The Audit Findings for Bristol City Council

Year ended 31 March 2022

Bristol City Council

September 2023

Contents

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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 have been discussed with management and prior to submission to the Audit Committee.

J D Roberts

Name : Jon Roberts

For Grant Thornton UK LLP

Date :

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 2022 for 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 mainly completed remotely starting in October 2022. Our findings are summarised on pages 5 to 29. We have identified adjustments to the financial statements that have resulted in adjustments to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is well progressed, but there are a number of areas with outstanding queries.

The draft financial statements were presented for audit in accordance with the agreed timetable. Whilst in the main, good quality working papers were provided to support entries, we did encounter issues that resulted in additional, unplanned audit work.

This additional work reflects the continuous raising of the bar and us as auditors providing greater challenge to the authority especially in the areas subject to greatest estimation and uncertainty. This additional time has resulted in a proposed further increase in audit fees for 2021/22 as set out in Appendix D.

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.

Subject to the satisfactory completion of audit procedures, our anticipated audit report opinion will be 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 now 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	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 July 2023 audit committee, covering both 2021-22 and 2022-23 arrangements. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for 2021-22. We identified a significant weakness in the Council's arrangements for 2022-23. Our findings are summarised in the value for money arrangements section of this report.
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.	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 one such objection to the financial statements during the public inspection period for the 2021-22 accounts. Work on this is underway and we expect to conclude on this in September 2023. We expect to certify the completion of the audit upon the finalisation of our work on the Council's VFM arrangements, which will be reported in our final Annual Auditor's report which will be produced on the completion of the 2022-23 financial statements audit.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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 have been discussed with management.

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 (formally Bristol Energy Limited), Bristol Waste Company Limited, Goram Homes Limited and Bristol Heat Networks Limited; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Our audit approach has amended for one group company since the audit plan was presented to officers and members. See page 7 for the updated group audit scope.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on conclusion of our audit work.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As part of our audit procedures, we identified several issues. This resulted in us having to carry out additional audit procedures, as summarised on page 23 to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

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 17 August 2022.

We detail in the table below our determination of materiality for Bristol City Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16.65m	£16.16m	We considered materiality from the perspective of the users of the 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 the Net Cost of Services level was deemed as most appropriate benchmark. This benchmark was used in the prior year. Recognising the size and scale of the Council and the level of public interest regarding these accounts, we deemed that 1.2% was an appropriate rate to apply to the expenditure benchmark. We also applied this to the Group.
Performance materiality	10.82m	10.50m	65% of materiality was deemed an appropriate level for performance materiality, reflecting our experience of auditing previous year's accounts.
Trivial matters	0.83m	0.80m	5% of materiality was deemed an appropriate level for triviality, below which we do not report.

2. Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

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 8 to 11	Full scope audit performed by Grant Thornton UK LLP
Bristol Holding Limited	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP
BE2020 Limited (formerly Bristol Energy Limited)	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP
Bristol Waste Company Limited	No	Perform specific audit procedures	None	Review of Journals and Other Expenditure Testing
Goram Homes Limited	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP
Bristol Heat Networks Limited	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP

The Council's Group structure is changing in the future with the wind-up of BE2020 and in January 2023, the council sold it's shareholding in Bristol Heat Networks to Vattenfall Heat UK Limited.

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 was one of the most significant assessed risks of material misstatement.	As part of our work we: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine the criteria for selecting high risk unusual journals; • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; • 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. - reviewed and tested transfers between the General Fund and HRA and inter group journals Our work is still in progress with one piece of sample evidence still outstanding. To date we have not identified any instances of management override of controls. We identified one super user who also posts journals – see Appendix A for details.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent revenue transactions (ISA240) 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.
Risk of fraud related to expenditure recognition (PAF Practice Note 10) 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 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 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. • 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 2021 and indexed to 31 March 22. and we undertook detailed work to ensure the indexation process used by the valuer was appropriate and for those assets not revalued in year we used indices to corroborate the valuer's opinion that the value at year end was materially correct. As part of our work on the 2021-22 financial statements, we identified a change in the valuation method of a number of assets, impacted on the valuations disclosed in the 2020-21 financial statements. To follow this up, our work in prior period included requesting valuations and indices assessments from the Council's internal valuer. The work identified an adjustment of £14.1m required to the 2020-21 financial statements which management processed and this impacted on 2021-22 opening balances and in year revaluation movements. Management have processed the adjustments and the audit team have confirmed their appropriateness Our work is still in progress over Land & Building valautions.

