

# Bristol City Council

## Final 2019/20 fee proposal

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Year ended 31 March 2020  
June 2021



# Proposed final fees

<b>Audit fees</b>	<b>Proposed fee</b>
Council scale fee	£156,839
Additional proposed audit fee at planning stage	£54,350
<b>Total proposed audit fees (excluding VAT) at planning</b>	<b>£211,189</b>
Further additional fees proposed at completion	£59,178
<b>Total proposed audit fees (excluding VAT) on completion</b>	<b>£270,367</b>

We confirm above our final proposed fees for the audit.

The Bristol City Council Audit Plan presented in May 2020 included £54,350 of proposed additions to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator in relation to our work on pensions, Property, Plant and Equipment, complex valuations, the Council's new payroll system, changes to the group structure, the Council's Public Interest Entity status and also an initial estimate of costs relating to work on Bristol Energy Limited. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We also experienced additional work requirements and timing delays in certain areas of the audit as previously reported. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £59,178 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £270,367. This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by four months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

We have discussed these additional fees with your S151 Officer. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

## Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 at planning, subject to PSAA approval.

Audit area	£	Rationale for fee variation
<b>Scale fee</b>	156,839	Set in March 2018 by PSAA.
<b>Increased challenge and depth of work</b>	8,000	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. We have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling.
<b>Pensions – valuation (IAS) 19</b>	3,500	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
<b>PPE - valuations</b>	9,350	We have engaged our own audit expert, Wilks Head & Eve LLP, and have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. This increase includes an estimate for the fee payable to the auditor's expert, which we estimated to be in the region of £5,000.
<b>Long term unquoted equity investment valuations</b>	17,500	You have unquoted equity investments that are valued at fair value annually. We are required to engage our own auditor expert to review these valuations. The estimate was based upon the cost of completing this work in the 2018/19 audit year.
<b>Implementation of a new payroll system</b>	4,500	The Council implemented a new payroll system from 1 April 2019 and we identified a significant risk in respect of the completeness and accuracy of the data transfer.
<b>Public Interest Entity</b>	4,000	As the Council holds listed debt, it meets the FRC definition of a Public Interest Entity. Certain additional Ethical and Quality standards apply, including the need for us to produce an Enhanced Audit Report.
<b>Change to group structure</b>	2,500	In 2019/20 the Authority will consolidate an additional subsidiary into its financial statements – Goram Homes Limited. This will require additional audit procedures to assess the proposed accounting treatment under accounting standards, as well as additional time spent on the group consolidation and associated disclosures. We are also required to liaise with the subsidiary's auditor and review their audit file in our role as group auditor.
<b>Bristol Energy</b>	5,000	Additional work in respect of the group going concern assumption and in relation to our Value for Money responsibilities is expected in relation to the financial position of Bristol Energy Limited.
<b>Revised scale fee at planning</b>	<b>211,189</b>	To be approved by PSAA.

## Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 following the completion of our audit, subject to PSAA approval.

Audit area	£	Rationale for fee variation
<b>Covid-19</b>	31,678	<p>Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:</p> <ul style="list-style-type: none"> <li>revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties;</li> <li>management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260; and</li> <li>remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.</li> </ul>
<b>PPE working papers</b>	7,500	As reported in our ISA 260 report and included as a recommendation to management, the fixed asset register is held across various documents detailing different aspects of the asset base which increases it's complexity. This means that a normally simple reconciliation between the asset register and the financial statements becomes much more complex, confusing and time intensive and also means the audit team must complete multiple completeness checks when using the different documents for audit procedures. During the final accounts testing stage we also encountered an instance where audit procedures had been started on a Council provided working paper, which it later transpired was not the correct version of the working paper. As a result, the work had to be restarted and the work already completed could not be used.
<b>Debtors and creditors</b>	7,500	As reported in our ISA 260 report and included as a recommendation to management, the Council is unable to provide a listing from the system that shows just it's year end debtors or creditors. Instead, only a listing of all transactions posted to the codes throughout the year can be run. This results in multiple iterations of samples which take significant additional time for officers and the audit team alike, as multiple in-year transactions are sampled which do not form the year end balances and hence cannot be used.
<b>Bristol Energy</b>	15,000	Work completed on the governance arrangements regarding Bristol Energy Limited and in support of our Value for Money conclusion. In line with the original scope and fee estimate.
<b>Actual PPE expert cost</b>	-£2,500	Our planning estimate included an assumption of £5,000 of disbursements to an auditor's expert. The actual total disbursements were £5,000 and hence this reduced the overall proposed fee to reflect the actual.
<b>Total proposed final audit fees</b>	<b>270,367</b>	Subject to PSAA approval.