

Audit Strategy Memorandum

City of Bradford Metropolitan District Council

For the year ended 31 March 2017



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Our reports are prepared in the context of Public Sector Audit Appointment’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to members, directors or managers are prepared for the sole use of the audited body and we take no responsibility to any member, director or manager in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy organisation, and is a limited liability partnership registered in England with registered number OC308299. A list of partners’ names is available for inspection at the firm’s registered office, Tower Bridge House, St Katharine’s Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.

Executive summary

Purpose of this report

The Audit Strategy Memorandum sets out our audit plan in respect of the audit of City of Bradford Metropolitan District Council ('the Council') for the year ending 31 March 2017, and forms the basis for discussion at the Governance and Audit Committee meeting on 25 April 2017.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. We have determined that the Governance and Audit Committee is those charged with governance for the purpose of our audit.

Timing of our work	Our audit will be delivered in four main phases as outlined in page 8 of this report. The statutory deadline for the completion of our audit work is 30 th September 2017.
Financial Statements audit	<p>Significant risks</p> <p>We have identified the following areas on which we will carry out specific audit procedures to mitigate the risks of material misstatements in the Council's financial statements:</p> <ul style="list-style-type: none">• management override of controls;• revenue recognition;• estimation uncertainty for pension liabilities; and• accounting for the valuation of land and buildings of schools converting to academy status. <p>Materiality</p> <p>At the planning stage of the audit we have set materiality for the financial statements as a whole at £11.205m. In reporting the results of our work we do not report identified misstatements below a clearly trivial level. We have set this level at £0.336m.</p>
Value for Money conclusion	The work we carry out to form a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources is summarised on page 10. At this stage we have identified one significant risk in respect of our VFM work. This relates to sustainable resource deployment and reflects the ongoing need for the Council to meet the challenges associated with reductions in the amount of money available to fund services.
Independence	We have considered any actual, potential or perceived threats to our independence on page 18. We are satisfied that our proposed safeguards are sufficient to remain independent, as shown on page 18.

Audit scope and approach

The scope of our work

The detailed scope of our work as your appointed auditor for 2016/17 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 ('the 2014 Act') and are summarised below.

Opinion on the financial statements

We are responsible for forming and expressing an opinion on the financial statements. Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Our audit does not relieve management, or the Governance and Audit Committee, as those charged with governance, of their responsibilities.

Value for Money conclusion

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our Value for Money work in greater detail later in this report.

Whole of Government Accounts (WGA)

We report to the NAO on the consistency of the Council's financial statements with its WGA submission.

Electors' rights

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 and consider any objection made to the accounts by an elector. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our response to the risk of fraud

International Standards on Auditing (ISAs) require us to obtain reasonable assurance that the financial statements are free from material fraud and/or error. There are a range of ways in which fraud may arise in the context of your financial statements and we formally consider the risk of fraud as part of our planning work and design appropriate procedures to mitigate risks identified. We maintain an appropriate level of professional scepticism throughout the audit and are mindful that a material misstatement due to fraud is possible, however our audit should not be relied upon to identify all such misstatements.

Management and the Governance and Audit Committee, as those charged with governance also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

Our enquiries will focus on:

- what role the Governance and Audit Committee has in relation to fraud and how it is kept informed of fraud related matters by management;
- what anti-fraud measures you have in place and how your policies and procedures are monitored; and
- whether you are aware of any actual, alleged or suspected fraud.

We have formally written to you, in your role as those charged with governance, making the enquiries above.

Our approach to obtaining assurance over service organisations

There are material entries in your financial statements where the Council is dependent on an external organisation. We call these entities service organisations. In Appendix A, we outline our approach to understanding the services received from each organisation and the approach we intend to take to obtain sufficient appropriate evidence over items of account that derive from them.

Our use of experts and other auditors

Management and auditor experts

There are material entries in your financial statements which are provided by management experts. For some of these entries, we will use our own expert to provide us with the assurance we require in relation to the work of your expert.

In addition to setting out information in respect of service organisations, Appendix A also summarises management's experts and our planned audit approach to obtaining assurance over their work.

