

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

24 SEPTEMBER 2013

Report of: Service Director (Finance)

Title: Grant Thornton's Annual Report to those charged with Governance 2012-13

Ward: Citywide

Officer presenting report: Graham Friday, Deputy S151 Officer

Contact telephone number: 0117 922 2419

RECOMMENDATION

The Audit Committee:

- note, and comment as appropriate, on Grant Thornton's Annual Report to those charged with Governance for 2012-13 and the action plan agreed by management;
- confirm that they are satisfied that the unadjusted misstatements included in the report do not require processing by management;
- confirm that the Letter of Representation for 2012-13 to Grant Thornton is signed; and
- confirm that the Letter of Representation for 2011-12 to Grant Thornton is signed and the delayed certified is noted.

Summary

Attached to this report at Appendix 1 is Grant Thornton's Annual Report to those charged with Governance, which highlights the key issues arising from the audit of the Council's financial statements for the year ending 31 March 2013. This report enables Grant Thornton to discharge their audit responsibilities in accordance with International Standards of Auditing (ISA) 260. It also reports their conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Attached to this report at Appendix 2 is the Letter of Representation for 2012-13 to Grant Thornton.

Attached to this report at Appendix 3 is the Letter of Representation for 2011-12 to Grant Thornton, along with the delayed certified for 2011-12.

The key considerations set out within this report are:

- The auditors anticipate issuing an unqualified audit opinion on the Council's accounts and an unqualified VFM conclusion.
- Overall the financial statements have been prepared to a good standard. A number of adjustments have been identified and discussed with management following the audit. Where agreed, these changes have been made to the accounts.
- Recommendations have been made to management with regards to a number of improvements. Management responses to these recommendations are set out in the Action Plan at Appendix A to this report.

Policy

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

Consultation

Internal: Grant Thornton has discussed and agreed the findings of the audit with the Service Director of Finance and senior council finance officers.

External: None.

1 Introduction

1.1 Grant Thornton's 2012-13 Annual Report to those charged with Governance is attached as an appendix to this report. The report provides commentary on:

- the outcomes of the audit of the Council's financial statements

- and the issues arising;
- our proposed conclusion on the VFM opinion;
 - details of the amendments processed and not processed by management. Members of the audit committee are required to confirm that the unadjusted misstatements set out on page 18 in the report do not require processing by management; and
 - the action plan arising from their audit of the financial statements and managements responses to the matters raised.

1.2 Grant Thornton's auditors responsible for the City Council's audit will be attending the Committee, and will be pleased to answer Members' questions.

Other Options Considered

Not applicable.

Risk Assessment

Not as a result of this report.

Equalities Impact Assessment

There are no issues arising from this report.

Legal and Resource Implications

None arising from this report.

Appendices:

Appendix 1: Grant Thornton's Annual Report to those charged with Governance 2012-13.

Appendix 2: Letter of representation from Management for 2012-13.

Appendix 3: Letter of representation from Management for 2011-12 and delayed certificate for 2011-12

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

The Audit Findings for Bristol City Council

Year ended 31 March 2013

September 2013

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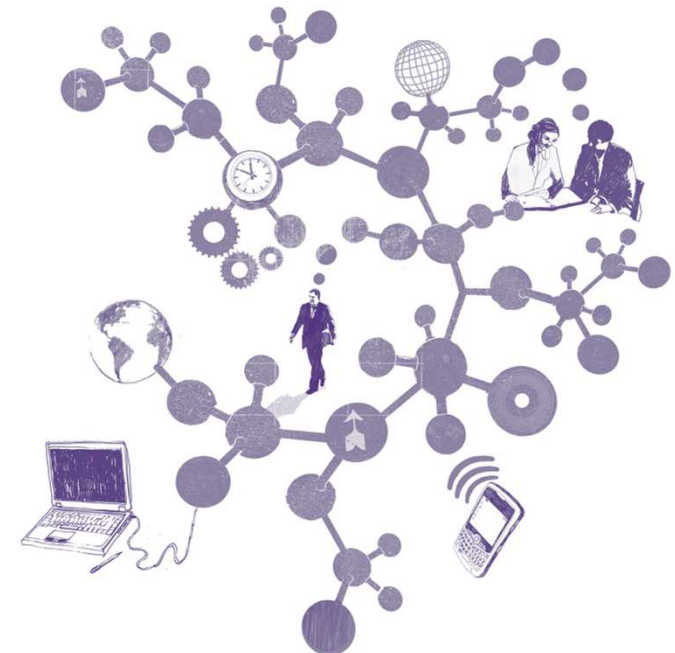
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Bristol City Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated April 2013.