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.	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. • 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 24 were formally revalued in 21/22. 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 2021 and the whole portfolio is uplifted using indices to the 31 March 22. 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. The valuer used the most up to date indices at the time of completing the valuation to uplift the valuation to 31 March 22. However, for our review we were able to use more up to date indices than those used by the valuer. When these were applied to the data, we identified a difference of £10.3 million. This is not an error made by the valuer as at the time, they used the most current information available to inform their valuation. The difference is below our tolerance threshold, and therefore, we are satisfied that the estimated Council Dwellings Valuation is materially correct as at 31 March 2022.

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 2022. 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. • engaged an auditor's expert to support our response to the valuation of investment properties. The Council's investment properties were valued by the Council's internal valuer and a portion of the asset valuations were outsourced to an external 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 2021) to year end. Our audit work to date has not identified any issues in respect of the valuation of Investment Properties.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of investment in First Corporate Shipping Ltd The Authority holds material long term investments in its balance sheet. These include the estimated valuation of an unquoted equity investment. This investment is by its 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 investment in First Corporate Shipping Ltd 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 both their calculations for the valuation of the unquoted equity investments and the valuation report prepared by management's expert and assessed these against accounting standards; and • 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 2019/20. Therefore in 2021-22 the council engaged an expert to support their valuation of this investment. 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 2021. Our expert did however note that the Cost of Equity used to value the investments was built up using elements as at 15 April 2021 rather than 31 March 21. The expert performed a shadow Cost of Equity calculation which when applied to the valuation gave a range for the valuation of £28 million - £35 million. The Councils valuation is within this range and the top and lower ends of the range are not materially different to the Council's valuation of £29 million. Going forward it is recommended that the Council ensure the Cost of Equity calculation is built up as at the valuation date and not on a date after the valuation date. This recommendation was also made in 2020-21. Overall, we were able to conclude that the valuation of the Bristol Port Company is materially accurate. A recommendation has been made in appendix A regarding the Cost of Equity calculation.

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 (£1.026bn in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. 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 rates.	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 a 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. As the triennial valuation was undertaken as at 31 March 2022 and published as at 31 March 2023. We have considered the impact on outstanding audits, having regard to International Auditing Standards and the requirement of the CIPFA code and have determined that the impact of amendments as a result of the triennial valuation constitutes a material, adjusting post balance sheet event. Management have obtained an updated IAS 19 report and have adjusted their financial statements to reflect the amended disclosures. Our audit work is still in progress.

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Bristol Waste Company Limited	PwC	The audit team identified that the component auditor's issued a modified audit opinion in relation to the Waste company's Net pension liability.	The audit team reviewed the subsidiary disclosures and considered their impact on the group accounts. Given none of the figures are material, we determined that there would be no impact on our group opinion.

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 2022 (early adoption) then in 2021/22 accounts as a minimum, we would 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 financial statements 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: • IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year)"	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.
Recognition and Presentation of Grant Income • The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	We have undertaken detailed sample testing for COVID-19 grants, other grant income and grants received in advance, considering the agent / principal judgements, any outstanding conditions, terms that would indicate any capital, ringfenced or non-specific grant income and the statutory accounting requirements for the grants.	Our work is ongoing in this area. At this stage we have found no discrepancies in the Council's treatment of grant income and the accounting of this in the statement of accounts.

2. Financial Statements – new issues and risks

Issue	Commentary & Auditor view
Valuation 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. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Bristol City Council has material infrastructure assets, at a gross and 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: • an elevated 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: 1. The local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets 2. 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; and • evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs. 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 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. While neither of these values is material, we have raised recommendations relating to infrastructure lives in Appendix B. Our work has 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 inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £667.1m	Other land and buildings comprises £488.2m 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 (£178.9m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged internal valuers to complete the valuation of properties as at 01 October 2021 on a five yearly cyclical basis. 87% of total land and building assets were revalued during 2021/22. The assets were revalued as at 1 October 2021 and indexed to 31 March 2022. Assets not revalued were indexed from the date of last revaluation to 31 March 2022. We are undertaking a detailed review of the work to ensure the indexation process is used by the valuer was appropriate. Our work in this area is still in-progress but we have not identified any issues to date. The total year end valuation of land and buildings was £667.1m, a net increase/decrease of £11.5m from 2020/21 (£655.6m).	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, and • assessed the adequacy of disclosure of the estimate in the financial statements. • engaged an auditor expert to further challenge underlying assumptions and terms of engagement with the valuer. Audit work is still in progress and therefore our conclusions are to be confirmed.	TBC

