

Audit Completion Report

City of Bradford Metropolitan District
Council – Year ended 31 March 2023

March 2024



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Governance and Audit Committee
City of Bradford Metropolitan Council
City Hall
Bradford
BD1 1UH

March 2024

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986776.

Yours faithfully

Signed: {{_es_:signer1:signature }}

Alastair Newall

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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of property, plant and equipment and investment properties; and
- Valuation of the net defined benefit asset/liability.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £2,022k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

Although our work is not yet complete, based on the work carried out to date we anticipate reporting that significant weaknesses from previous years are still extant for 2022/23. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We anticipate submitting the required assurance statement to the NAO in line with their group audit instructions. The group audit instructions outline that the NAO may require auditors to carry out further work on the Council's WGA submission and until we have confirmation of this we will be unable to issue our audit certificate completing the audit.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council's and to consider any objection made to the accounts. No questions or objections have been received.







02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Related party transactions		We are finalising our work in respect of related party transactions and awaiting sight of updates made to the disclosure note as a result of the findings from our work.
Expenditure – payroll reconciliation		We are working with officers to understand how assurance is gained over the reconciliation of payroll to the general ledger
Property, Plant and Equipment Valuations		We are waiting for responses from the valuer in relation to our sample testing of valuations. We are waiting for responses from management and the valuer in respect of our challenge as to whether the value of assets not subject to revaluation in year are materially fairly stated. We are finalising our work on the valuation of an asset that have been valued by an external valuer.
Property, plant and equipment – RAAC		We are waiting for a list of properties inspected for RAAC so that we can determine what further testing is required.
Long term investments		Our work remains in progress in respect of the value of the Regional Investment Fund reported in the financial statements.
Minimum Revenue Provision		We are finalising our work in respect of the minimum revenue provision calculations for 2022-23.



Likely to result in material adjustment or significant change to disclosures within the financial statements.








Potential to result in material adjustment or significant change to disclosures within the financial statements.





Not considered likely to result in material adjustment or change to disclosures within the financial statements.

2. Status of the audit

Audit area	Status	Description of the outstanding matters
Note 22 Expenditure Funding Analysis and Nature of Expenditure		We are waiting for a response from management in relation to a potential adjustment required to this disclosure note.
IT controls work		We are finalising our work in respect of IT controls.
Final financial statements and Annual Governance Statement		We are awaiting the final set of financial statements and Annual Governance Statement for our review.
Letter of representation		Receipt of the signed letter of representation
Audit review and quality control procedures		Completion of Manager and Responsible Individual review and Mazars quality control processes in respect of the audit.
Post balance sheet events		Review of post balance sheet events up to the point at which we sign our audit report.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy.

Materiality

Our provisional materiality at the planning stage of the audit was set at £25.7m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £29.4m using the same benchmark.

Use of experts

We have made one change in our planned use of experts, this being in relation to property, plant and equipment valuations where we have consulted with our internal valuer in relation to the valuation of one asset.

Item of account	Management's expert	Our expert
Defined benefit pension asset/liability	AON Hewitt	PwC, consulting actuary, on behalf of National Audit Office.
Property, plant and equipment and Investment Property valuation	Council's valuer	The Audit Team to review the valuation methodology applied by the Council's valuer. We have consulted with our internal valuation team in respect of the valuation of one asset.
Infrastructure Assets	Council's Highway Engineer	The Audit Team to review the methodology applied by the Council's Engineer to determine useful economic lives of infrastructure assets.

Item of account	Management's expert	Our expert
Heritage Assets	Christies	The Audit Team to review the valuation methodology applied by the valuer.
Financial instrument disclosures	Link Asset Services	The audit team will review Link Asset Services' methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially accurate.

Service organisations

We have not changed the planned approach in relation to service organisations.

Items of account	Service organisation	Audit approach
School's payroll	Data-plan and Working for Schools. These are the two material providers.	Sufficient appropriate audit evidence is held at schools for us to substantively test schools' external payroll without contacting the service organisations.

04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page [X] we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit.

Management override of controls	Description of the risk
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>
	<p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	<hr/> <p>How we addressed this risk</p>
	<p>We addressed this risk through performing audit work over:</p>
	<ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<hr/> <p>Audit conclusion</p>
	<p>Our work on the Council's accounting estimates, as set out in section 2, is still to be completed. Based on the work completed to date we do not have any matters to report in respect of management override of controls.</p> <hr/>

4. Significant findings

Net defined benefit pension asset/liability valuation

Description of the risk

The net defined pension asset represents a material element of the Council balance sheet. The Council administers the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the Council net pension asset/ liability in 2022/23.

