identified the occurrence and accuracy of Bristol Energy Limited's income as a significant risk to the group. We communicated this to the company's auditor PricewaterhouseCoopers LLP who undertook procedures as part of their audit of the company which included: • performance of a 'top-down' recalculation of revenue recognised by Bristol Energy Limited; • sample testing of customer records within the billing system; and • sample testing of unbilled revenue to subsequent post-year end billings. No issues were identified.
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 was one of the most significant assessed risks of material misstatement.	We: • evaluated the design effectiveness of management controls over journals; • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. PricewaterhouseCoopers LLP also performed procedures at the Group entities in respect of the non-rebuttable significant risk in respect of management override of controls. No issues were noted at the Group level. We raised a control recommendation in respect of the authorisation of journal entries.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Council 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 Council'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 the valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter. Note that this risk also relates to the valuation of investment property assets, as well as operational land and buildings.	We: • 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 valuation expert; • discussed with the valuer the basis on which the valuation was carried out and 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 Council's asset register; and • 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, engaging our own valuation expert to provide us with additional assurance over the assumptions made. The Council valued land and building assets as at 1 October 2018, and then undertook a desktop review of these valuations at 31 March 2019. This identified a downward movement in the valuation of HRA assets of £28.4m and an uplift of other land and buildings not valued at year end of £27.2m at 31 March 2019. We engaged an external valuation expert to review the approach taken by the internal valuation expert which provided additional assurance over the assumptions adopted. Management had not reflected the movements identified by the desktop review in the draft financial statements as the net movement of £1.2m was not material, however this meant that the individual asset categories were materially misstated in the notes to the financial statements. Management updated the notes to the financial statements to reflect the £27.2m uplift in land and building valuations and also adjusted the HRA valuations down by £27.2m. This left an additional £1.2m reduction in the value of HRA assets that was not posted to the financial statements and remains an unadjusted misstatement. There were no changes made to the Balance Sheet. The desktop review also identified that investment assets were £2.5m overstated. No changes were made to the Balance Sheet in respect of Investment Assets. When comparing the indices used as part of the desktop review back to evidence we identified a number of the indices used were incorrect. Using the corrected indices the movement in land and building and surplus assets should have been an increase of £23.8m rather than the £27.2m identified above. The financial statements were not updated for this change. As such, there is a further £3.4m unadjusted overstatement in the Balance Sheet relating to property, plant and equipment. We identified that not all assets subject to valuation had been valued within the five year rolling programme for land and buildings, or at year end for investment properties, as required by the CIPFA Code. We challenged management's assessment as to why no material valuation issues arise and are satisfied that there are none. We raised a recommendation in respect of the valuations programme.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our Audit Plan	Commentary
Incomplete or inaccurate financial information transferred to the new HRA system In October 2018, the Council implemented a new system to hold the financial information relevant to the Housing Revenue Account. We therefore identified the completeness and accuracy of the transfer of financial information to the HRA system as a significant risk.	We: • mapped the closing balances and accounts from the previous system to the opening balance position in the new system to ensure accuracy and completeness of the financial information contained in the new system; and • engaged our IT audit specialists to document the general IT controls in place at the Council, including the new system. We had no significant findings to report in respect of this significant risk. Our IT colleagues raised recommendations relating to the Council's wider IT general control environment, though none of these were significant. Management accepted these recommendations, noting that in part that these issues had arisen due to staffing shortages. We discussed these with management who implemented actions in 2020 to address the staffing issues. Given none of the findings were IT general controls findings were significant, no further risks were identified.
Valuation of long-term investments The Council's long term investments include an unquoted equity investment and also the Council's investment in Bristol Energy Limited. These are hard to value estimates, and management have estimated their value based on a range of estimation techniques. We identified the valuation of the Council's long term unquoted investments as a significant risk and considered that this risk was one of the most significant assessed risks of material misstatement and a key audit matter.	We: • discussed the valuation techniques adopted with management and obtained their calculations for the valuation of the unquoted equity investments; and • engaged our internal valuations experts to review management's estimates and to provide us with assurance over the valuation of the Council's unquoted equity investments. We were satisfied that management's estimated valuations were within our expected range at 31 March 2019, noting that they are on the more prudent end of our estimated range. The Council's opening valuation for the unquoted equity investment upon reclassification at 1 April 2018 was £4m lower than the range identified by our valuation expert. The Council did not update their financial statements and this was not material to our audit opinion. We raised a recommendation to management in respect of engaging valuation experts in future years in order to value the investments.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our Audit Plan	Commentary
Valuation of net defined benefit pension 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 and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate 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 Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council 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; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of the 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. Management obtained an updated valuation of their pension liability to reflect the additional pension liability attributable to Bristol City Council following the McCloud / Sergeant judgement which was made following the production of the draft financial statements. This also took into account more up to date assumptions, including the actual return on scheme assets, and the updated actuarial report led to an increase in the net defined pension liability of £32.7m. The Council's actuary, Mercer, did not include the post-2021 allowance impact in respect of Guaranteed Minimum Pensions in their calculation of the net defined benefit pension liability. Had this been included, the net defined benefit pension liability could have been £5.4m higher. No adjustment was made for this item in the financial statements.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 31 July 2020.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline. We experienced some delays in the receipt of working papers and explanations to audit queries. We had discussed a turnaround time for queries of two days prior to the audit, however a number of requests took both ourselves and finance officers significantly longer to resolve.

