

City of Bradford Metropolitan District Council

External Audit Progress Report

23 January 2015

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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

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Summary of audit progress

We are currently planning the audit for 2014/15 which covers :

- the audit of your financial statements;
- our work to conclude on your arrangements for securing value for money ; and
- the report on the consistency of your Whole Government Accounts data collection schedules with the audited financial statements.

Our planning involves assessing the risks of material misstatement in the financial statements and the risks relating to the value for money conclusion and developing a plan of audit procedures to address the identified risks.

We do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the Council's financial performance;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and

- assessing the risk of material misstatement arising from the activities and controls within the Council's information systems.

We are holding planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Council faces.

At the Governance and Audit Committee (20 March) we will present our Audit Strategy Memorandum. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts as well as the value for money conclusion, and our approach to the audit.

The same process applies to the planning of the 2014/15 audit of West Yorkshire Pension Fund.

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Emerging issues and developments

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

- Transitional arrangements regarding the Local Audit and Accountability Act 2014;
- Protecting the Public Purse 2014, recently published by the Audit Commission;
- Planning for the Better Care Fund, recently published by the National Audit Office; and
- Interpreting the Accounts: A Review of Local Government Financial Ratios 2007/08 to 2012/13, recently published by the Audit Commission.

Emerging issues and developments

Issue / development	Possible action
<p>Transitional arrangements regarding the Local Audit and Accountability Act 2014 (LA&A Act 2014)</p> <p>At a recent meeting of public sector audit suppliers, the following matters were among those discussed:</p> <ul style="list-style-type: none"> • The Council’s 2014/15 audits will be delivered under the Audit commission Act 1998, and the 2015/16 audit will be the first under the LA&A Act 2014; • The existing Code of Audit Practice will continue to apply in 2014/15, moving to the NAO Code (expected April 2015) for 2015/16 onwards; • Under the LA&A Act, auditors must have ‘regard to’ the guidance issued by the NAO. This is not the same as our current contractual requirement; and • NAO will continue to run technical networks for local government auditors. 	<p>We will keep the Committee informed on the implementation of the Act in our progress reports. A briefing note has been included in members’ papers.</p>
<p>Protecting the Public Purse</p> <p>The Audit Commission’s latest report on fraud in local government revealed the highest value of fraud detected by England’s councils since the Audit Commission turned the spotlight on 25 years ago.</p> <p>Fraud valued at £188 million was detected in 2013/14, a ten-fold increase since 1990 and the highest for 25 years.</p>	<p>The report can be found at http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/</p>

Emerging issues and developments

Issue / development	Possible action
<p>Planning for the Better Care Fund</p> <p>The National Audit Office (NAO) has recently published a report examining the progress to date on the implementation of the Better Care Fund (BCF). Whilst the programme is recognised as being an innovative idea, the NAO highlights issues with the quality of early preparation and planning. It also finds that initial plans, submitted by all 151 local health and wellbeing boards in April 2014, did not generate the level of savings the Government anticipated and all plans had to be resubmitted.</p> <p>Planning for the Fund paused between April and July 2014 while the Government reviewed and revised the Fund's scope and how the £1 billion pay-for-performance part of the Fund would work. Independent assurance of the revised Fund plans found them to be stronger and better supported. Almost two-thirds of plans were either approved by Ministers or approved with support and only 5 plans were not approved.</p>	<p>The NAO's report can be found at http://www.nao.org.uk/report/planning-better-care-fund-2/</p>
<p>Interpreting the Accounts: A Review of Local Government Financial Ratios 2007/08 to 2012/13</p> <p>The report by the Audit Commission invites local government to help armchair auditors interpret accounts. It describes changes in the ratios for English councils during a period of considerable change for local government finance, and calls on local government to compile its own financial ratios data for comparison after the Commission closes in March 2015.</p>	<p>The report can be found at http://www.audit-commission.gov.uk/2014/09/audit-commission-invites-local-government-to-help-armchair-auditors-interpret-the-accounts/</p>

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