

# Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 25 July 2014.

---

Subject:

J

External audit progress report for the 2013/14 audits of City of Bradford Metropolitan District Council and West Yorkshire Pension Fund

## Summary statement:

The report updates the Governance and Audit Committee on progress with the 2013/14 audits and highlights key emerging national issues which may be of interest to the Committee.

---

Mark Kirkham  
Director  
Mazars LLP

Report Contact: Steve Appleton  
Phone: (01274) 431995  
E-mail: [steve.appleton@mazars.co.uk](mailto:steve.appleton@mazars.co.uk)



Suzan Hemingway, City Solicitor

## **1. SUMMARY**

We have started the final accounts audits for the 2013/14 audits of City of Bradford MDC and West Yorkshire Pension Fund.

We will present our Audit Completion Reports for both audits at the next Governance and Audit Committee on 19 September. This will set out the key findings of our audit work for the opinion on the financial statements and for the Council our proposed value for money conclusion.

We also set out the arrangements for certification of grants and returns within the Audit Commission regime for 2013/14.

We have also highlighted three matters which may be of governance interest.

## **2. BACKGROUND**

Not applicable.

## **3. OTHER CONSIDERATIONS**

None.

## **4. OPTIONS**

Not applicable.

## **5. FINANCIAL & RESOURCE APPRAISAL**

Not applicable.

## **6. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None.

## **7. LEGAL APPRAISAL**

Not applicable.

## **8. OTHER IMPLICATIONS**

### **8.1 EQUALITY & DIVERSITY**

Not applicable.

### **8.2 SUSTAINABILITY IMPLICATIONS**

Not applicable.

### **8.3 GREENHOUSE GAS EMISSIONS IMPACTS**

Not applicable.

### **8.4 COMMUNITY SAFETY IMPLICATIONS**

Not applicable.

### **8.5 HUMAN RIGHTS ACT**

Not applicable.

### **8.6 TRADE UNION**

Not applicable.

### **8.7 WARD IMPLICATIONS**

Not applicable.

## **9. NOT FOR PUBLICATION DOCUMENTS**

None.

## **10. RECOMMENDATION**

That the Governance and Audit Committee considers:

- the external audit progress report; and
- the arrangements for certification of grants and returns for 2013/14

## **11. APPENDICES**

External audit progress report

## **12. BACKGROUND DOCUMENTS**

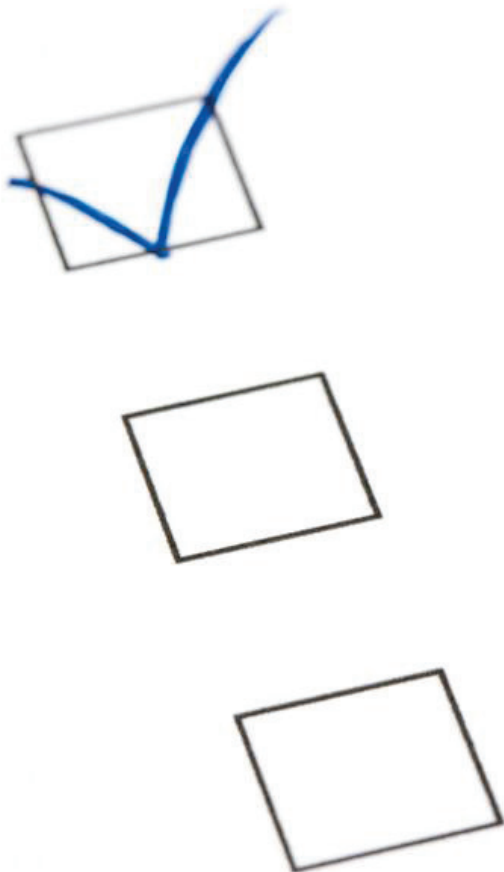
None.

# City of Bradford Metropolitan District Council



## External Audit Progress Report

25 July 2014



# Contents

- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Certification of grants and returns  
2013/14
- 04 Emerging issues and developments
- 05 Contact details

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299.

# 01



## Purpose of this paper

This paper updates the Governance and Audit Committee on progress in meeting my responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact Mark Kirkham or Steve Appleton using the contact details at the end of this update.

Finally, please note the website address [www.mazars.co.uk](http://www.mazars.co.uk)

which sets out the range of work Mazars carries out across the UK public sector. It also details the services provided within the UK and abroad.

# 02

## Summary of audit progress



We have completed our interim work and reported our findings to the Committee at its meeting on 20 June.

We received the financial statements from the Director of Finance by the due date of 30 June 2014 and started our final accounts audit programme on 7 July.

We will report our findings including the proposed audit opinion in our Audit Completion Report to the Committee at the meeting planned for 19 September.

# 03

## Certification of grants and returns 2013/14



### **Certification work plan for the 2013/14 financial year**

As your appointed auditor, Mazars LLP acts as an agent of the Audit Commission in carrying out certification work on a variety of claims and returns.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

In addition to certification work carried out as agents of the Audit Commission, we may also be engaged directly by the Council to carry out certification work. Where this is the case we will agree separate engagement terms for each claim or return.