We appreciate that as new auditors there is a learning process for both parties in respect of working together, and following the completion of the audit we discussed how the audit process can be improved in future years with officers.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee. We raised 9 recommendations to management as a result of our audit and these were all agreed.

We completed further procedures for non-adjusting Post Balance Sheet Events in respect of Bristol Energy Limited and Covid-19, with additional disclosures required in the financial statements. We also reported that the position of Bristol Energy Limited would be considered further during the accounts and Value for Money audit in 2019/20 audit.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

Due to the delays in the completion of our audit, we confirmed with the National Audit Office team that they did not require us to complete any procedures on the Council's Data Collection Tool for 2018/19.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Bristol City Council in accordance with the requirements of the Code of Audit Practice on 4 August 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2019 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Significant risk	Findings
Financial planning and future financial sustainability	**2018/19 outturn** The 2018/19 revenue budget outturn reported to Cabinet in June 2019, after taking into account reserves adjustments, was an underspend of £3.2m (0.9%) against the revised budget. The original budget approved by Council in February 2018 was revised for a number of reasons throughout the year, and the main adjustments related to unbudgeted grant funding and a Collection Fund adjustment, which in totality resulted in an additional £16.2m of funding for the 2018/19 general fund budget. £0.9m of grants received late in March 2019 were not spent and were moved to earmarked reserves with plans to spend the monies in 2019/20. Whilst additional funding allowed a revenue surplus to be reported, the one-off nature of some of these funds mean that future year budgets will need to be balanced without them. Each Directorate delivered general fund revenue budget underspends against their revised budgets, with an £1.1m overspend on Adult Social Care (ASC) offset by underspends elsewhere in the People Directorate to deliver an overall underspend of £0.7m. The ASC budget was revised in period 7 as a result of a supplementary estimate of costs, however further pressures materialised in year. Corporate expenditure was £1m higher than budgeted, largely due to year end provisions especially in respect of National Non-Domestic Rates appeals. Of the Council's ring-fenced budgets, the Housing Revenue Account (HRA) delivered an underspend of £8.3m (8.1%), with the main variances relating to delays in repairs and maintenance (£3.2m), an underspend of £1m due to slippage in the capital programme and receipt of rental income £1m higher than budgeted due to the pace of relets of properties. The Dedicated Schools Grant (DSG) budget was underspent by £1.9m when £1m of brought forward spend is included, against in-year income of £347.9m. The Council continues to face budget pressures in the High Needs Block, with a carried forward cumulative deficit of £1.1m at the end of the year. Spend on Public Health was £34m compared to grant of £32.5m. The shortfall was met by the budgeted draw-down of £1.5m from the Public Health ring-fenced reserve. The Council had a savings target of £46.2m for 2018/19, being £35.5m in-year savings and £8.1m of savings rolled forward from previous years. Of the full target, £28.9m was delivered as planned and signed off as closed, with £28.5m of recurrent savings and £0.4m of originally-planned one-off savings. £1.9m of additional recurrent savings were delivered by services, although not as originally planned. £5.4m of savings will roll forward into 2019/20, as although benefits were delivered in 2018/19 these were either one-off in nature (£2.2m) or mitigated from other sources such as wider Directorate budgets or contributions from other sources (£3.2m). £6.4m of savings have been written off as undeliverable, which will increase future savings requirements. The impact of this write off was included in the 2019/20 revenue budget. The outturn capital spend was £129.5m against a revised budget of £160.3m, reflecting 81% of planned expenditure, with £32.6m of HRA capital spend included within this position. The original capital budget approved by Council was for expenditure of £244.3m, with the adjustment largely relating to the accounting treatment for expenditure incurred for Temple Island, external delays and variances to schemes with spend profiles that span a number of financial years. Approval was granted to re-profile £26.6m of general fund and £2.8m HRA capital expenditure into future years due to delays in delivery of the schemes. £1.4m was considered an underspend on various projects and was removed from the capital programme.