Assessment

- [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

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – Housing £1,772m	The Council owns 26,767 dwellings (as per Note 1 of the Housing Revenue Account) and is required to revalue these properties in accordance with DCLHG's (Government's) Stock Valuation for Resource Accounting guidance. The guidance requires the use of a 'beacon methodology', in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its internal valuation team to complete the valuation of these properties. The year end valuation of Council Housing was £1,772m, a net increase of £94m from 2020/21 (£1,678m).	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 also confirmed that the valuation approach was consistent with the prior year and was in accordance with the guidance on stock valuation for resource accounting. 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. The valuer used the most up to date indices at the time of completing the valuation to uplift the valuation to 31 March 2022. However, on our review we were able to use more up to date indices than those used by the valuer. When these were applied to the data, a difference in the valuation of the Council dwellings was identified of £10.3million. This is not an error made by the valuer as at the time the most current information available was being used to inform the valuation. The difference is below our performance materiality, and therefore, we are satisfied that the Council Dwellings Valuation is materially correct as at 31 March 2022. Audit work is still in progress and therefore our conclusions are to be confirmed.	**TBC**

Assessment

- [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
Investment Property Valuation - £356.6m	The Authority is required to revalue its investment properties at fair value on an annual basis at 31 March 2022. The Council has engaged both CBRE (external valuer) and internal valuers to complete the valuation of properties as at 01 October 2021. The total year end valuation of investment property was £356.6m, a net increase of £80.7m from 2020/21 (£275.9m).	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, and • assessed the adequacy of disclosure of the estimate in the financial statements. • engaged an auditor expert to further challenge underlying assumptions and terms of engagement with the valuer. **Audit work is still in progress and therefore our conclusions are to be confirmed.**	TBC
Provisions for NNDR appeals - £25.5m	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 previous success rates.	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 £614k, which was not considered material to the estimate. **Audit work is still in progress and therefore our conclusions are to be confirmed.**	TBC

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
Net pension liability – £1.047bn	The Council's total net pension liability at 31 March 2022 is £1.047bn (PY £1.128bn). The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £143.9m net actuarial gain during 2021/22.	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:	TBC

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.80%	2.70% - 2.80%	●
Pension increase rate	3.40%	3.00% - 3.50%	●
Salary growth	4.80%	3.90% - 5.90%	●
Life expectancy – Males currently aged 45 / 65	23.6/ 22.3	22.2-24.8/ 20.7-23.3	●
Life expectancy – Females currently aged 45 / 65	26.3/ 24.3	25.7-27.5/ 23.8-25.5	●

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

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
Minimum Revenue Provision - £13.6m	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 £13.611m, a net increase of £2.980m from 2020/21.	• 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 • Confirmed the Council's MRP to Capital Financing requirement and Debt to Capital Financing requirements are appropriate	
Unquoted Equity Investment in First Corporate Shipping Ltd - £29m	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 2022 at £29m. The investments are not traded on an open exchange/market and the valuation of the investments is subjective. The investment was valued by an external expert in the current year and the valuation has been provided as at 31 March 2022.	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 2022. We have been able to conclude that the valuation is materially correct. We have made one recommendation regarding the calculation of this estimate – see page 12 for more information regarding this.	

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 - 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 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 will be requested from the Council on the conclusion of our procedures, including specific representations in respect of the Group.
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	Whilst some improvements have been made in terms of our respective working arrangements this year, we experienced delays in the receipt of some working papers and explanations to audit queries and matters are still taking longer to resolve than both sides would like. Following completion of the audit we will discuss this with officers to understand how the process can be improved in future years.