Our audit is substantially complete although we are finalising our work in the following areas:

- Operating Expenses – 'other' creditors
- Other revenue – 'other' debtors
- Obtaining and reviewing the final financial statements
- Obtaining and reviewing the final management letter of representation
- Updating our post balance sheet events review, to the date of signing the opinion
- Review of Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £465,689k; the audited financial statements show net expenditure of the same. We have made a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- The information provided by the financial system is not of sufficient detail to allow full reconciliation between the accounts and the general ledger. Excel spread sheets are therefore used by Corporate Finance to perform this reconciliation.
- Some instances of delay were incurred due to lateness of information being provided which in one case was approximately two months after first being requested
- There continues to be a risk relating to the breadth of knowledge within the organisation. A number of individuals are the sole point of contact and should they be unavailable this could potentially cause serious delays in future years. This has been agreed with the Chief Financial Officer to be addressed in future years.

Further details are set out in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

The submission deadline for WGA was revised to 14 August 2013 due to a delay in publishing of the template by the DCLG. This deadline was not met due to software issues and this has been reported to the Audit Commission in line with national guidelines

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP
September 2013**

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 19 April 2013. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 19 April 2013

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Work is still to be completed in this area but testing undertaken to the date of this report has not identified any significant issues.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>
3.	<p>Accounting for Academy Schools</p> <p>Under IAS17 Academy Schools should not be recognised on the balance sheet as teachers at these schools are employed by the academy rather than the local authority and the related assets are not controlled by the Authority</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of accounting entries to ensure these are correctly accounted for and properly reflected in the financial statements • Review and testing of impact on the PFI contract to ensure that this has been properly accounted for and amended to reflect the change in status of the affected schools 	<p>Our work has not identified any issues with the calculation of the adjusted entries for PFI Academy schools. However it was noted that the restatements were not reflected correctly in the PPE notes to the accounts.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Operating expenses and creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of operating expenses and significant creditor balances • Review of after date payments to ensure all liabilities are identified 	<p>There is still some work to be completed on creditor disclosures but testing carried out in other areas has not identified any significant issues.</p>
<p>Employee remuneration</p>	<p>Remuneration expenses not correct</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls relating to employee remuneration • Undertaken walkthrough of the key controls to assess whether those controls are designed effectively • Testing of employee remuneration including apportionment of shared costs. 	<p>We were unable to review year end reports to HMRC as the Payroll software did not retain a copy of the data that was electronically submitted to HMRC. This meant reconciliation to the accounts was problematical. Further there continues to be an issue with leavers not being correctly processed leading to potential overpayments</p> <p>Our audit work has not identified any other significant issues affecting employee remuneration.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefits improperly computed	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • Documented our understanding of processed and key controls relating to housing and council tax benefits • Undertaken walkthrough of the key controls to assess whether those controls are designed effectively • Undertaken elements of the housing and council tax benefits subsidy certification to ensure the correct parameters have been applied to the software systems, movements in expenditure between years are understood and that the software suppliers' instructions have been followed in compiling the subsidy claim • Testing of 25 benefit expenditure transaction in year to ensure entitlement correctly calculated. This has been included in the planned testing but has yet to be undertaken at the time of this report 	Our audit work has not identified any significant issues in relation to Welfare expenditure
Housing rent	Revenue transactions not recorded.	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • Documented our understanding of processes and the key controls over the transaction cycle • Undertaken walkthrough of the key controls to assess whether those controls are designed effectively • Testing of 25 rental accounts in year to ensure that payments have been correctly calculated 	Our audit work has not identified any significant issues in relation to Housing rents