Value for Money conclusion

Value for Money Risks

Significant risk	Findings
Financial planning and future financial sustainability	**Arrangements for developing the 2019/20 budget and the updated medium term financial plan** The budget setting process allows for member scrutiny through the Resources Scrutiny Commission (RSC), which met twice in January 2019, with the findings from this also reported to and considered at Overview and Scrutiny Management Board (OSM). Prior to RSC, the Scrutiny 'Budget Task and Finish Group' met six times with finance and other officers between the end of September 2018 and the beginning of December 2018 to discuss the budget setting process. This allowed members to scrutinise the budget proposals and deep-dive into key risk areas, and whilst improvements from prior years were noted, the Task & Finish Group did note reports and information were in some cases received late which limited the effectiveness of scrutiny. Members and officers were positively engaged in the process and this is an example of how the Council continues to evolve it's budget setting process to ensure appropriate scrutiny and member involvement, and changes to the timing and process for 2019/20 have been adopted to ensure that this continues to evolve into future years. The Council also undertakes public consultation on its revenue and capital budgets. The approved General Fund revenue budget for 2019/20 totals £376.2m, a net increase of £12.8m from 2018/19. This increase consists of £30.2m of investment in services offset by £17.4m previously approved savings, with no requirement for any new savings to achieve a balanced budget for 2019/20. Over the medium term the Council models an assumed funding position which delivers a 3 year balanced revenue position to 2021/22 with no requirement for any new savings to achieve this position. Funding assumptions in the projections were based on the provisional Local Government Finance Settlement data issued in December 2018. This represented the final year of the latest funding settlement, and like the rest of the Local Government sector this meant that there was increased uncertainty over the funding assumptions in later years. Despite this uncertainty, the funding and expenditure assumptions applied in the budget and future financial forecasts appear to be reasonable. Expenditure increases related to pay costs were modelled based upon the latest nationally agreed changes at the time of production, other inflation is allowed for using the Office for Budget Responsibility forecasts and other expenditure assumptions appear to be reasonable and are based upon relevant data, with specific contract inflation pressures modelled on an individual contract basis based upon the relevant clauses. **Reserves** The Council held £23.5m in it's general fund at 31 March 2019, £3.5m higher than it anticipated in the 2019/20 budget report. The Council will continue to hold a General Fund balance of a minimum of 5% of the Council's net revenue budget which is deemed to be a prudent approach in the Council's management of financial risk. The Council held an additional £81.2m of earmarked revenue reserves at 31 March 2019, £20.2m higher than anticipated. A further £12.5 of schools balances are also held. Reserves at year end were higher than expected after forecast drawdowns were not required to support the final revenue budget outturn.

Value for Money conclusion

Value for Money Risks

Significant risk	Findings
Financial planning and future financial sustainability	**Capital** The capital programme to 2023/24 is fully funded, with total planned expenditure of £858m, £284.1m of which is related to the HRA. The capital programme is underpinned by the Capital Strategy that was approved in December 2018. A significant proportion of the capital programme relates to large infrastructure investments that will support long term regeneration across the City. As noted previously, the 2018-19 capital programme delivered an underspend when compared to both original and revised budgets. Additional arrangements for the development and management of capital projects will be introduced in 2019/20 to ensure greater assurance of delivery, in the form of a capital and investment board which will scrutinise the progress of capital schemes. **Taking the above information into account, we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for informed decision making and sustainable resource deployment.**
Governance arrangements at the Council	**Statutory Recommendations** On 19 March 2019 the Council's previous external auditor, BDO, presented the findings of their senior executive remuneration review to Full Council along with Statutory Recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. Full Council accepted these Recommendations at this meeting. The three Statutory Recommendations and one other recommendation were actioned in 2019. **Annual Governance Statement tracker** The Council's Annual Governance Statement (AGS) from 2017/18 identified a number of weaknesses that needed to be addressed to ensure continuous improvement in the governance framework and financial and budget management within the Council. The areas identified for improvements were incorporated into a separate AGS Action Plan for 2017/18, monitored through the 2018/19 financial year with progress regularly reported to the Audit Committee. Actions from the 2016/17 AGS were also monitored by the Audit Committee throughout the year, and updates were taken to the September 2018 and January 2019 Audit Committee meetings which showed the progress against the implementation of actions designed to address the issues noted. These covered areas identified in the AGS as well as the recommendations that arose from the 'Bundred Report' that was published on 9 February 2017 that was commissioned by the Mayor to report on the financial deficit in 2016/17. In respect of the Bundred Report, of the 85 recommendations made, at the beginning of financial year (March 2018), 68% were complete with a further 32% in progress. By January 2019, 91% of the recommendations were shown as complete, and at the July 2019 Audit Committee it was reported that 100% of the recommendations had been closed as they were now complete. This provides assurance that the learning and actions from the 2016/17 financial deficit have now been fully embedded within the Council.