The Council has accounted for a net Pension Asset in 2022/23. The pension asset is a complex calculation which incorporates a number of accounting standards including IAS19 and IFRIC 14, as well as a requirement to calculate a pension asset ceiling. This is the first time this accounting will have been undertaken.

How we addressed this risk

We addressed the risk by:

- Critically assessing the competency, objectivity and independence of the West Yorkshire Pension Fund's Actuary;
- Liaising with the auditors of the West Yorkshire Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets;
- Obtained assurance from the West Yorkshire Pension Fund auditor in relation to the data used for the triennial valuation.
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

As a result of our work an amendment has been made to the financial statements. The pension asset in respect of the funded LGPS had been disclosed separately to the unfunded net liability position in relation to unfunded schemes on the face of the balance sheet. The balance disclosed in the balance sheet has been updated to reflect the overall net liability position. Please refer to section 6 of this report for full details of the adjustment made.

We have no other matters to bring to your attention.

4. Significant findings

Valuation of property, plant and equipment and investment properties

Description of the risk

Council dwellings, infrastructure assets, other land and buildings were the Council's highest value assets totalling £809.8 million (£826.0 million in 2020/21).

The balance sheet also included investment properties totalling £51.9 million (£46.1 million in 2020/21).

Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.

Management engages its own Valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings due to the significant judgements and number of variables involved.

How we addressed this risk

We evaluated the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings and investment properties.

We:

- assessed the scope and terms of engagement with the Valuer;
- assessed the competence, skills and objectivity of the Valuer;
- tested the accuracy of the data used in valuations;
- challenged the Council and Valuer's assumptions and judgements applied in the valuations;
- reviewed valuation methodology used, including the appropriateness of the valuation basis; and
- considered the reasonableness of the

Audit conclusion

Our work on the valuation of property, plant and equipment and investment properties, as set out in section 2, remains in progress. As a result of the work completed to date we have identified an unadjusted misstatement of £1,005k arising from the omission of the external works element on a depreciated replacement cost valuation. The full details of this misstatement are set out in section 6 to this report.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 12 September 2023. Some land and building valuations were not available from the valuer in sufficient time to publish the draft accounts to the Council's planned timetable. Further delays in those reports being available led to the Council publishing the draft accounts in September excluding those valuations, on the basis that they were cumulatively immaterial.

Significant matters discussed with management

There have been no significant matters discussed with management over and above those highlighted in other areas of this report.

During the year, we maintained a regular dialogue with management.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Our audit has progressed well, and the finance team have assisted our audit progress. Although there were some delays in receiving some working papers, and there are some matters to be received to complete the audit, the quality of the working papers and supporting evidence has been good.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

No significant findings or recommendations in relation to internal controls have been noted as at the date of this memorandum.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Our review of the asset register identified that there were several assets included in the asset with a nil net book value.

Potential effects

The Gross Cost and Gross Depreciation is misstated for assets that have been disposed of or are included in another asset. When identifying assets for valuation purposes there is also a risk of assets not being identified that require a valuation due to the volume of assets on the asset register.

Recommendation

The Council should undertake a cleansing exercise to remove assets that are no longer held or that have been replaced with a new reference, from the asset register.

Management response

This was mainly related to those schools buildings which have been demolished during the year, the land is still owned by the Council. We will review and update in the 2023-24 year end accordingly.

Description of deficiency

Heritage assets have not been subjected to a large scale formal valuation since 2012-13. In the intervening years assets have been considered for revaluation, based on whether there is any knowledge of conditions or sales of similar assets indicating a movement in value. This has resulted in many of the Council's heritage assets not having been formally valued since the last full valuation which for insurance valuation purposes poses a risk.

Potential effects

There is a risk that heritage assets are insured for an incorrect value.

Recommendation

The Council should ensure that its Heritage assets are revalued for insurance purposes sufficiently frequently to ensure those valuations are accurate.

Management response

The Council is currently undertaking the revaluation of the assets in the museum collection. Insurance value of those assets differs from the account value because the insurance team and museum team undertake an annual review separate from the Statement of Accounts asset valuation programme.

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

There have been a number of significant errors identified during the course of the audit in relation to the valuation of council dwellings, land, buildings and investment properties. Errors have also been identified and reported in previous years.

Potential effects

Asset values are materially mis-stated.

Recommendation

The Council should review its processes and controls over its valuations to ensure the correct methodology is being applied.

2022/23 update

Our work in respect of PP&E valuations remains ongoing however the work completed thus far has not identified similar instances of error.

Description of deficiency

The Council valuer does not provide a valuation report in line with RICS professional standards.