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	PPE activity not valid	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • Documented our understanding of the processes and key controls over the transaction cycle • Undertaken walkthrough of the key controls to assess whether those controls are designed effectively 	<p>Testing of the reclassification of academy schools built under the PFI project found that the prior period adjustment arising from the restatement had not been properly disclosed within the accounts although the adjustments had been correctly calculated.</p> <p>The academies had been derecognised from the balance sheet but are still included within the Fixed Asset Register (FAR) due to the FAR being closed prior to the adjustments being completed.</p> <p>Our audit work has not identified and other significant issues in relation to this risk.</p>
Property, plant & equipment	Revaluation measurement not correct	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • Documented our understanding of the processes and key controls over the transaction cycle • Undertaken walkthrough of the key controls to assess whether those controls are designed effectively • Review of valuation and impairment report to ensure all key assets have been revalued and all relevant factors have been considered 	<p>The revaluation report was first requested in June but was not received until 30 August. This has meant that it has not been possible to review the information prior to the issue of this report. However other revaluation testing undertaken found no significant issues in relation to the risk.</p>




Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	Property, plant and equipment are impaired	We have undertaken the following work in relation to this risk <ul style="list-style-type: none"> • Documented our understanding of the processes and key controls over the transaction cycle • Undertaken walkthrough of the key controls to assess whether those controls are designed effectively • Review of valuation and impairment report to ensure all key assets have been revalued and all relevant factors have been considered 	The revaluation report was first requested in June but was not received until 30 August. This has meant that it had not been possible to review the information prior to the issue of this report. However other impairment testing undertaken found no significant issues in relation to the risk.
Creditors	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk <ul style="list-style-type: none"> • Documented our understanding of the processes and key controls over the transaction cycle • Substantive testing of significant creditor balances is outstanding • Review of after date payments to ensure all liabilities identified is outstanding 	We have yet to complete testing in this area but testing to date has not identified any significant issues in relation to the risk

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential will flow to the Council. 	<ul style="list-style-type: none"> Revenue recognition policies have been reviewed and were determined to be in accordance with the requirements set out in the CIPFA Code Disclosure requirements have been assessed in accordance with the CIPFA disclosure checklist and are deemed to be appropriate. 	 (green)
Judgements and estimates	<ul style="list-style-type: none"> The Council has disclosed that the key estimates and judgements in applying accounting policies are in relation to: <ul style="list-style-type: none"> – useful life of capital equipment – significant property, plant and equipment valuations and impairments – pension fund valuations – arrears. 	<ul style="list-style-type: none"> Judgements and estimates have been reviewed and were determined to be in accordance with the requirements set out in the CIPFA Code 	 (green)
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 (green)

Assessment

-  (Red) Marginal accounting policy which could potentially attract attention from regulators
-  (Green) Accounting policy appropriate and disclosures sufficient

-  (Amber) Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Icelandic Banks</p>	<ul style="list-style-type: none"> The latest LAAP bulletin (number 82 issued on 12 June 2012 and updated in May 2013) illustrated the accounting treatment that Local Authority's should adopt regarding Icelandic Bank Deposits 	<ul style="list-style-type: none"> The Council has decided not to follow this guidance and have made full disclosure in the financial statements. The Council believe that it has taken a more prudent approach given the uncertainty of the future timing of further distributions in a foreign currency that are subject to adverse movements and the foreign exchange restrictions imposed by the Icelandic authorities under Icelandic law. Our view is that the LAAP bulletin provides the best estimate of the current position on amounts recoverable and therefore should be adhered to. The Short Term Investment value included in the financial statements is £1.6m, however the value of the asset recognised by the Icelandic Banks is £2.6m. Our view is that this is a more prudent approach than the guidance in the value of the Short Term Investments and an adjusting entry for £1m has been proposed in the Unadjusted misstatements section on page 18 of this report. 	<p style="text-align: center;">● (green)</p>
<p>Component Accounting</p>	<ul style="list-style-type: none"> The Council applies component accounting (i.e. where major components of the asset are depreciated separately over their respective estimated economic lives) to all individual assets with a net book value in excess of £5 million (and only where components are evident and the impact of component accounting is considered material to the accounts). 	<ul style="list-style-type: none"> Officers prepared a detailed paper on the approach to component accounting at July 2010. The paper stated that officers "would also review its asset base "by category" to consider whether component accounting for certain groups of assets should be undertaken on a 100% basis (prospectively) regardless of materiality. This could be desirable if there are significant benefits for the user and the additional costs of implementation and on-going recording do not outweigh these benefits". This planned review has not been undertaken. We accepted the treatment for 2011-12 on the grounds of materiality and recommended that a further review was undertaken during the year, and also requested that an update paper on this subject is prepared at each year end. Whilst we also accept the treatment for 2012-13 on the grounds of materiality, we would point out that no review has been undertaken or updated paper prepared. 	<p style="text-align: center;">● (green)</p>

