

# **Audit Completion Report**

**City of Bradford Metropolitan District Council**

**For the year ended 31 March 2017**



# Contents

1. Executive summary .....	3
2. Significant findings .....	5
3. Internal control recommendations.....	8
4. Value for Money Conclusion .....	10
Appendix A – Summary of misstatements.....	13
Appendix B – Draft management representation letter.....	15
Appendix C – Draft audit report.....	18
Appendix D – Independence.....	22

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council 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, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# 1. Executive summary

## Purpose of this report

The Audit Completion Report sets out the findings of our audit of City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2017, and forms the basis for discussion at the Governance and Audit Committee meeting on 28 September 2017.

## The scope of our work and overall summary

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 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £19.560 million. We have updated our assessment as part of our continuous planning processes and have set materiality at £17.916 million. Our clearly trivial threshold for reporting matters to you has been set at £0.448 million.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in April 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a few misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory completion of the remaining audit work, we anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We plan to complete our work on your WGA submission, in line with the group instructions issued by the National Audit Office, by the deadline of 30 September 2017. We anticipate reporting that the WGA submission is consistent with the audited financial statements.</p>

**The status of our work**

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017.

At the time of preparing this report, the following significant matters remain outstanding:

Closure procedures and review	We will complete our standard closure procedures, including consideration of post balance sheet events.	Whole Government Accounts (WGA)	We will complete the required procedures for the WGA return.
-------------------------------	---	---------------------------------	--

We will provide an update to you in relation to these outstanding matters in a follow up letter prior to giving our opinion.

## 2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
<p><b>Management override of control</b></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 addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> <li>• accounting estimates affecting amounts included in the financial statements;</li> <li>• consideration of identified significant transactions outside the normal course of business; and</li> <li>• journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>	<p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We identified no indication of management override of controls.</p>
<p><b>Revenue recognition</b></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</p>	<p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> <li>• testing receipts in the pre and post year end period to ensure they have been recognised in the right year;</li> <li>• testing a sample of adjustment journals; and</li> </ul>	<p>Our work has provided the assurance we sought.</p> <p>Our sample testing of receipts in the period after year-end identified income of £0.205 million which should have been recognised in 2016/17 but had not been accrued. Appendix A sets out the possible non-material misstatement if the sample results were replicated within the whole population.</p>

<p>have concluded that there are insufficient grounds for rebuttal.</p>	<ul style="list-style-type: none"> <li>obtaining direct confirmation of principal year-end bank balances and testing the reconciliations to the ledger.</li> </ul>	
<p><b>Estimation uncertainty for pension liabilities</b></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 discussed 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:</p> <ul style="list-style-type: none"> <li>evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and</li> <li>considered 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.</li> </ul>	<p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of material estimation error in respect of pensions.</p>
<p><b>Accounting for the valuation of land and buildings for schools converting to academy status</b></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 evaluated 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 tested a sample of school assets to confirm that land and buildings have been accounted for correctly in the financial statements.</p>	<p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of material error relating to the treatment of schools converting to academy status.</p>

### Identified key areas of management judgement

Area of management judgement	How we considered this judgement	Audit conclusion
<p><b>Valuation of property, plant and equipment</b></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 reviewed:</p> <ul style="list-style-type: none"> <li>the scope and terms of the engagement with the valuer; and</li> <li>how management use the valuer's report to value land and buildings in the financial statements.</li> </ul>	<p>We have completed our planned work after reviewing the Council's use of experts to inform management judgements about valuation of land and buildings and the application of the new financial reporting standard.</p> <p>We have also considered the evidence of regional valuation trends provided by our external expert.</p>

	<p>We wrote to the valuer to obtain information on the methodology and their procedures to ensure objectivity and quality.</p> <p>We also considered evidence of regional valuation trends.</p>	<p>We identified no matters to bring to your attention.</p>
--	---	---

### Qualitative aspects of the Council's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Council's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	<p>We have reviewed the Council's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code).</p> <p>In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
Quality of the draft financial statements	<p>We received draft financial statements from management on 30 June 2017. We identified a few numerical misstatements which are detailed in Appendix A although none have a material impact on the Council's reported financial performance for the year or year-end assets and liabilities.</p>
Quality of supporting working papers	<p>Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. The working papers supporting the financial statements were of a good standard. We are grateful to officers for their assistance in responding to requests for information and in dealing with our queries in a timely and efficient manner.</p>

### 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.

# 3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to 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:

- **Priority 1 (high)**

There is potential for financial loss, damage to reputation or loss of information. Weaknesses may have implications for the achievement of strategic objectives and our recommendations should be considered immediately by management.
- **Priority 2 (medium)**

There is a need to strengthen internal controls or enhance efficiency. Our recommendations should be actioned in the near future.
- **Priority 3 (low)**

Internal controls should be strengthened where practicable and where there is a cost benefit from doing so.