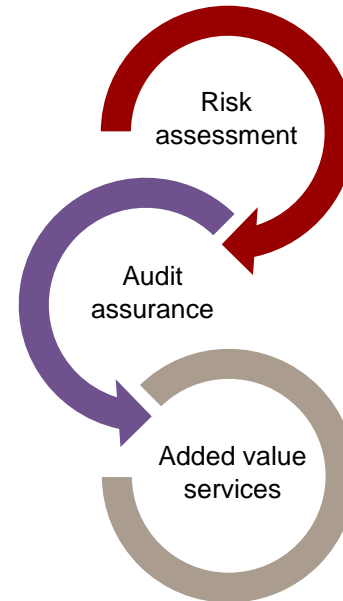
Internal audit

Where appropriate, we will seek to rely on work performed by internal audit where it provides us with the required assurance. We meet with internal audit to discuss their work programme and findings, and factor this in when determining the most efficient testing strategy.

We plan to take a wholly substantive audit approach and will not therefore be placing direct reliance on internal audit work in 2016/17. We will continue to liaise with internal audit to inform our risk assessment.

Audit efficiency and our use of IT

Innovative and integrated use of IT drives the efficiency and effectiveness of our audit. Your audit team uses the latest IT-based audit solutions and is supported by a team of IT auditors each of whom have extensive knowledge of the public sector and providing assurance and advisory services across the public sector.



We know that all organisations are different and face different risks. Our audit platform is modern and flexible and allows us to tailor our audit approach to the specific risks relevant to the Council, while ensuring compliance with underlying auditing standards.

We focus on the risks to your business continuity and those that give rise to a risk of material misstatement in the financial statements. Your audit team has access to a full suite of data analytics tools which allow them to determine the most effective and efficient testing strategy using IT-audit techniques where appropriate.

Significant risks and key judgements

Identified significant risks

As part of our planning procedures we have considered whether there are risks of material misstatement in the Council's financial statements that require special audit consideration. Although we report identified significant risks at the planning stage of the audit, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to mitigate these risks. Where we identify any significant risks in addition to those set out below, we will report these to the Governance and Audit Committee as part of our Audit Completion Report.

Significant risk	How we will mitigate the risk
<p>Management override of control</p> <p>In all entities, 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 overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We will address this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates affecting 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.
<p>Revenue recognition</p> <p>In accordance with international standards on auditing (ISA 240) we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period.</p> <p>ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal.</p>	<p>We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing receipts in the pre and post year end period to ensure they have been recognised in the right year; • testing a sample of adjustment journals; and • obtaining direct confirmation of principal year-end bank balances and testing the reconciliations to the ledger.
<p>Estimation uncertainty for pension liabilities</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and

	<ul style="list-style-type: none"> consider the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.
<p>Accounting for the valuation of land and buildings for schools converting to academy status</p> <p>During 2016/17, there have been a large number of local authority maintained schools converting to academy status. The conversion process involves removal of the school assets from the Council's balance sheet and due to the scale of the conversions during the year, this increases the risk of material misstatement.</p>	<p>As part of our work we will evaluate the management controls in place, designed to ensure that all schools, which achieve academy status during the year are appropriately excluded from the Council's balance sheet.</p> <p>We will test a sample of school assets to confirm that land and buildings have been accounted for correctly in the financial statements.</p>

Management judgement

We recognise that within your financial statements there are specific accounting transactions and disclosures where management has exercised judgement. We consider these areas require specific audit focus and the area that we consider to be the key area of judgement is set out in the following table together with our planned audit approach.

Area of Key Judgement	How we will address this area of judgement
<p>Valuation of land and buildings</p> <p>Land and buildings are the Council's highest value assets. Management use in house valuation services, as an expert, to determine the value of property to be included in the financial statements.</p>	<p>We will review:</p> <ul style="list-style-type: none"> the scope and terms of the engagement with the valuer; and how management use the valuer's report to value land and buildings in the financial statements. <p>We will write to the valuer to obtain information on the methodology and their procedures to ensure objectivity and quality.</p> <p>We will also consider evidence of regional valuation trends.</p>