Assessment

- (Red) Marginal accounting policy which could potentially attract attention from regulators
- (Green) Accounting policy appropriate and disclosures sufficient

- (Amber) Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

No adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. There are no adjusted misstatements to bring to your attention.

Misclassifications & 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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	-	Property Plant and Equipment	The reclassification of Academy schools built under the PFI project from on balance sheet to off balance sheet requires a prior period adjustment (PPA). The Council removed the Academy Schools from its Balance Sheet however the appropriate disclosures were not made within the financial statements.
2 Presentation and disclosure	-	Various disclosures	Whilst we acknowledge the work undertaken by the Council to improve the layout and presentation of the financial statements, there are a large number of minor disclosure and presentational adjustments that will require processing by the Council.. We would therefore recommend that appropriate senior management review of the draft financial statements is undertaken before the financial statements are signed.

Unadjusted misstatements

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


Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 Icelandic Banks	£1,000	£1,000	See page 15.
Overall impact	£1,000	£1,000	

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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.




These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1.	 (Amber)	<ul style="list-style-type: none"> Reconciliation of the figures as per the Statement of Accounts for Employee Remuneration to year end HMRC returns was not possible as these reports are not maintained by the payroll system. 	<ul style="list-style-type: none"> Year end reports are produced by the Payroll System but are not saved within the system. Therefore whilst the information is transferred to HMRC through an automatic upload the Council has no record of the individual transactions within the report and it does not retain a copy of the information sent to HMRC. Whilst it is recognised that the issue is with the Suppliers and a fix has been requested, the Council should investigate other means of recording and maintaining the information that has been submitted. From discussions with management we understand that this software is also being used to upload Real Time Information to HMRC on a monthly basis within the 13/14 financial year. We would therefore recommend that management review the data being retained and assess whether this is adequate.



Assessment

-  (Red) Significant deficiency – risk of significant misstatement
-  (Amber) Deficiency – risk of inconsequential misstatement



Internal controls

	Assessment	Issue and risk	Recommendations
2.	 (Amber)	<ul style="list-style-type: none"> Reconciling the Comprehensive Income and Expenditure Statement back to the general ledger was not automatic and required a large amount of manual calculation to ensure that all figures had been accurately disclosed 	<ul style="list-style-type: none"> The issue pertains to the previous software, CFS, and is not envisaged to be an issue with the new ABW system that the Council is now operating. However the Council must ensure that the issue will not arise in future periods by carrying out a trial run, at a suitable period within the year, to ensure that a trial balance that reconciles to the statement of accounts can be produced with appropriate supporting documentation.
3.	 (Amber)	<ul style="list-style-type: none"> There is an on-going issue with knowledge being confined to a limited number of people within certain areas of the finance team. This means that should they be unavailable for an extended period of time there is no one who would be able to ensure that tasks are completed on time or that issues can be properly addressed. 	<ul style="list-style-type: none"> The Council should consider ways in which information and requirements of key tasks can be delegated to other team members to ensure that these can be completed should the requirement arise.
4.	 (Amber)	<p>Vision Human Resources and Payroll Password Security</p> <ul style="list-style-type: none"> Our review of password controls over access to the application identified that password complexity requirements have been implemented for access to the Payroll module but not the Human Resources module. By not implementing robust access controls over the application there is an increased risk of the Vision application being accessed by unauthorised individuals thereby placing the underlying information and integrity of the system at risk 	<ul style="list-style-type: none"> We recommend that management considers implementing the requirement for complex passwords to gain access to the Human Resources module of the Vision application.