2. Financial Statements - other communication requirements

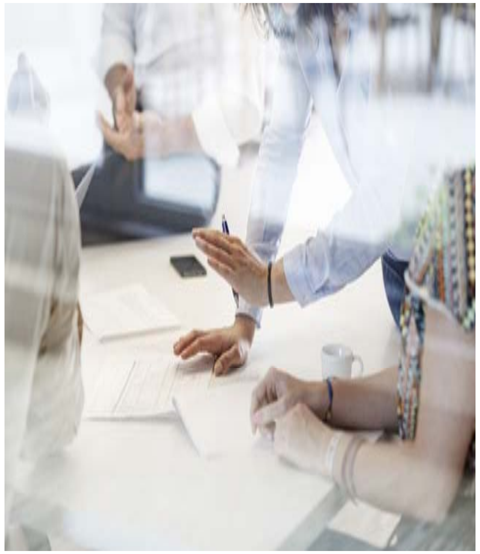
Our responsibility

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. No inconsistencies have been identified. 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 [a] significant weakness/es. We have nothing to report on these matters
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 delay the certification of the closure of the 2021/22 audit of Bristol City Council in the audit report. This is a s a result of producing a joint VFM report, which will be finalised once the 2022-23 financial statement opinion is given.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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 are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
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 lead 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.	• Sample capital budget monitoring reports reviewed, capital accounting staff interviewed. • review of documentation and interview with Programme Managers still • Interviews with relevant officers • Revie of capital budgets and outturn reports	We have not identified a significant weakness in arrangements for 2021-22	Details of work undertaken and commentary on our conclusions are included in the Auditor's Annual Report presented to the Audit Committee in July 2023.
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.	• Sample revenue budget monitoring reports reviewed, finance business partner staff and the officer who looks after the MTFP interviewed • Review of MTFP for 21/22 reviewed as well as 23/24 budget report • S151 officer and Cabinet member for resource interviewed	We have not identified a significant weakness in arrangements for 2021-22	Details of work undertaken and commentary on our conclusions are included in the Auditor's Annual Report presented to the Audit Committee in July 2023.

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 are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Governance arrangements, how the Council ensures it makes informed decisions for its companies and for key decisions relating to high profile transactions	• Review of documentation on subsidiaries and City Leap Partnership • meetings with relevant officers and cabinet members • Assessment of governance arrangements relating to decisions taken	We have not identified a significant weakness in arrangements for 2021-22	Details of work undertaken and commentary on our conclusions are included in the Auditor's Annual Report presented to the Audit Committee in July 2023.
The current level of spend on Adult 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.	• Interviews with Finance Business Partners and Directors • Review of budget documents and outturn reports	We have not identified a significant weakness in arrangements for 2021-22	Details of work undertaken and commentary on our conclusions are included in the Auditor's Annual Report presented to the Audit Committee in July 2023.

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	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 one such objection to the financial statements during the public inspection period for the 2021-22 accounts. Work on this is well progressed and final drafts are currently being reviewed. We expect to conclude on this in October 2023.

5. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

During the period under audit, Stephen Peacock was appointed as the council's Chief Executive. As Stephen has previously worked for Grant Thornton. The familiarity threat is minimised by the fact that Stephen worked in a separate department and none of the individuals who have undertaken work on the council audit worked with Stephen while he was at our firm.

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 D.

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 Transparency report 2020 (grantthornton.co.uk)

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 September 2023 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 2019-20	7,500	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 £7,500 in comparison to the total fee for the audit of £277,000 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)	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 capital receipts grant 2020-21	7,500	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 £7,500 in comparison to the total fee for the audit of £277,000 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)	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 Teachers Pension Return 2020-21	8,000	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 £8,000 in comparison to the total fee for the audit of £277,000 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)	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			
Certification of Housing Benefit Claim 2020-21	29,900	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 £29,900 in comparison to the total fee for the audit of £277,000 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)	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.
Agreed procedures on behalf of Homes England	6,000	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 £6,000 in comparison to the total fee for the audit of £277,000 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)	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.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 11 recommendations for the Council 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 2021/22 audit. 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 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.	The Council 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. 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.
	The Council did not have a formal cybersecurity framework in place to during 21-22. We deemed that having no framework in place creates a risk for systems to be compromised including finance systems.	The Council should ensure that there is a formal cybersecurity framework in place. Management response The Council has created an Information Governance Framework that sets out what the Information Governance team provide to support the Council. This includes elements around Cyber Security. The Council are also working towards aligning themselves with the ISO27001 international standard
	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.	The Council and its internal valuer should ensure all requirements of RICS guidance are followed in the terms of engagement. Management response The RICS guidance will be reviewed and the terms of engagement updated accordingly for valuations undertaken for the financial statements for the year ending 31st March 2024.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