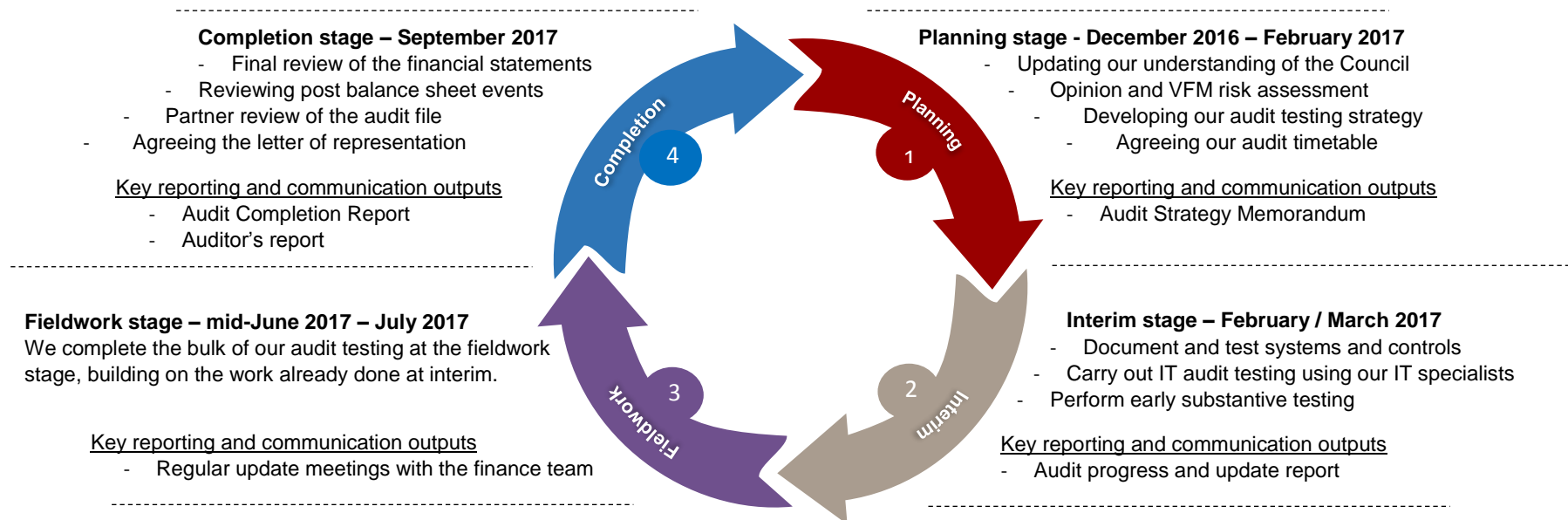
Timetable and communication

Our approach to communication

International Standards on Auditing require us to communicate a number of matters with you at various points during the audit cycle. Later in this section we outline exactly how we will communicate with the Governance and Audit Committee as those charged with governance. As well as being an integral part of our responsibilities under auditing standards, we see two-way communication with the Governance and Audit Committee and the Council's staff as being critical to building a robust knowledge of your business, the risks and challenges you face and the plans you have in place to meet those challenges.

Audit timetable

The diagram below outlines the main phases of your audit, when each will be carried out and the outputs that you will receive at each stage. This is underpinned by a 'no surprises' approach to communication that ensures management and the Governance and Audit Committee are kept aware of significant issues on a timely basis. We intend to issue our Audit Strategy Memorandum in April 2017, our Audit Completion Report in September 2017 and our Annual Audit Letter in October 2017.



Key communication points

ISA 260 'Communication with those charged with governance' and ISA 265 'Communicating deficiencies in internal control to those charged with governance and management', require us to communicate a number of matters to you. These matters are set out below.

Matter to be communicated	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Confirmation of our independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Conclusions on the significant audit risks and areas of management judgement		✓
Summary of unadjusted misstatements		✓
Management representation letter		✓
Our proposed audit report		✓

In addition to the matters outlined above which we are required to communicate under auditing standards, we also communicate regularly with the Governance and Audit Committee through our Audit Progress Reports, presented on a quarterly basis. We also report to the Council on an annual basis to summarise our work and main conclusions through our Annual Audit Letter.

