

## INDEPENDENT AUDITOR'S REPORT AND ISSUE OF CERTIFICATE TO THE MEMBERS OF BRISTOL CITY COUNCIL FOR THE YEAR ENDED 31 MARCH 2016

### Issue of auditor's opinion on the financial statements

In our audit report for the year ended 31 March 2016 issued on 30 September 2016 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Bristol City Council as at 31 March 2016 and of its expenditure and income for the year then ended;
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Since issuing that audit report we have issued our audit report on the Council's financial statements for the year ended 31 March 2017. As part of our audit of those financial statements, misstatements were identified in the previous valuation of the Council's dwellings. As a result, in the 2015/16 Statement of Accounts the valuation at 31 March 2016 in relation to Council dwellings was understated by £231.1 million and gross expenditure on the Housing revenue Account was overstated by the same amount, with the impact of the correction changing the gross expenditure value to net income (as shown below). These errors were addressed by way of a prior period adjustment made in the final audited 2016/17 Statement of Accounts.

In addition, as part of our audit of the Council and Group's financial statements for the year ended 31 March 2018, which is ongoing as at the date of this certificate, misstatements were identified in the previous valuation of Heritage Assets. As a result, in the 2015/16 Statement of Accounts the balance as at 31 March 2016 was understated by £98.4m. The errors relating to Heritage Assets were addressed by way of a prior period adjustment made in the 2017/18 Statement of Accounts which had no impact on the Comprehensive Income and Expenditure Statement in 2015/16.

If we had been aware of these misstatements at the time of the issue of our audit report on the 2015/16 financial statements and the necessary corrections had not been made, we would not have been able to issue an unqualified opinion on the financial statements.

The following tables explain the material differences between the amounts originally presented in the 2015/16 Statement of Accounts and the related amounts presented in the 2016/17 Statement of Accounts and 2017/18 Statement of Accounts.

| 2015/16 Comprehensive Income and Expenditure Statement | 2015/16 Accounts<br>£'000 | Adjustments made<br>£'000 | Corrected balance<br>£'000 |
|--|---------------------------|---------------------------|----------------------------|
| Housing Revenue Account (Gross expenditure)            | 80,449                    | (231,069)                 | (150,620)                  |

| Balance Sheet at 31 March 2016 | 2015/16 Accounts<br>£'000 | Adjustments Made<br>£'000 | Corrected balance<br>£'000 |
|--------------------------------|---------------------------|---------------------------|----------------------------|
| Council Dwellings              | 893,392                   | 231,069                   | 1,124,461                  |
| Heritage Assets                | 100,458                   | 98,393                    | 198,851                    |
| Unusable Reserves              | (659,582)                 | (329,462)                 | (989,044)                  |

| 2015/16 Movement in Reserves                   | 2015/16<br>Accounts<br>£'000 | Adjustments<br>made<br>£'000 | Corrected<br>balance<br>£'000 |
|--|------------------------------|------------------------------|-------------------------------|
| Balance brought forward at 1 April 2015        | 737,468                      | 98,393                       | 835,861                       |
| Surplus/(deficit) on the provision of services | 36,221                       | 231,069                      | 267,290                       |
| Other comprehensive income                     | 130,081                      | -                            | 130,081                       |
| Total Comprehensive Expenditure and Income     | 166,302                      | 231,069                      | 397,371                       |
| Total Council Reserves                         | 903,770                      | 329,462                      | 1,233,232                     |

### Issue of value for money conclusion

In our auditor's report for the year ended 31 March 2016 issued on 30 September 2016 we reported that we were satisfied that, in all significant respects, Bristol City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Subsequent to the issue of our conclusion on the Council's arrangements, in October 2016 the Council commissioned an independent review to examine various aspects of the Council's financial control arrangements in connection with a 2016/17 forecast budget deficit. A report to the Council (the independent review report) was issued on 9 February 2017 and identified weaknesses in the arrangements for ensuring informed decision making across the Council. Some of the matters raised in the report related to arrangements in place during the 2015/16 financial year.

In addition, although a balanced budget was set for 2016/17, it subsequently became evident that there were flaws in the budget setting process and six months into 2016/17, it became evident that the Council was forecasting a significant deficit for 2016/17. One of the key reasons for this related to budget savings implied by the Council's budget not being supported by a robust plan to achieve the level of savings required. The deficit for 2016/17, which ultimately amounted to £10.5 million, was largely attributed to the non-delivery of the savings plan which was commenced in 2015/16 but which failed to deliver the reduction in the Council's underlying expenditure as planned.

Had we been aware of the issues relating to both sustainable finances and informed decision making outlined by the independent review report at the time of the issue of our auditor's report for the year ended 31 March 2016, we would not have been able to conclude we were satisfied that, in all significant respects, Bristol City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

## Certificate

In our report dated 30 September 2016, we explained that the audit could not be formally concluded for two reasons. Firstly we needed to complete the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. Secondly we needed to complete the work necessary to conclude on an objection received from a local government elector relating to the Council's use of Lender Option Borrower Option (LOBO) borrowing. These matters have now been concluded and had no impact on the opinion on the Statement of Accounts or the VFM conclusion.

The misstatements referred to above in the Council's financial statements for the year ended 31 March 2016 have been addressed by way of prior period adjustments in the financial statements for the years ended 31 March 2017 and 31 March 2018 respectively.

The issue of the independent review report in connection with the Review of 2016/17 Forecast Budget Deficit and the implications for our work on the Council's use of resources was considered during our 2016/17 audit work in connection with the Council's use of resources.

We certify that we have completed the audit of the financial statements for the year ended 31 March 2016 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office in April 2015.



**David Eagles**

For and on behalf of BDO LLP, Appointed Auditor  
Ipswich, UK  
1 May 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).