Assessment	Issue and risk	Recommendations
	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. • Audit monitoring is enabled but not monitored for Civica This creates a risk for unauthorised or inappropriate changes to the applications.	The Council should ensure they review these findings. Detailed recommendations are provided via the IT audit report. Management response The majority of findings identified have been rectified and were checked as part of 2023 IT audit and documented in the draft report. Inadequate oversight around generic user in Northgate application – from 2023, the IT audit has documented this item has been remediated Weak password configuration settings for Civica and i-Trent - Civica - the finding is remediated for current year. We also noted that there were few active user accounts which were not integrated with AD. We compared the Civica password settings with the BCC password policies settings and noted that password settings are aligned with BCC password policy. We are working with Civica to change a couple of non-AD accounts to meet the new standard. This has been tested but needs to be planned and implemented in live ITrent -The alignment of the I Trent password to the BCC policy of 14 characters is still being tested as the password configuration of I Trent was originally set up with 8 characters and we are working with MHR to ensure that, in changing to the 14 characters it does allow those with 8 characters minimum to still log in albeit forcing them to change to 14 characters once logged in. Given this is a global configuration and has an impact on our third-party customers we need to ensure adequate testing and communications have been completed as part of the rollout of this change.
	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. While neither of these values are material, we have raised recommendations relating to infrastructure lives in Appendix B. Our work has concluded, and we are satisfied that the estimate is not materially misstated.	We continue to recommend to the Council that they review the useful lives of infrastructure assets. Management response Agreed and will review the treatment the Highway Network assets in accordance with the latest guidance and accountancy codes as they are updated.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

Assessment	Issue and risk	Recommendations
	We identified a sample in our PPE disposal testing where the completion of property transfer was completed in 20/21 but was only derecognised in the fixed asset register in 21/22.	The Council should ensure that all disposals should be properly accounted for in the correct period. Management response Agreed. The reconciliation process between the ledger and asset register has been updated to mitigate this isolated error occurring again.
	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 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. Management response We have now built resilience with resources in the cash office team to work on reconciling items weekly. This is being monitored weekly' Staff shortages are no longer the case and we are looking to improve the matching process and getting numbers down going forward.
	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.	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 Working with the Agresso systems team, we have introduced a new transaction type to help identify prior year accrual reversals
	When valuing the Bristol Port Authority Investment, the Council and it's 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.	The Council should ensure all elements of the valuation use information as at the year-end date. Management response Agreed

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

Assessment	Issue and risk	Recommendations
	The Council insured the repairable sums [indemnity amount] of it's heritage assets again in 2021/22, 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 Agreed. As part of the process of Heritage Assets being insured, Finance will now carry out a formal review. It should be noted that the value of Heritage Assets within the Financial Statements is unaltered.
	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.	Management 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. Management response General Account, Creditors A, Creditors RA, Payroll and Council Tax bank statements were downloaded from December 2020. We will ensure the other accounts are downloaded and saved going forward.
	We experienced difficulties obtaining evidence to support management's estimate of HRA deprecation.	The Council should ensure calculations for recharges 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. Management response Agreed. When deprecation is calculated evidence is now extracted and stored for external auditing purposes.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Bristol City Council's 2020/21 financial statements, which resulted in 11 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note 6 are still to be completed.