Potential effects

RICS professional standards are not complied with

Recommendation

A valuation report is provided by the valuer to accompany the valuations

2022/23 update

This recommendation has not been addressed in 2022/23. A valuation report was again not provided.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £881k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cost of services income Cr: Debtors Being an extrapolated error arising from our testing of debtors. We identified a debtor accrual that had been raised in relation to 2023/24 income received in 2023/24, which therefore was not a debtor at 31 March 2023. The value of the error identified was £13k and the extrapolated error over the untested population was £992k.	1,023			1,023
2	Dr: Creditors Cr: Debtors Being an extrapolated error arising from our testing of debtors. We identified a payment in advance accrual which had been raised in relation the 2023-24 theatre income received in 2022-23 however this income and its related VAT had been included in the February and March 2023 VAT claims and therefore were double counted in debtors. The actual error identified was £551k and the total extrapolated and actual error was £999k.			999	999
3	Dr: Property, plant and equipment Cr: Revaluation reserve Being the extrapolated error arising from testing on assets valued on a depreciated replacement cost basis where the external works relating to the asset had been excluded from the valuation. The actual error identified was a £239k understatement which when considered over the remaining untested population gave a projected error of £767k.			1,005	1,005
Total unadjusted misstatements		1,023		999	2,022

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension Liabilities			62,896	
	Cr: Long term investments – Net Pension Asset				62,896
	Being the recognition of the pension asset on the funded LGPS within the net pension liability				
Total adjusted misstatements				62,896	62,896

6. Summary of misstatements

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- Note 11 Capital Commitments – the value of capital commitments has been increased by £32m to reflect commitments relating to One City Park which had not been included in the disclosure in the draft accounts.
- Note 28 2022-23 Senior Officers' remuneration (annual salary is less than £150,000) – the disclosure has been updated to include the Director of West Yorkshire Pension Fund, the Managing Director of West Yorkshire Pension Fund and the Chief Investment Officer of West Yorkshire Pension Fund.
- Notes to the Collection Fund – Note 2, 3,4 and 5 of the Collection Fund have been subject to adjustments.

In addition to those adjustments detailed above, we identified a small number of minor presentational issues during the audit of the financial statements, these have been amended by management.

We identified the following adjustments during our audit that have not been corrected by management:

Note 9 Property, plant and equipment – within the other land and buildings balance there are assets with a nil net book value but with a gross cost value and accumulated depreciation value of £14.7m. These assets are no longer held by the Council or have been replaced by another asset. The inclusion of these assets results in both the gross cost value and accumulated depreciation values to be overstated by £14.7m. The Council have agreed to reconsider this treatment in 2023/24.

07

Section 07:

Value for Money arrangements

7. Value for Money arrangements

Approach to Value for Money

We are required to consider whether the Council's has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council's plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council's ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council's uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council's has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within 3 months of the date of the signed audit opinion.

Status of our work


We are yet to fully complete our work in respect of the Council's arrangements for the year ended 31 March 2023. Although our work in this area of the audit is ongoing, at the time of preparing this report, we anticipate reporting that significant weaknesses from previous years, which are due to be reported in the 2021/22 Auditor's Annual Report are still extant in 2022/23.

We provide further details on the identified risks of significant weaknesses identified in previous years, and our planned procedures in relation to those risks later in this section of our report. Our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

7. Value for Money arrangements

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks and information on further risks that we identified after presenting our Audit Strategy Memorandum, is outlined in the table below.

Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and conclusions reached
<p>1 Financial Sustainability</p> <p>There is a risk that the Council's financial plans are unsustainable given the reliance on reserves to fund budget pressures in 2022/23 and to balance the budget in 2023/24 and future years.</p>				<p>Work undertaken</p> <p>We have not yet completed our planned procedures in relation to this risk. To address this risk we will review the Council's financial position and the plans it has in place to ensure financial sustainability in the short and longer term. In doing so, we will:</p> <ul style="list-style-type: none"> • review the reasonableness of the assumptions within the Medium Term Financial Plan; • review the process for the annual budget setting; • review progress in developing savings plans and consider track records in delivering savings.

