

City of Bradford Metropolitan District Council

External Audit Progress Report

January 2017

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Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01 Introduction

The purpose of this report is to update the Governance and Audit Committee of City of Bradford Metropolitan District Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the contact details at the end of this update.

Finally, please note our website address (www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

02 Audit progress

We are starting planning for the 2016/17 audit which covers:

- the audit of the financial statements;
- our work to conclude on your arrangements for securing value for money; and
- a programme of work specified by NAO in respect of your Whole Government Accounts submission.

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;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- walking through the key controls within the key financial systems.

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

We will present our Audit Strategy Memorandum to a subsequent Governance and Audit Committee. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and our approach to the audit.

As part of our commitment to quality, team members have already attended our annual audit training conference which includes feedback from quality reviews to take into account in the coming year.

We are planning our annual accounts workshops which provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. We will ensure officers receive invitations once we have agreed the dates.

03 Request for information

Audits of City of Bradford Metropolitan District Council and West Yorkshire Pension Fund for the year ended 31 March 2017

International Auditing Standards require auditors to ask 'those charged with governance' (i.e. the Governance and Audit Committee) about arrangements the entity has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

Our request also covers the appropriateness of the going concern assumption.

We list our questions below and would be grateful if the Committee could provide a response by the end of March 2017. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work we need to undertake.

1) How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- identifying and responding to risks of fraud in the Council, please detail any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behavior; and
- communicating to you the processes for identifying and responding to fraud or error.

2) How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2016/17?

3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2016/17?

4) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

04 National publications and other updates

National publications and other updates	
1.	Round-up for Audit Committees , <i>National Audit Office, October 2016</i>
2.	Local Public Services Reform , <i>National Audit Office, September 2016</i>
3.	Alternative Delivery Models , <i>CIPFA, October 2016</i>
4.	Understanding Local Authority Financial Statements , <i>CIPFA, September 2016</i>
5.	Oversight of audit quality: quarterly compliance reports , <i>Public Sector Audit Appointments Ltd, Quarter 2 2016-17</i>
6.	2017/18 work programme and scale of fees , <i>Public Sector Audit Appointments Ltd, October 2016</i>

1. Round-up for Audit Committees, National Audit Office, October 2016

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight and risk management issues.

This round-up is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. The round-up includes a focus on risk, summarising some of the learning points in NAO reports that provide particularly useful lessons for key aspects of risk management.

<https://www.nao.org.uk/report/round-up-for-audit-committees/>

2. Local Public Services Reform, National Audit Office, September 2016

In early 2016 the National Audit Office (NAO) undertook research to find out how local public service reform is being pursued in eight places in England, what the enablers and barriers are and how the government is supporting reform at a local level. This cross-sectoral report summarises the findings of their work and identifies sources of help that may be useful to local areas.

Reform is one of the ways local public services are responding to the challenge of reduced funding and rising demand. By working together, and with service users and citizens, to:

- prevent or reduce demand for costly services;
- make it easier for people to get access to the support they need; and
- redesign services to meet people's needs in a more integrated and effective way.

Local public services can both improve outcomes and save money. The NAO found that more action is needed at a national and local level to encourage this sort of reform and overcome the barriers to success. The report includes an interesting depiction on page 5 of the projected financial impact of local public service reform; with a prediction of £1.1 billion of benefits to the wider economy that could be made, of which just over £300 million in gross fiscal benefits (excluding net costs) arising from the NHS alone.

<https://www.nao.org.uk/report/local-public-service-reform/>

3. Alternative Delivery Models, CIPFA, October 2016

Alternative service delivery models of various shapes and sizes are increasingly being used to deliver a growing number and range of public services in many locations in the UK.

An alternative delivery model can be a different way of managing, collaborating and contracting, or it can involve the establishment of a completely new organisation that could be wholly, or partly owned by the parent body or a completely independent enterprise.

They range from small community-based initiatives, employee led spin outs (large and small), local authority companies, to substantial multi-stakeholder partnerships involving private and public sector organisations.

At their best, these new models can provide greater flexibility and dynamism, while maintaining continued commitment to public service and wellbeing.

This combination of innovation in public enterprise and public/social purpose can make them effective vehicles for improving service outcomes.

<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-alternative-delivery-models-online>

4. Understanding Local Authority Financial Statements, CIPFA, September 2016

This publication updates previous CIPFA guidance designed to make the complex financial statements required for local (including fire) authorities more understandable. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- comparison with budgets;
- reserves positions; and
- cash flow.

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements>

5. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

The quarter 2 2016/17 monitoring report highlights full compliance with the Regulator's standards for Mazars LLP.

<http://www.psa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

6. 2017/18 work programme and scale of fees, Public Sector Audit Appointments Ltd, October 2016

The consultation sets out the work that auditors will undertake at principal local government and police bodies for 2017/18, with the associated scale fees.

There are no changes to the overall work programme for 2017/18. PSAA therefore proposes that scale fees are set at the same level as the fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

<http://www.psa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/>

05 Contact details

Please let us know if you would like further information on any items in this report.

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