

Audit Progress Report and Sector Update

Bristol City Council
Year ending 31 March 2020

January 2021



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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at January 2021 – financial statements

We reported progress on the financial statements audit in the November 2020 Audit Committee progress report, and noted that the remote working environment meant that audits were taking more time than we would have expected them to under normal conditions. We continue to utilise the technology available to us to ensure that we can progress the audit as efficiently as possible whilst obtaining the assurances that we require to allow us to discharge our responsibilities.

We had hoped to report the findings of our audit to the January 2021 Audit Committee however this has not been possible. The results of our Value for Money work are included on the agenda as separate items. We aim to have reported the results of the financial statements audit at the March 2021 Audit Committee, if not before.

Financial Statements Audit

We set out below an update on the progress made against our significant risk areas:

Management override of controls (presumed risk under ISA 240)

Since the last update we have selected our sample of journals to test and have begun to receive evidence to support these entries. We await some of the final supporting evidence to allow us to undertake this testing.

Revenue recognition (presumed risk under ISA 240 – relates to the Group accounts and Bristol Energy specifically)

This is a risk at the group level and the company auditor, PWC, audit the financial statements of Bristol Energy Limited. PWC have now concluded their audit of Bristol Energy Limited and we have received their final audited financial statements as well as the results from PWC's work. There were not any significant issues noted in respect of this risk that will impact upon our responsibilities as group auditor.

We have contacted PWC in order to review their audit file as is required under our auditing standards when placing reliance on the work of another auditor.

Valuation of land and buildings

We noted in the November Audit Committee update report that it took a considerable amount of time to obtain the information required to allow us to pick our sample of land and buildings asset valuations to test. We were able to select this sample at the beginning of November following us beginning this process at the start of September, and we await the supporting evidence for this sample to allow our testing to conclude.

We have previously discussed with officers and the Audit Committee the increased regulatory expectations of auditors, particularly around the valuation of land and buildings, and this increased challenge and focus has meant that information requests have been more significant than in the past which have partly resulted in the time that it has taken to receive supporting information from officers.

Our sample testing of the valuations of the Council's surplus assets and Council Dwellings is now complete.

Valuation of Investment Properties

We have selected our sample of investment property valuations to review and are currently awaiting responses to some specific queries relating to these items. The initial working papers provided to support investment properties were incorrect which required us to recomplete elements of our work.

Valuation of the defined net benefit liability

We have completed our work in this area subject to final quality review.

The Avon Pension Fund hold a portfolio of investment properties on behalf of the admitted bodies, and the valuer used to provide year end valuations of these has disclosed a material valuation uncertainty related to these due to the Covid-19 pandemic. This was a national issue highlighted by the Royal Institute of Chartered Surveyors (RICS) and the Pension Fund and the Council will include disclosures in respect of this within the financial statements. Our audit report will make reference to these disclosures given their importance to the reader of the financial statements.

Progress at January 2021 – financial statements

Incomplete or inaccurate financial information transferred to the new payroll system

We have begun to review the reconciliation between the old and new payroll systems.

We have also received the initial responses for our sample of individual payments for testing and are awaiting evidence in relation to the pay award for specific individuals.

Valuation of long term investments

We reported previously that we had concluded our work on the valuation of the unquoted equity investment that the Council holds in relation to the port. We are satisfied that no material issue arises from this valuation.

Following the audit and publication of Bristol Energy Limited's financial statements, the Council has proposed to revise the valuation of its investment in Bristol Holdings Limited downwards, to reflect a reduced value in respect of Bristol Energy Limited. Our valuation colleagues are reviewing this revised valuation.

Objection

As previously noted, we have received an objection from a local elector in accordance with paragraph 27 of the Local Audit and Accountability Act 2014. The objection is not of a financial or accounting nature and relates to governance and HR. We will consider this objection in accordance with the requirements of the legislation, and it remains our view currently that we do not expect it to impact on our audit opinion on the financial statements.