Value for Money Conclusion

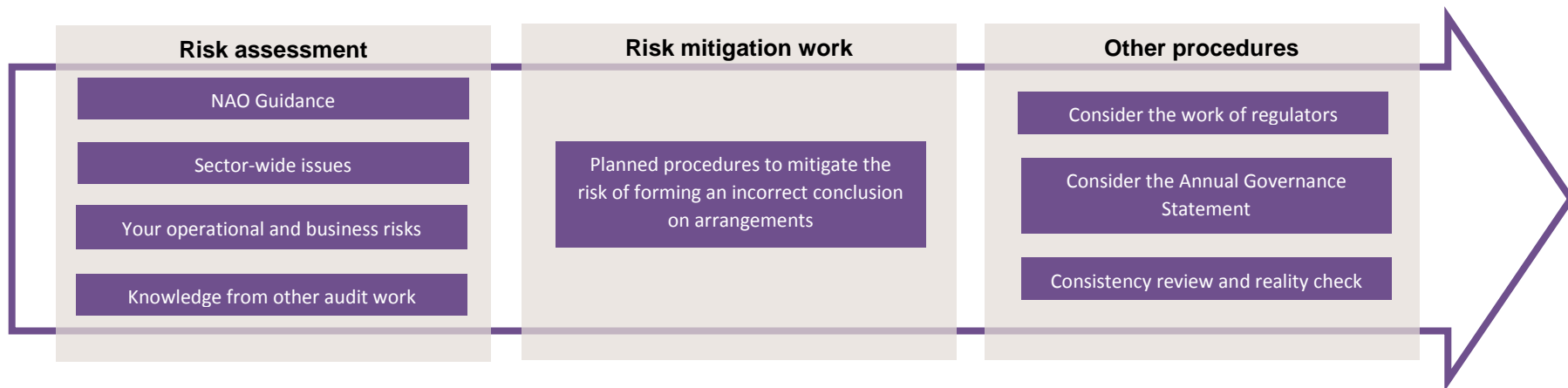
Our approach to Value for Money work

We are required to form a conclusion as to whether the City of Bradford Metropolitan District Council 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are provided set out by the NAO:

- informed decision making
- sustainable resource deployment
- working with partners and other third parties

A summary of the work we undertake to reach our conclusion is provided below.



Significant Value for Money risks

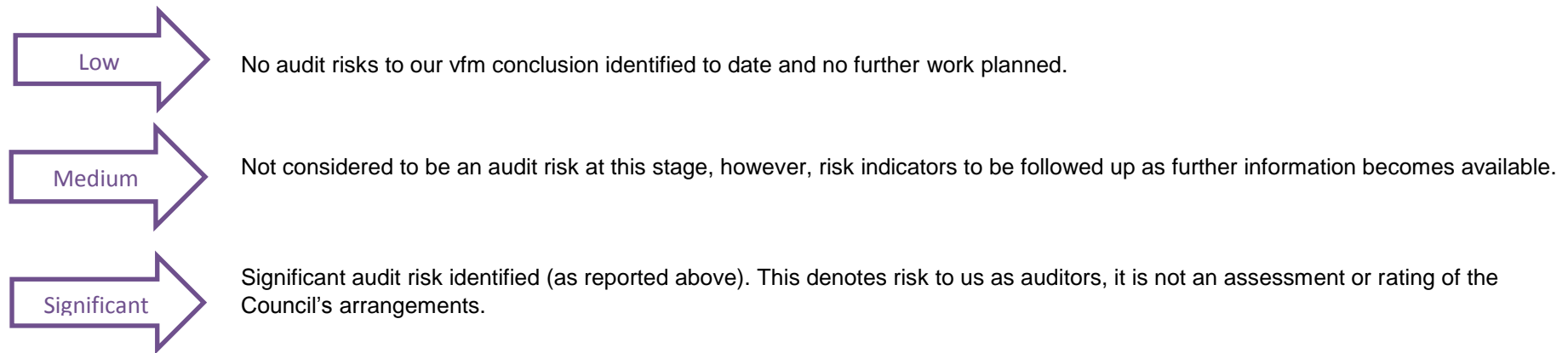
The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a risk to the VFM conclusion exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For 2016/17, we have identified a risk for our VFM conclusion. A summary of the risk and the work we intend to undertake to ensure we reach the correct conclusion is set out in the following table.

Value for Money conclusion risk	Work we intend to carry out
<p>The Council faces significant financial pressure from reduced funding and increasing demand for some services. The challenge to identify and implement savings is increasingly difficult as by the year end the Council will have reduced spending by over £218m since 2011/12.</p> <p>The VFM risk is that we will not be able to reach a safe conclusion without undertaking further work to assess the Council's arrangements to achieve the planned balanced position for the next two years and to identify further plans to bridge the funding gaps for 2019/20 (£19.7m) and 2020/21 (£49m).</p>	<p>We will review the Council's arrangements for:</p> <ul style="list-style-type: none"> • monitoring budgets and ensuring that identified savings are being achieved; • revising the medium term financial plan; and • developing plans to bridge the funding gap for future years through the outcome led planning and budgeting process. <p>We will also review a sample of project plans for saving proposals and consider the arrangements in place for delivery.</p>

Initial audit risk assessment

We undertook our initial risk assessment, based on the sub-criteria, using ratings with the following definitions.