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 three years' audits.	There has been some improvement with regards to the provision of the listing, but these still includes opening balances which we have to remove. We also had selected a few samples that relates to previous year. This has been raised as a recommendation again in 2021/22.
✓	The Council has treated their loan to Goram Homes Limited as a Long-Term Debtor, held at Amortised Cost. We considered this against accounting standards and CIPFA guidance and are satisfied that this treatment is appropriate at 31 March 2021. We have recommended that management monitors Goram Homes Limited's performance against its business plan and use this as a basis to assess the classification of the loan on an annual basis.	Management continue to monitor the performance of Goram Homes through their group governance arrangements and as part of the preparation of annual financial statements.
TBC	Our testing of usable reserves transfers in 2020/21 identified that management had not formally documented approved reserve transfers in line with their policy of S151 approval being required.	Meetings have taken place in year to approve reserve transfers. These took place between s.151 officer and the chief accountant during the financial year. The council is in the process of implementing formal documentation of these approvals.
X	The Council insured the repairable sums [indemnity amount) again in 2020/21, with no additional insurance cover taken out for one of the Council's heritage assets.	The Council has still not taken insurance for the same asset as at 31 March 2022.
X	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 still had difficulties getting evidence for bank evidence and the Council had to request statements from their bank. This has been raised again as a recommendation in 2021/22.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	In 2020/21 the Council made an upfront payment of deficit contributions for the three years 2020/21 - 2022/23 totalling £20.43 million. This was not approved by members, which is considered best practice	This recommendation relates to a triennial process, and the next opportunity for management to action this is in the 2023/24 financial year. We continue to recommend that management actions this.
X	The Cash reconciliation included significant number of reconciling items which were not true reconciling items but items on both the statement and cashbook which had not been matched off by the Council.	The bank reconciliation in 21/22 still includes reconciling items that are not true reconciling items. We have spent significant time removing some reconciling items that appear both as bank and cashbook reconciling item in order to reduce the sample to be tested. This has been raised again as a recommendation in 2021/22.
TBC	We experienced difficulties obtaining up to date calculations to support management's recharges in respect of the General Fund and HRA expenditure.	The council is refreshing its recharge calculations and methods. In 2021-22, we did not experience such significant difficulties.
X	When valuing the Bristol Port Authority Investment, the Council 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.	The valuation is still based on information after YE. This has been raised again as a recommendation in 2021/22.
X	We experienced difficulties obtaining evidence to support management's estimate of HRA deprecation.	We still encountered difficulties in getting evidence for HRA depreciation as there is no in year cost to support the estimate. This has been raised again as a recommendation in 2021/22.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We identified a heritage asset which is held by the Council on behalf of the owner and therefore are excluded from the statement of accounts as not owned by the Council, however the loan agreement between the Council and the owner had expired. The Council were able to obtain an updated loan agreement and therefore we were able to conclude the asset was correctly excluded from the Council's accounts.	We have not identified any similar issues in our 21/22 testing of Heritage Assets.

Assessment

✓ Action completed

X Not yet addressed

C. 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.

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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
A portion of a grant is a discretionary Fund wherein the Council is acting as a principal rather than agent. This fund is unspent at YE which requires reclassification from short-term creditors to grants received in advance – revenue.	Nil	Dr Short-term creditors £961 Cr GRIA – Revenue - £961	Nil
Grants received in advance – revenue amounting to TBC should be presented separately from short-term creditors in the balance sheet in line with the Code	Nil	Dr Short-term creditors TBC Cr GRIA – Revenue - TBC	Nil
Overall impact	£TBC	£TBC	£TBC

C. 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 omission	Auditor recommendations	Adjusted?
Our review of the Income and Expenditure by nature note identified that a REFCUS grant amounting to £21.2m was presented as fees at charges and other income rather than as government grants and other contributions. This also impacted other disclosure note such as Capital Adjustment Account and Capital Expenditure and Capital Financing.	We recommended that this adjustment was processed.	✓
Gain from fair value change of investment properties amounting to £82.4m was presented as other expenditure when it should have been presented as gain on investment properties valuation.	We recommended that this adjustment was processed.	✓
External audit cost disclosure is incorrect and should be £269k to reflect the correct figure.	We recommended that this adjustment was processed.	✓
A number of presentational disclosure updates were made to the narrative report to ensure it was consistent with the information presented in the financial statements.	We recommended that these adjustments were processed.	✓
Grants amounting to £8,048k is presented incorrectly as fees, charges and other income. This should be presented as government, grants, and contributions in expenditure and income analysed by nature note.	We recommended that this adjustment was processed.	✓