Assessment

-  (Red) Significant deficiency – risk of significant misstatement
-  (Amber) Deficiency – risk of inconsequential misstatement

Internal controls

	Assessment	Issue and risk	Recommendations
5.	 (Amber)	Revenues and Benefits Database Access Controls <ul style="list-style-type: none"> We were advised by the Database Administrator that a team of three Oracle Database Administrators administer the Revenues and Benefits database using a shared account Where user accounts are shared there is a lack of accountability for the actions performed, thereby placing the underlying information and integrity of the system at risk. 	<ul style="list-style-type: none"> We recommend that to ensure accountability for the actions of the programmers, within the Revenues and Benefits application, that the Council investigates introducing individual accounts for accessing and amending the programming code for Revenues and Benefits.
6.	 (Amber)	<ul style="list-style-type: none"> As we reported in prior years, documentation supporting journals should be strengthened 	<ul style="list-style-type: none"> Our testing revealed that some journals did not have sufficient support to explain and corroborate the reason for the journal. A large number of individuals are able to enter journals onto the system and the majority of the sample of journals we reviewed being self-authorised. Staff entering journals should receive training to understand what constitutes supporting information, and journals should be authorised by someone senior to and independent of the preparer to perform an effective control. We note that the introduction of the new accounting software should address this issue.

Assessment

-  (Red) Significant deficiency – risk of significant misstatement
-  (Amber) Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee and we have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. A number of minor disclosure and presentation adjustments have been made to the financial statements as set out on page 16.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> Review of the Mayor's declarations of interest found a number of organisations with which the Council have had interaction which have not been included within the related parties transactions note. Discussions are on-going as to whether these require inclusion within the Statement of Accounts.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

02. Audit findings

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05. Communication of audit matters

Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted adequate arrangements and characteristics are in place, but not all. Processes could be improved within strategic financial planning, financial governance and financial control. Our detailed findings are set out within our report - Review of the Council's Arrangements for Securing Financial Resilience also presented to Audit Committee.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. We have completed the following work:

- Review of Governance; and
- a follow-up of VFM recommendations raised last year and in previous years.

The findings of this work are set out within our reports also being presented to Audit Committee.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Risk 1 The introduction of an elected Mayor created a fundamental change in the Council's decision-making arrangements and the governance of the organisation. The risk is that following this change effective corporate and financial governance arrangements are not in place.</p>	<p>We undertook a review of the governance arrangements across the Council, since the arrival of the Mayor.</p>	<p>We concluded that the following key matters need to be addressed:</p> <ul style="list-style-type: none"> • Clarify the role and responsibilities of bodies within the decision making structure, and the process of decision making • Publish the strategic priorities of the Council • Strengthen performance and risk management arrangements. <p>Six recommendations have been raised within our Review of Governance report.</p>
<p>Risk 2 Risk that the Council is not financially resilient and does not have an agreed Medium Term Financial Plan which brings together the Council's strategic priorities and the Mayor's election pledges.</p>	<p>We completed a review of the Council's Arrangements for Securing Financial Resilience.</p> <p>Detailed analysis and information is being developed by officers and has been presented to the Senior Leadership Team. This information will form the basis of the published MTFP.</p>	<p>We raised a number of recommendations set out within our report - Review of the Council's Arrangements for Securing Financial Resilience.</p>

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Risk 3 Information is not provided to decision makers in a timely manner.</p>	<p>An analysis of performance and financial information presented in 2012/13.</p>	<p>We concluded that information is often not presented to SLT and members in a timely manner.</p>
<p>Risk 4 The Council does not action recommendations raised by Internal and External Audit in a timely manner.</p>	<p>We completed a detailed follow-up of VfM recommendations raised in previous years.</p>	<p>We concluded that arrangements should be improved and raised a recommendation to this effect.</p>
<p>Risk 5 Limited assurance provided by the Head of Internal Audit opinion for the second consecutive year. This impacts the control environment.</p>	<p>We reviewed the opinion and have taken this into account in our review of financial resilience</p>	<p>We raised a number of recommendations set out within our report - Review of the Council's Arrangements for Securing Financial Resilience.</p>