## Deficiencies in internal control – Priority 2

Description of deficiency	IT user access testing for leavers identified that for a sample of 25 leavers, the access termination request for 13 leavers was issued after the leaving date.  We completed additional procedures checking the last logon dates for the leavers and confirmed that none of the 13 leavers logged on to the network or any business critical system after their leaving date.
Potential effects	Leavers are not deactivated in a timely manner, meaning that inappropriate access to business critical systems would be possible.
Recommendation	In order to avoid unauthorised access to the Council's network and programs, we recommend ensuring that formal access disabling requests are issued for all leavers before their leaving date.
Management response	A new Leavers Process is currently under test which incorporates functionality to ensure access to key corporate IT systems are flagged for disabling. The new system has increased automation which will make it a more efficient process for council managers to work with and maintain timely compliance to closing down IT access for staff who leave the organisation.



## Deficiencies in internal control – Priority 2

Description of deficiency	Although business continuity testing is performed every year by the Council, no disaster recovery testing was performed during the audit period.
Potential effects	Major incidents or disasters may cause outage of one or more business critical systems, causing data loss, thereby affecting the availability and integrity of information.
Recommendation	In order to ensure proper and timely recovery in case of a disaster or major incident, we recommend testing the Disaster Recovery Plan at least on an annual basis.
Management response	Work is underway to determine the IT DR requirements for council departments starting with Health and Well Being, Children's Services and Corporate Services. Once requirements are known a test plan to simulate a loss of a key systems will be agreed with the department leads by December 2017 with testing to follow in 2018.

# 4. Value for Money Conclusion

## Our approach to Value for Money

We are required to form a conclusion as to whether the 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 set out by the NAO:

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

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council has a Constitution in place which is reviewed annually and provides the framework within which the Executive take decisions in exercise of Council functions.</p> <p>During the year a new senior management structure has been established to better respond to the Council's future plans and challenges.</p> <p>The Council has adopted a Risk Management Strategy and maintains both corporate and service risk registers which identify actions required to mitigate the identified risks.</p> <p>The Council uses corporate and departmental service level performance measures to report and manage service delivery. The Annual and Mid-year Finance and Outturn Performance Reports, and Quarterly Financial Monitoring Reports, present to the Executive and Corporate Overview &amp; Scrutiny the current and forecast position on performance and finance in relation to the Council's activities.</p> <p>A set of corporate indicators is in place that focuses on key Council priorities. Performance is monitored through Departmental Management Teams, Corporate Management Team with reporting to the Executive and Overview and Scrutiny Committees.</p>	Yes

<p>Sustainable resource deployment</p>	<p>The Council delivered a small budget underspend of £0.3 million for 2016/17 having made savings of £37.7m. The Council has a good track record of achieving savings having managed to reduce spending by £218 million over the past 6 years.</p> <p>The Council has developed a better alignment between budget processes and its purposes, priorities and ambitions as set out in the Council Plan.</p> <p>The Council set a balanced budget for 2017/18 underpinned by detailed savings plans. Robust monitoring processes are in place to identify emerging financial issues to enable compensatory savings to be developed.</p> <p>The Council approved a medium-term financial strategy for 2018/19 to 2020/21 and beyond which is a key part of the Council's planning and performance framework. The financial outlook remains highly challenging requiring identification of further savings of £12.4 million for 2018/19 rising to £45.8 million for 2020/21.</p>	<p>Yes</p>
<p>Working with partners and other third parties</p>	<p>The District Plan has been developed with key partners and partnerships setting out long-term ambitions for the district and outlines priorities for action. A review of Bradford District Partnerships arrangements has established clear leads for each of the agreed outcomes that form the Council and District's vision.</p> <p>Accountable Care Boards have been established to govern the development of Accountable Care Systems across Bradford district. The Council is actively engaged with the developments and is leading a study into the legal options for the Accountable Care System.</p> <p>The Council continues to explore scope for alternative delivery models and some, for example, community libraries, are already in place, with others being researched.</p>	<p>Yes</p>

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our 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. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
<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"> <li>• monitoring budgets and ensuring that identified savings are being achieved;</li> <li>• revising the medium term financial plan; and</li> <li>• developing plans to bridge the funding gap for future years through the outcome led planning and budgeting process.</li> </ul> <p>We will also review a sample of project plans for saving proposals and consider the arrangements in place for delivery.</p>	<p>The Council has made arrangements for managing its savings programme and achieved planned savings of £37.7 million, equivalent to 83% of the savings plan, during 2016/17. The shortfall of £7.9 million was bridged by compensating measures including use of budget contingencies set aside to mitigate the risks of delay in implementing some of the more complex savings plans.</p> <p>The Council approved a balanced budget for 2017/18 in February 2017 which involves planned savings of £46 million. Financial monitoring processes allow management to identify emerging difficulties implementing planned savings so that mitigating actions can be taken at an early stage.</p> <p>In addition the Council has revised its medium term financial strategy for 2018/19 to 2020/21 and beyond to provide a longer term view of the significant financial challenge it faces. Our review indicates that the core assumptions are appropriate factors to consider and that management recognise the risks associated with the assumptions.</p>

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

# Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £0.448 million, are set out below for adjustment. The table outlines the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements, and does not currently plan to adjust.

