

# The Annual Audit Letter for Bath and North East Somerset Council

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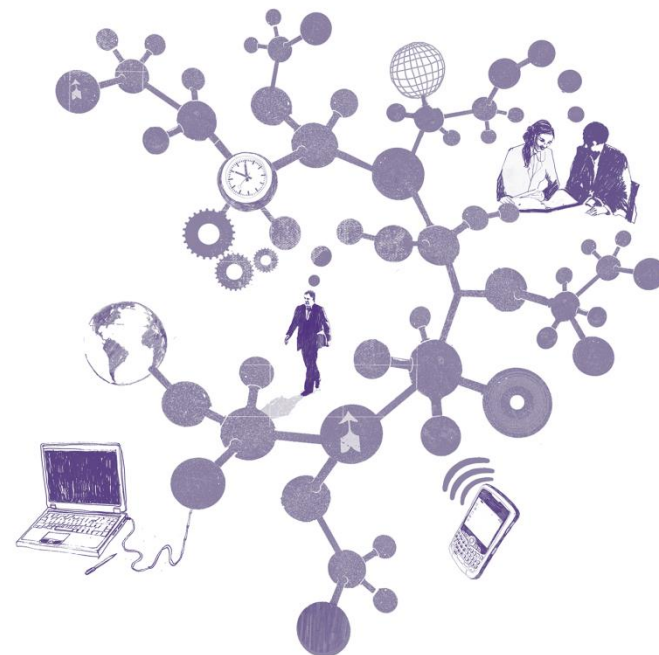
**Year ended 31 March 2015**

22 October 2015

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Bath and North East Somerset Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 13 March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

<b>Financial statements audit (including audit opinion)</b>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 28 September 2015 to the Corporate Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"><li>• We did not identify any adjustments affecting the Council's reported financial position. However, we identified a number of adjustments in respect of the valuation of property, plant and equipment (PPE) assets and also a number of adjustments to improve the presentation of the financial statements.</li><li>• The Council needs to improve its arrangements for ensuring that the value of PPE is fairly stated. We have met with the finance and property teams to discuss how the arrangements for 2015/16 and beyond can be improved.</li></ul> <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 28 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2014/15 on 28 September 2015.</p> <p>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 2015.</p>

## Key messages continued

<b>Pension Fund Financial statements audit (including audit opinion)</b>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 28 September 2015 to the Corporate Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"><li>• There was one amendment made to the accounts relating to the treatment of overpayments made by Bristol City Council. The adjustment was immaterial;</li><li>• There were some minor presentational and disclosure errors identified; and</li><li>• We noted two issues arising from the fact that the pension fund is not separated in the Council's ledgers. This makes identification of journals related to the fund and separating cash book transactions a more complicated process.</li></ul> <p>We issued an unqualified opinion on the Fund's 2014/15 financial statements on 28 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirmed that the financial statements give a true and fair view of the Fund's financial position. In addition we provided the consistency opinion on the pension fund annual report on 28 September.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<b>Certification of housing benefit grant claim</b>	<p>Our work on the certification of the Council's 2014/15 housing benefit grant is in progress. The deadline for the completion of this work is 30 November 2015.</p>
<b>Audit fee</b>	<p>Our fee for 2014/15, excluding certification of the housing benefit grant claim, was £165,109, excluding VAT, which was in line with our planned fee for the year. Further detail is included within Appendix B.</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>Other than the fixed asset register, there isn't a full listing of infrastructure assets. This will need to be addressed before the year end so that the Council can undertake the required valuations and establish the opening balance sheet position.</p> <p>A full listing of infrastructure assets should be developed.</p>	High	<p>A project is underway in preparation for the new treatment of transport infrastructure required by 2016/17 Accounting Code. This will incorporate the inventory of assets currently maintained by the Highways Department. Disclosures for the new standard are needed for 2015/16 financial statements.</p> <p>June 2016 Corporate Finance Manager</p>
2.	<p>In undertaking our testing of operating expenses we identified that the employment of a contractor working as part of the Young Persons Safeguarding Team did not follow the Council's procedures for such employment. Employment checks were not undertaken and the appointment was not referred to the procurement team. The individual has since found employment with the Council.</p> <p>Staff should be reminded of the proper processes to follow, especially in relation to sensitive posts.</p>	High	<p>Staff will be reminded of the proper processes that need to be followed.</p> <p>October 2015 Head of Human Resources</p>
3.	<p>The valuer's report was not provided until 31 July 2015, a month after the draft accounts were produced and the audit started. Timely delivery of this report will be even more important in the future as the deadline for the draft accounts is to be brought forward to 31 May 2015.</p> <p>The valuer's report should be provided in advance of preparation of the draft accounts.</p>	High	<p>We understand the need for this evidence to be formalised before the draft accounts are produced. No changes to underlying valuations were made in 2014/15 after the draft statement of accounts.</p> <p>May 2016 Head of Property Service</p>

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This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
4.	<p>The total value of assets in the fixed asset register did not agree to the values in the property register. The difference was primarily due to capital expenditure incurred during the year, but the two registers were not fully and clearly reconciled.</p> <p>The two documents should be fully reconciled at gross book value level.</p>	High	<p>There is only one fixed asset register supporting the Statement of Accounts. The Gross Book Value (GBV) reflects all capital movements including new valuations undertaken along with in-year expenditure, transfers and disposals.</p> <p>There will always be a timing difference between valuations carried out at a fixed date of 1st April, new capital spend in year and valuer's re-examining spend as complete and enhancing. This is particularly the case within a five year valuation programme. All this information is available at an individual asset level, but we will continue to develop our summary reporting to enhance the link between GBV and Valuations.</p> <p>June 2016</p> <p>Corporate Finance Manager</p>
5.	<p>A number of journals were input without an adequate description of the transaction. Furthermore, for two journals, sufficient supporting documentation was not provided at the time of input.</p> <p>All journals should contain adequate narrative and supporting documentation.</p>	Medium	<p>Finance Staff will be reminded of the requirement for adequate narrative and supporting documentation.</p> <p>Sept 2015</p> <p>Corporate Finance Manager</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Trust audit	165,109	165,109
Housing benefit grant certification fee	18,340	To be confirmed
<b>Total audit fees</b>	<b>183,449</b>	<b>To be confirmed</b>

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
• Certification of teachers' pension return	4,200
• Report on Regional Growth Fund returns	9,150
<b>Non-audit related services</b>	Nil

## Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015
Certification Report	December 2015 (expected)



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