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	270,513	TBC
Grant certification*	19,000	TBC
Total audit fees	289,513	TBC

* Indicative fee for 2012-13

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	The Council should investigate ways to retain reports sent to HMRC from the payroll system.	Med	Data is retained however is not currently accessible after the report has been sent to the HMRC. This issue has been logged with the software supplier who are currently looking to identify a solution.	Service Manager – HR November 2013
2.	The Council, and in particular corporate finance, should perform a trial run to produce the trial balance and ensure that this can be cross referenced to the statement of accounts to ensure that the issues arising from the current system are not repeated within ABW.	Med	A trial run will take place to test the functionality and reporting capability of ABW with a view to maximising automatic processes and minimising manual intervention in the production of the accounts.	Head of Corporate Finance January 2014
3	The Council should ensure that where knowledge is confined to key individuals processes are in place to ensure these tasks can be carried out by others should they be absent for an extended period of time	Low	Processes to be documented and knowledge base increased as part of the on-going Finance Change Programme to ensure resilience	Head of Corporate Finance March 2014

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
4	Management should consider implementing complex passwords to gain access to the Human Resources module of the Vision application	Low	Agreed. Already actioned. When staff next change their passwords they will need to be at least seven characters and contain both alphabetic and non alphabetic characters with at least two numeric.	Service Manager – HR September 2013
5	To ensure the accountability for the actions of programmers, within the Revenue and Benefits application, the Council should investigate introducing individual accounts for accessing and amending the programming code for Revenues and Benefits.	Low	Agreed, the Council will investigate introducing individual accounts for accessing the programming codes for Revenues and Benefits.	Revenues and Benefits Manager November 2013
6	The draft financial statements should be appropriately reviewed by senior management before being signed so that casting and typing errors are identified and corrected.	Low	Agreed. Quality assurance and review arrangements to be included within the 2013/14 closure of the accounts timetable.	Head of Corporate Finance February 2014
7	We recommend that the Council reviews its policy and practice in relation to journals, to determine whether the staff are able to self-authorise and post journals to the finance system is appropriate and provides adequate control.	Medium	Already in place. With the implementation of ABW and with the exception of staff within Corporate Finance, it is not possible for other staff to self-authorise the journals they have posted. There is a workflow approval process in place resulting in posted journals requiring line management approval.	Head of Corporate Finance April 2013

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL CITY COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Bristol City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Bristol City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Responsibilities of the Chief Financial Officer, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of Bristol City Council as at 31 March 2013 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Bristol City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Bristol City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 19 April 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other (Amber)	Operating expenses understated	No	None (Green)
Cost of services – employee remuneration	Employee remuneration	Other (Amber)	Remuneration expenses not correct	No	None (Green)
Costs of services – Housing & council tax benefit	Welfare expenditure	Other (Amber)	Welfare benefits improperly computed	No	None (Green)
Cost of services – Housing revenue	HRA	Other (Amber)	Housing revenue transactions not recorded	No	None (Green)
Cost of services – other revenues (fees & charges)	Other revenues	None (Green)		No	None (Green)
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None (Green)		No	None (Green)
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None (Green)		No	None (Green)
Precepts and Levies	Council Tax	None (Green)		No	None (Green)

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None (Green)		No	None (Green)
Pension Interest cost	Employee remuneration	None (Green)		No	None (Green)
Interest & investment income	Investments	None (Green)		No	None (Green)
Return on Pension assets	Employee remuneration	None (Green)		No	None (Green)
Dividend income from Joint Venture	Revenue	None (Green)		No	None (Green)
Impairment of investments	Investments	None (Green)		No	None (Green)
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None (Green)		No	None (Green)
Income from council tax	Council Tax	None (Green)		No	None (Green)
NNDR Distribution	NNDR	None (Green)		No	None (Green)
PFI revenue support grant and other Government grants	Grant Income ⁹	None (Green)		No	None (Green)
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None (Green)		No	None (Green)