Unadjusted misstatements 2016/17				
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Debit (£'000)	Credit (£'000)	Debit (£'000)	Credit (£'000)
	-	-	1,016	-
Debit: Short term debtors	-	-	1,016	-
Credit: Gross income	-	1,016	-	-
1	Our sample testing of receipts in the period after year-end identified income of £0.205 million which should have been recognised in 2016/17 but had not been accrued. Extrapolation of the error rate in the sample to the whole population indicates a possible understatement of gross income for 2016/17 and year-end short term debtors of £1.016 million. As the extrapolation indicates the misstatement is non-material no further testing was undertaken.			
	-	-	754	-
Debit: Short term creditors	-	-	754	-
Credit: Gross expenditure	-	754	-	-
2	Our sample testing of short term creditors identified an item of £0.027 million which management consider is no longer a liability being over 6 years old and should be de-recognised from the Balance Sheet. Extrapolation of the error rate in the sample to the whole population indicates a possible overstatement of year-end liabilities by £0.754 million with a corresponding write back to gross expenditure for 2016/17. As the extrapolation indicates the misstatement is non-material no further testing was undertaken.			
	559	-	-	-
Debit: Gross expenditure	559	-	-	-
3	-	-	-	559
Credit: Short term creditors	-	-	-	559
	Our sample testing of payments in the period after year-end identified expenditure of £0.079 million which should have been recognised in 2016/17 but had not been accrued. Extrapolation of the error rate in the sample to the whole population indicates a possible understatement of gross expenditure for			

2016/17 and year-end short term creditors of £0.559 million. As the extrapolation indicates the misstatement is non-material no further testing was undertaken.

### **Adjusted disclosure misstatements**

#### 1. Prior period adjustments (Note 2)

The narrative was amended to clarify that the basis for the re-statement of the Comprehensive income and expenditure statement presentation changes was due to changes in the requirements of the CIPFA Code of Practice on Local Authority Accounting 2016/17 rather than due to prior year errors.

#### 2. Expenditure and funding analysis (Note 23)

The format of the disclosure was amended to provide a clearer analysis of the differences between net expenditure reported in the Comprehensive income and expenditure statement, the amounts chargeable to the general fund and the Council's outturn statement.

The adjustment has no effect on the Council's reported financial performance or financial position.

#### 3. Exit packages (Note 33)

The analysis of exit packages was amended to remove costs of £0.067 million incorrectly included in the draft disclosure.

#### 4. Private Finance Initiative (Note 36)

The narrative disclosure of the closing value of assets held under the scheme was amended by £0.6 million to £26.639 million to correct a typing error.

#### 5. Other minor presentational changes

We also agreed a number of minor presentational changes to the disclosure notes to improve clarity for readers of the financial statements.

# Appendix B – Draft management representation letter

Mazars LLP  
Mazars House  
Gelderd Road  
Leeds  
LS27 7JN

September 2017

Dear Mark

## **City of Bradford Metropolitan District Council - audit for year ended 31 March 2017**

This representation letter is provided in connection with your audit of the statement of accounts for City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

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 statement of accounts and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts 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 Strategic Director – Corporate Services 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 the Code and 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, including those measured at fair value**

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 Council 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 Code.

### **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 Strategic Director – Corporate Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts 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 statement of accounts 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.

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.

**Impairment review**

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 below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

**Future commitments**

I am not aware of any 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 2016/17 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 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.

**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 uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Strategic Director – Corporate Services

Date.....

# Appendix C – Draft audit report

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL**

### **Opinion on the Council's financial statements**

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund, and the related notes. 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 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of the Strategic Director – Corporate Services and auditor**

As explained more fully in the Statement of the Strategic Director – Corporate Services' Responsibilities, the Strategic Director – Corporate Services 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director – Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford Metropolitan District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Opinion on other matters**

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Report on the Pension Fund financial statements**

We have audited the West Yorkshire Pension Fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2016/17.

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 paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of the Strategic Director - Corporate Services and auditor**

As explained more fully in the Statement of the Strategic Director – Corporate Services' Responsibilities, the Strategic Director - Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director - Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Council's Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on Pension Fund financial statements**

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Opinion on other matters**

In our opinion, the information given in the narrative report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Council and the auditor**

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.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, City of Bradford Metropolitan District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Certificate**

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the Comptroller and Auditor General.

*[Signature]*

Mark Kirkham

For and on behalf of Mazars LLP

Mazars House,

Gelderd Road

Leeds

LS27 7JN

September 2017

# Appendix D – 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.