C. 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 omission	Auditor recommendations	Adjusted?
One asset amounting to £1,061k has been revalued during the year but was incorrectly presented under last revalued on 1 Dec 2017. Note 20 Valuation table to be updated as follows: Last revalued 01 Oct 2021 - £596,472k to £597,533k Last revalued 01 Dec 2017 - £10,139k to £9,078k	We recommended that this adjustment was processed.	✓
Due to national issue of infrastructure asset accounting, a Statutory Instrument came into effect which requires reporting of infrastructure asset in net book value. Note 20 PPE to be updated to separate out the Infrastructure asset and report only the net book value.	We recommended that this adjustment was processed.	✓
A Better Care Fund grant amounting to £16,515k was omitted in Note 17 Grant Income disclosure in 21/22.	We recommended that this adjustment was processed	✓
Section 31 grants for council tax relief is incorrectly presented as Grant Income when it should be presented Income from Council Tax and Non-domestic Rates in Note 8 Expenditure & Income Analysed by Nature.	We recommended that this adjustment was processed	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The [ABC] 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	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)	£,1592	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	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	Not material and based on projection only.
Overall impact	£5,923	(£5,923)	£5,923	

C. 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 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The actuary uses an estimated rate of return to calculate the net defined liability at 31 March 2021. This estimated rate of return was 0.1% lower than the actual full year rate of return. This created an overstatement of the actual return on scheme assets of £3.720m.	£3.720	(£3,720)	£3,720	Not material
Note 8 and Note 17 did not reconcile due to a WECA grant that is administered on their behalf by BCC. Identified in line with IFRS 15 that some of these grants should be excluded from the accounts and some should be included on the basis of agency/principal. We identified the following adjustments: Note 8 - Understated by the £1.8m BCC element of the grants Note 18 - Overstated by the £2.6m of passthrough grants	Nil	Nil	Nil	Not material
Overall impact	£3,720	(£3,720)	£3,720	

D. Fees

We confirm below and in subsequent pages the details of our proposed final fees for the audit and provision of non-audit services. These fees are subject to the timely completion of audit queries.

Fees per the financial statements are the council's scale fee as all fees are subject to PSAA approval, additional fees are not recognised until they are fully approved.

Audit fees	Proposed fee	Final fee
Council Audit scale fee	168,339	168,339
Additional Audit fee	£112,063	TBC
2019/20 Objection	£8,500	TBC
Total audit fees (excluding VAT)	£288,902	£TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing Benefit Certification	£36,000	TBC
Pooling of Housing Capital receipts	£8,000	TBC
Teachers pension certification	£8,000	TBC
Total non-audit fees (excluding VAT)	£X,XXX	£X,XXX

Additional Audit fees – Proposal

Audit Fees	Proposed Fee
Scale fee published by PSAA	£168,339
Ongoing increases to scale fee identified in 2019/20	
Increased challenge, complexity and lower materiality	£13,750
Enhanced audit procedures for Property, Plant and Equipment including our own audit expert	£5,938
Enhanced audit procedures for Pensions	£1,375
Recurring Audit fee 2019/20	**£189,402**
Ongoing increases to scale fee first identified in 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Additional Local risk factors	£30,000
Increased audit requirements of revised ISAs	£13,000
Recurring Audit fee 2020/21	**£252,402**
Additional fees identified in 2021-22	
Additional Review for Major Local Authorities	£1,500
Infrastructure	£5,000
Remote Working*	£10,000
Additional procedures relating to Bristol Waste's modified audit report	£1,500*
Additional procedures in relation to material post balance sheet events	£1,000*

* Fees are estimates at the time of drafting the report. Final fees will be discussed with the Director of Finance and submitted to PSAA for approval at the conclusion of audit procedures.

Additional Audit fees – Proposal

Audit Fees	Proposed Fee
Ethics consultation – see pg 30 for details	£500
Local Government Pension Scheme, additional work in relation to updated triennial review	£6,000
Prior period adjustments in respect of REFCUS	£2,500
Additional work on collection fund reliefs	£750
Bank reconciliation – additional cleansing required	£1,000
Debtor/ creditor listings	£2,000
Long Term Investments – Auditor's Expert	£5,500
PFI Expert	£1,500
Inflo ingest issues	£1,150
Final Fees	**TBC**

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