Value for Money conclusion

Value for Money Risks

Significant risk	Findings
Governance arrangements at the Council	For recommendations raised through the 2016/17 AGS, by January 2019 73% of the actions had been fully completed, with the remaining 6 actions shown as in progress and all had been closed as at July 2019. At July 2019, 8 of the 11 actions from the 2017/18 AGS had been completed with the remaining 3 shown in progress. All actions and changes from the previous report are clearly identified, and commentary is provided against each action which allows the reader to understand the progress made and current position against the recommendation. This ensures that the Council can evidence to members and other stakeholders that the actions arising from the AGS continued to be monitored and implemented with a view to continually improving governance processes. Internal Audit In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Council's Internal Audit function were externally assessed in February 2018 which found that the service "Generally Conforms" with the requirements of the Standards. The review, reported to Audit Committee in March 2018, identified 28 recommendations which if implemented would further increase the level of conformity with the PSIAS and enhance the service. At March 2019, 18 actions were complete and 9 were in progress. The one action not yet started can only be completed once all other actions have been completed. **Taking the above information into account, we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for informed decision making.**

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	January 2019
Audit Findings Report	May 2020
Annual Audit Letter	September 2020

Fees

	Planned £	Actual fees £	2017/18 fees* £
Statutory audit	156,839	232,839	235,396
Housing Benefit Grant Certification	19,000	22,000	20,427
Teachers' Pension certification	8,000	8,000	7,950
Pooling of Housing Capital Receipts returns for financial years 2015/15 to 2018/19	16,000	16,000**	N/A
Strategic School Improvement Fund grant certification	5,000	5,000	N/A
'Brexit Room' workshop re Brexit planning	10,000	10,000	N/A
Smart Meter Installation Code of Practice compliance review for Bristol Energy Limited	3,128	3,128	N/A
Total fees	**217,977**	**296,967**	**263,773**

*The 2017/18 fees were payable to the Council's predecessor auditor, BDO LLP.

**Work on these claims remains in progress and the final fee is yet to be confirmed or billed.

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 table below summarises all non-audit services which were identified.

We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

The non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor.

A. Reports issued and fees

Audit fee variation

The 2018/19 scale fee published by PSAA of £156,839 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit changed which led to additional work and resulted in a fee variation. These are set out in the following table.

Area	Reason	Fee proposed £
McCloud	National pension valuation issue resulting in additional disbursements to actuaries and additional audit procedures to obtain assurance over the updated net defined pension liability valuation.	3,000
New HRA system	Use of auditor's IT experts to provide assurance over a new IT system implementation.	4,500
Valuation support	Specialist valuation support required to obtain assurance over the Council's unquoted equity investments, including the investment in Bristol Energy Limited.	17,500
Technical queries	Use of financial reporting colleagues for review of complex accounting transactions including accounting under IFRS 9, and the accounting treatment of the Council's Parent Company Guarantees issued in respect of Bristol Energy Limited.	13,500
Prior period errors	Work to audit the correction of material errors identified in the 2017/18 accounts.	4,000
IAS 19 work	Increased audit work, scepticism and challenge in respect of IAS 19 – pensions as a result of increased regulatory focus and expectations nationally.	3,000
PPE valuations	Increased audit work, scepticism and challenge in respect of land and building valuations as a result of increased regulatory focus and expectations nationally. This includes disbursements to an auditor's valuation expert.	6,500
PIE status	The Council holds debt listed on the London Stock Exchange and as a result is a Public Interest Entity (PIE). This requires increased reporting, including the production of an Enhanced Audit Report.	4,000
Delays, accounts iterations	Delays in the receipt of information throughout the audit process and the number of iterations of draft accounts caused by various errors.	20,000
Total		**76,000**

Grant Thornton