Our risk assessment, by sub criteria, is shown in the tables that follow. We will also continue to monitor the Council's arrangements through:

- ongoing meetings with officers; and
- ongoing review of relevant meeting agenda papers and minutes where decisions relevant to our responsibilities are taken.

Sub-criteria	Proper arrangements	Audit risk rating at planning stage	Arrangements at City of Bradford MDC
Informed decision making	Acting in the public interest, through demonstrating and applying the principles and values of sound governance	Low	<ul style="list-style-type: none"> • Governance structure in place. • Arrangements for internal challenge and review. • Annual Governance Statement compliant with the CIPFA / SOLACE Delivering Good Governance Framework. • Constitution on the website and subject to annual review and update. • Quarterly finance and twice-yearly performance reports to Executive.
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	Low	<ul style="list-style-type: none"> • Budget aligned to purposes, priorities and ambitions set out in the Council Plan • Relevant financial and other information available to support decision making and performance management. • We are not aware of data quality problems in respect of financial and performance information. • Frequent updates on the financial position between the annual updates of the Medium Term Financial Plan. • Consistent data in financial reports.
	Reliable and timely financial reporting that supports the delivery of strategic priorities.	Low	<ul style="list-style-type: none"> • Regular and timely financial reporting. • Outturn for 2016/17 forecast to be close to budget. • Outturn has historically been reasonably close to projections in quarterly financial reports. • Track record of delivering planned savings and efficiencies in prior years with small underspends in each of the last 3 years.
	Managing risks effectively and maintaining a sound system of internal control.	Low	<ul style="list-style-type: none"> • Risk management arrangements in place. • Risk register reviewed throughout the year by the Corporate Management Team. • Annual governance statement prepared, reviewed and approved by members. • Regular reporting by Internal Audit on internal control.

Sub-criteria	Proper arrangements	Risk rating at planning stage	Arrangements at City of Bradford MDC
Sustainable resource deployment	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	Significant	<ul style="list-style-type: none"> • A comprehensive three year Medium Term Financial Plan in place which incorporates longer financial outlook to 2022/23 • Development of outcome led planning and budgeting process. • Balanced budget for 2017/18 and 2018/19 budget with detailed savings plans developed. • The financial outlook remain highly challenging as additional indicative savings required of £19.7m for 2019/20 and a further £49m for 2020/21.
	Managing and utilising assets effectively to support the delivery of strategic priorities.	Low	<ul style="list-style-type: none"> • Capital investment plan for £264m over 4 years reflects strategic priorities. • Asset register and management plan in place. • Asset management plan in place. • Significant savings in recent years from rationalising the estate to better fit the reduced size of the Council.
	Planning, organising and developing the workforce effectively to deliver strategic priorities.	Low	<ul style="list-style-type: none"> • HR performance indicators such as sickness within the corporate indicator set reported twice yearly. • HR Strategy focused on talent management and plugging skill gaps as the scale of the Council continues to reduce. • Training programme to equip staff for the challenges ahead.

Sub-criteria	Proper arrangements	Risk rating at planning stage	Arrangements at City of Bradford MDC
Working with partners and other third parties	Working with third parties effectively to deliver strategic priorities.	Low	<ul style="list-style-type: none"> • District Plan sets out long-term ambitions for the district and outlines priorities for action. • Representation on relevant outside bodies. • Various policies and framework for partnership working established.
	Commissioning services effectively to support the delivery of strategic priorities.	Low	<ul style="list-style-type: none"> • Successful in reducing costs and savings proposals include working with partners. • Better Care Fund Plan being implemented with Section 75 agreement for a pooled budget with CCGs.
	Procuring supplies and services effectively to support the delivery of strategic priorities.	Low	<ul style="list-style-type: none"> • Use established national and regional procurement frameworks to maximise purchasing power. • Alternative delivery models already in place for some former council services (e.g. libraries) and more planned or being researched. • Broadway (Westfield) shopping centre delivered on time and in budget contributing towards city centre regeneration.

Fees

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments Ltd (PSAA) as communicated to you in our fee letter on 12th April 2016.

Area of work	2016/17 proposed fee	2015/16 final fee
Code audit work	£185,317 plus VAT	£185,317 plus VAT
Housing Benefit Subsidy certification	£19,733 plus VAT	£16,520 plus VAT

Fees for non-audit work

We do not currently expect to undertake any additional work outside the scope of our Public Sector Audit Appointment contract.