# **Audits of City of Bradford Metropolitan District Council for the year end 31 March 2014**

## **Audit Commission certification arrangements**

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return being certified. As such the level of work we are required to complete for a claim or return is dependent on the value of that claim and the quality of the control environment relevant to the compilation of the claim within the Council.

The only exception to these arrangements is in respect of certification of the Housing Benefit return. In this instance the Audit Commission specified the work to be carried out regardless of the value of the return or the control environment.

We certify each claim and return by issuing a certificate which states whether the claim or return has been issued:

- without qualification;
- without qualification following an agreed amendment made by the Council; or
- with a qualification letter.

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

# Audits of City of Bradford Metropolitan District Council for the year end 31 March 2014

## The Council's responsibilities

The Council's responsibilities in respect of claims and returns within the Audit Commission regime are set out within the Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns. A copy of this is available from the Audit Commission website or by request from any member of your engagement team.

## Planned certification work for 2013/14 and associated fees

The table below sets out the claims and returns that we expect to certify under the Audit Commission's regime for 2013/14.

Claim or return	Certification deadline	Scale fee as set by the Audit Commission
Housing benefits subsidy (BEN01)	30 November 2014	£22,027 plus VAT

Certification of returns relating to national non-domestic rates and teachers' pension contributions are no longer required under the Audit Commission's regime.

If you have any questions in relation to our certification work for 2013/14 or any other aspect of our work as your appointed auditor, please do not hesitate to contact me or your engagement manager, Steve Appleton.

# 04



## Emerging issues and developments

The following pages outline for your attention some significant emerging issues and developments in respect of:

- Proposed closure of the Audit Commission and transfer of its functions;
- Confirmation of 2014/15 work programme and scale of fees; and
- Audit fee rebates and future reductions.

# Emerging issues and developments

Issue / development	Implications
<p><b>Proposed closure of the Audit Commission and the transfer of its functions</b></p> <p>Over recent months, the arrangements for the closure of the Audit Commission and transitional arrangements for the transfer of its functions have been clarified.</p> <p>The Audit Commission is expected to close at the end of March 2015.</p> <p>Transitional arrangements are needed to oversee the remaining life of audit contracts that have been let by the Commission. These contracts run to the end of the 2016/17 audit year, but there is an option to extend them by 3 years to the 2019/20 audit year.</p> <p>These functions are to transfer to an independent, private company established by the Local Government Association (LGA). The functions will include appointing auditors, regulating the work auditors do, setting the annual scale of audit fees and ensuring the quality of auditors work.</p> <p>It is envisaged that at the end of these contracts, authorities will be free to appoint their own auditors and other regulatory arrangements will be put in place.</p> <p>The Commission's counter fraud functions, including its annual survey on fraud, fraud briefings and annual report on detected fraud, are to be transferred to CIPFA, who are to establish a new public sector counter fraud centre.</p> <p>This is separate from the Commission's work on the National Fraud Initiative (NFI), which uses data matching to help public sector bodies to identify and address fraud. The NFI services are due to transfer to the Cabinet Office when the Commission closes.</p>	<p>These measures are designed to achieve a smooth transfer of functions when the Audit Commission closes, so that there is no adverse impact on authorities.</p> <p>More information on the transfer can be found at: <a href="http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/">http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/</a></p> <p>More information on the transfer of counter fraud work can be found at: <a href="http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/">http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/</a></p>

# Emerging issues and developments

Issue / development	Implications
<p><b>Confirmation of 2014/15 work programme and scale of fees</b></p> <p>The Audit Commission has now confirmed the 2014/15 work programme and scale of fees, following a consultation exercise.</p> <p>City of Bradford MDC's audit fee for the 2014/15 audit is confirmed as £245,619 plus VAT. This is the same fee as 2012/13 and 2013/14.</p> <p>The fee for West Yorkshire Pension Fund for 2014/15 is also confirmed as £48,546 plus VAT. This is the same fee as 2012/13 and 2013/14.</p>	<p>The fees announcement can be found at: <a href="http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/">http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/</a></p>
<p><b>Audit fee rebates and future reductions</b></p> <p>In March 2014, the Audit Commission distributed £8m in an audit fee rebate across all locally audited bodies.</p> <p>In addition, the Commission has now re-let a number of audit contracts, and expects that there will be further fee reductions spread across all locally audited bodies from the 2015/16 audit year.</p>	<p>These announcements can be found at: <a href="http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/">http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/</a> and: <a href="http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/">http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/</a></p>

# 05

## Contact details



Mark Kirkham

Director and Engagement Lead

[mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)

0113 3878850

Steve Appleton

Senior Manager

[steve.appleton@mazars.co.uk](mailto:steve.appleton@mazars.co.uk)

07881 283340

Address:

Mazars House  
Gelderd Road,  
Gildersome,  
Leeds, LS27 7JN