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None (Green)		No	None (Green)
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None (Green)		No	None (Green)
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None (Green)		No	Testing still underway at date of report (Red)
Property, Plant & Equipment	Property, Plant & Equipment	Other (Amber)	PPE activity not valid	No	None (Green)
Property, Plant & Equipment	Property, Plant & Equipment	Other (Amber)	Revaluation measurements not correct	No	None (Green)
Property, Plant & Equipment	Property, Plant & Equipment	Other (Amber)	PPE are impaired	No	None (Green)
Heritage assets & Investment property	Property, Plant & Equipment	None (Green)		No	None (Green)
Intangible assets	Intangible assets	None (Green)		No	None (Green)
Investments (long & short term)	Investments	None (Green)		No	None (Green)
Debtors (long & short term)	Revenue	None (Green)		No	None (Green)
Assets held for sale	Property, Plant & Equipment	None (Green)		No	None (Green)
Inventories	Inventories	None (Green)		No	None (Green)

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Borrowing (long & short term)	Debt	None (Green)		No	None (Green)
Creditors (long & Short term)	Operating Expenses	Other (Amber)	Creditors understated or not recorded in the correct period	No	None (Green)
Provisions (long & short term)	Provision	None (Green)		No	None (Green)
Pension liability	Employee remuneration	None (Green)		No	None (Green)
Reserves	Equity	None (Green)		No	Testing still underway at date of report (Red)



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Appendix 2

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

24 September 2013

Dear Sirs

Bristol City Council

Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of Bristol City Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been

identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions. The unprocessed adjustments can be found at Appendix A.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we

are aware of and that affects the Council and involves:

- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

- xx We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 24 September 2013.

Signed on behalf of the Board

Name.....

Name.....

Position.....

Position.....

Date.....

Date.....

Appendix A

Unprocessed adjustments to the financial statements

Adjustment Type	£000	Account balance	Impact on financial statements
Misstatement	1,000	Investments	Icelandic Banks – understatement as a result of not following current best estimates within LAAP 82 (updated May 2013)

Letter of representation for delayed certificate for 2011-12

Bristol City Council – Audit for the year ended 31 March 2012

I refer to your email dated 13 September 2013 informing me that you are now in a position to issue the certificate of completion of the audit of the financial statements of Bristol City Council for the year ended 31 March 2012.

This representation letter is provided to confirm that to the best of my knowledge and belief, having made appropriate enquiries of other chief officers of Bristol City Council, the representations in my attached letter dated 28 September 2012 given in connection with the audit of the Council's financial statements for the year ended 31 March 2012 are still extant and there are no issues that I need to bring to your attention. I can reaffirm that I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Signed on behalf of Bristol City Council

Graham Friday Deputy S151 Officer

24 September 2013

I confirm that this letter has been discussed and agreed by the Chair of the Audit Committee on 24 September 2013

Graham Friday Deputy S151 Officer

24 September 2013

Delayed Audit certificate for 2011-12

AUDIT CERTIFICATE – BRISTOL CITY COUNCIL

Issue of audit opinion on the accounting statements

In the Appointed Auditor's audit report for the year ended 31 March 2012 issued on 28 September 2012 the auditor reported that, in his opinion, the financial statements:

- gave a true and fair view of the financial position of Bristol City Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Issue of value for money conclusion

In the Appointed Auditor's audit report for the year ended 31 March 2012 issued on 28 September 2012, he reported that in his opinion, in all significant respects, Bristol City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

In the Appointed Auditor's report dated 28 September 2012, he explained that the audit could not be formally concluded on that date until he had completed the work necessary to issue his assurance statement in respect of the authority's Whole of Government Accounts consolidation pack.

In addition the auditor was asked to consider a matter brought to his attention by a local authority elector. The work on the Whole of Government Accounts consolidation pack has been completed and the matter brought to the auditor's attention has now been dealt with. No other matters have come to our attention since that date that would have a material impact on the financial statements on which the auditor gave an unqualified opinion and value for money conclusion.

As the Appointed Auditor, we certify that we have completed the audit of the accounts of Bristol City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Golding

Appointed Auditor,

for and on behalf of Grant Thornton UK LLP

55-61 Hartwell House

Bristol

BS1 6FT