Our team



Mark Kirkham - Partner

Email: mark.kirkham@mazars.co.uk

Phone: 0113 387 8850

Mark has been a partner at Mazars since 2015 and prior to that he had been an engagement lead since 2002. Mark has extensive experience in a number of sectors and this is his fifth year as the engagement lead for the Council's external audit.



Steve Appleton – Senior Manager

Email: steve.appleton@mazars.co.uk

Phone: 0788 128 3340

Steve has been a senior manager since 2012 having extensive experience of the public sector. He will manage and coordinate the different parts of the audit and be the key point of contact for the finance team and internal audit.



Nicola Hallas - Team-leader

Email: nicola.hallas@mazars.co.uk

Phone: 0788 128 3559

Nicola has over 10 years' public sector audit experience. She has been involved with the Council audit for a number of years.

In accordance with our internal policies for audit quality and risk management, we consider the audit of the Council to be a 'major audit'. As a result, and in line with the requirements of International Standards on Quality Control (ISQC) 1, the firm has appointed an Engagement Quality Control Reviewer to the Council's audit who will bring an additional level of quality control to the engagement team.

Appendix A – Service organisations and experts

Service organisations

As we outline in the main body of this report, the Council makes use of service organisations. ISA 402 defines a service organisation as one that provides services to another entity that form part of that entity's information systems relevant to financial reporting. The table below sets out the service organisations that we have identified as part of our planning work together with a description of how we intend to obtain assurance over the entries in your financial statements that are derived from them.

Service organisation	Services provided	Planned audit approach
Data-plan and Working for Schools. These are the two material providers.	Payroll service for schools that use an external provider to pay employees rather than the Council's payroll service.	Sufficient appropriate audit evidence is held at schools for us to substantively test schools' external payroll without contacting the service organisations.

As outlined above, we intend to rely on service auditor reports to provide us with assurance that controls at the service organisation are operating effectively. ISA 402 requires us to carry out a range of audit procedures to determine whether the service auditor report provides sufficient appropriate audit evidence about the effectiveness of controls. Where we determine that a report does not provide sufficient appropriate audit we will need to consider the most efficient and effective alternative method of obtaining this evidence and will discuss this with management.

Experts

The Council also uses experts to provide entries in its financial statements. The table below outlines the areas of the financial statements where we expect the Council to use experts and an explanation of the approach we will take to obtaining assurance over those entries.

Financial statement area	Management's expert	Planned audit approach
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt)	Use National Audit Office's consulting actuary (PWC) to confirm we can rely upon information provided by management's expert.
Property, plant and equipment valuations	In house valuer (Estates and Property)	Use National Audit Office's consulting valuer (Gerald Eve) to consider the reasonableness of the approach taken by management's expert.
Financial instruments: fair value estimates	Capita	Use assurance provided by the National Audit Office to confirm we can rely upon fair value estimates provided by management's expert

Appendix B – Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing, that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with either Mark Kirkham or Steve Appleton.

Prior to the provision of any non-audit services, Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. The following table outlines the potential threats to our independence and the safeguards put in place.

Issue	Perceived threat	Safeguards and procedures
A member of the audit team has a close relation working as a senior manager in the Corporate Fraud Unit.	The close family relationship might be perceived as a threat to our independence.	The member of staff is not involved in audit work relating to benefits, fraud or value for money.
Mazars provides a no charge insolvency support service including issuing to the Council weekly notifications detailing personal insolvencies in the area, submission of council claims and ad hoc insolvency advice.	Management: The perceived threat is that provision of the service may involve management functions.	<p>The services do not involve the exercise of any management functions or decision making.</p> <p>The Engagement Lead and audit team have no involvement in the provision of the service.</p>
Mazars has engaged with West Yorkshire Joint Services (WYJS) to provide assurance on the development of a transfer pricing methodology by WYJS.	Management: The perceived threat is that provision of the service may involve management functions.	<p>The services do not involve the exercise of any management functions or decision making.</p> <p>The Engagement Lead and audit team have no involvement in the provision of assurance work on WYJS's transfer pricing methodology.</p>

Appendix C - Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning our audit, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix D – Our added value

Our primary responsibilities as the Council’s external auditor are outlined in the main body of this report. As your external auditor we are ideally placed to provide added value in delivering those responsibilities and the diagram below provides a summary of how we do this.