7. Value for Money arrangements

Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and conclusions reached
<p>2 Progress in addressing weaknesses identified by Ofsted’s 2018 inspection of Children’s Services</p> <p>In 2018 Ofsted assessed children’s services as ‘Inadequate’. In response to Ofsted’s recommendations, the Council developed an action plan to address the issues highlighted by Ofsted.</p> <p>Since the 2018 visit, Ofsted has made several follow-up monitoring visits, and issued Monitoring Letters, summarising their views on progress to-date. In December 2020 Ofsted undertook a focused visit, (reported in February 2021) and shortly after completed a further monitoring visit in April 2021 (reported in June 2021). Ofsted’s Monitoring Letters, issued after these visits, highlighted that whilst the Council had made improvements, concerns remained about the pace of improvement since they issued their 2018 inspection report. In particular, Ofsted recommended that the Council needed to improve in the following key areas:</p> <ul style="list-style-type: none"> • workforce challenges, including oversight and workforce instability; • poor working practices, including high caseloads and ineffective planning; and • effectiveness of corporate parenting. <p>In our view, Ofsted’s concerns around the Council’s progress in addressing the identified weaknesses in children’s services represent a significant weakness in arrangements in relation to Governance and how the Council implements or achieves progress on recommendations raised as a result of previous recommendations from Ofsted.</p> <p>The Council recognises that the ongoing failure to fully address the weaknesses identified in the 2018 Ofsted report and subsequent Monitoring Letters adversely impacts upon the quality of services provided to service users and may lead to further action by regulators.</p>		●		<p>Work undertaken</p> <p>We are awaiting the outcome of our work in respect of 2021/22 to determine the work required in relation to 2022/23, however our planned procedures are likely to include:</p> <ul style="list-style-type: none"> • Reviewing action plans put in place to address the weaknesses identified by Ofsted and the Children’s Services Commissioner; • Considering progress made by the Council to date in addressing the weaknesses identified, including the establishment of the Children’s Trust; and • If available, consider updates provided directly from Ofsted and/or the Children’s Services Commissioner.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Alastair Newall
Mazars LLP
One St Peter's Square
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M2 3DE
Dear Alastair

City of Bradford Metropolitan District Council - Audit for Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of City of Bradford Metropolitan District Council (the 'Council') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Interim Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Appendix A: Draft management representation letter

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Interim Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2022/23 in relation to the Council's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Reinforced Autoclaved Aerated Concrete (RAAC)

I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council, and in particular whether there are indications of a need for an impairment of the Council's property, plant and equipment or investment property balances. I confirm there are no such indications of impairment in those assets.

Other matters

- I confirm that I have assessed the impact of the COVID-19 virus pandemic on the Trust and the financial statements, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.
- I confirm that I have assessed the potential impact of Russian Forces entering Ukraine on the Trust, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.
- I confirm that I have assessed the impact on the Trust, of the on-going Global Banking challenges, whether there is any impact on the company's ability to continue as a going concern, and on the post balance sheet events disclosures. I confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.
- I confirm that the Council does not have any outstanding equal pay claims.

Appendix A: Draft management representation letter

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of unadjusted misstatements is attached to this letter as an appendix.

Yours faithfully

Interim Director of Finance

Appendix – Unadjusted misstatements		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cost of services income 1,023 Cr: Debtors 1,023 Being an extrapolated error arising from our testing of debtors. We identified a debtor accrual that had been raised in relation to 2023/24 income received in 2023/24, which therefore was not a debtor at 31 March 2023. The value of the error identified was £13k and the extrapolated error over the untested population was £992k.	1,023			1,023
2	Dr: Creditors Cr: Debtors 999 Being an extrapolated error arising from our testing of debtors. We identified a payment in advance accrual which had been raised in relation the 2023-24 theatre income received in 2022-23 however this income and its related VAT had been included in the February and March 2023 VAT claims and therefore were double counted in debtors. The actual error identified was £551k and the total extrapolated and actual error was £999k.		999		999
3	Dr: Property, plant and equipment 1,005 Cr: Revaluation reserve 1,005 Being the extrapolated error arising from testing on assets valued on a depreciated replacement cost basis where the external works relating to the asset had been excluded from the valuation. The actual error identified was a £239k understatement which when considered over the remaining untested population gave a projected error of £767k.	1,005			1,005
Total unadjusted misstatements		1,023	999		2,022

Appendix B: Draft audit report

Independent auditor's report to the members of City of Bradford Metropolitan District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council ("the Council") for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2023 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 2022/23 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Interim Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Interim Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Interim Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Interim Director of Finance for the financial statements

As explained more fully in the Statement of Responsibilities, the Interim Director of Finance 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 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Interim Director of Finance is also responsible for such internal control as the Interim Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Interim Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Interim Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Appendix B: Draft audit report

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Governance and Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

We evaluated the Interim Director of Finance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing, performing procedures on accounting estimates impacting amounts included in the financial statements and consideration of identified significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Interim Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

The Council 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.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made 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 Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Appendix B: Draft audit report

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

Alastair Newall Key Audit Partner

For and on behalf of Mazars LLP





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Appendix C: Independence



As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>Our work is not yet complete in this area. Any significant findings will be communicated in our follow up letter to this Audit Completion Report and the completion of the audit.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the Interim Director of Finance that City of Bradford Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
 <p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 <p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Governance and Audit Committee, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Alastair Newall, Director and Engagement Lead

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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