



Audit progress report

City of Bradford Metropolitan District

Council

June 2018





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1. AUDIT PROGRESS

Purpose of this report

This report provides the Governance and Audit Committee with an update on progress in delivering our responsibilities as your external auditors. This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team (see Section 3 for contact details). 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 work Mazars does in the public sector.

Audit progress

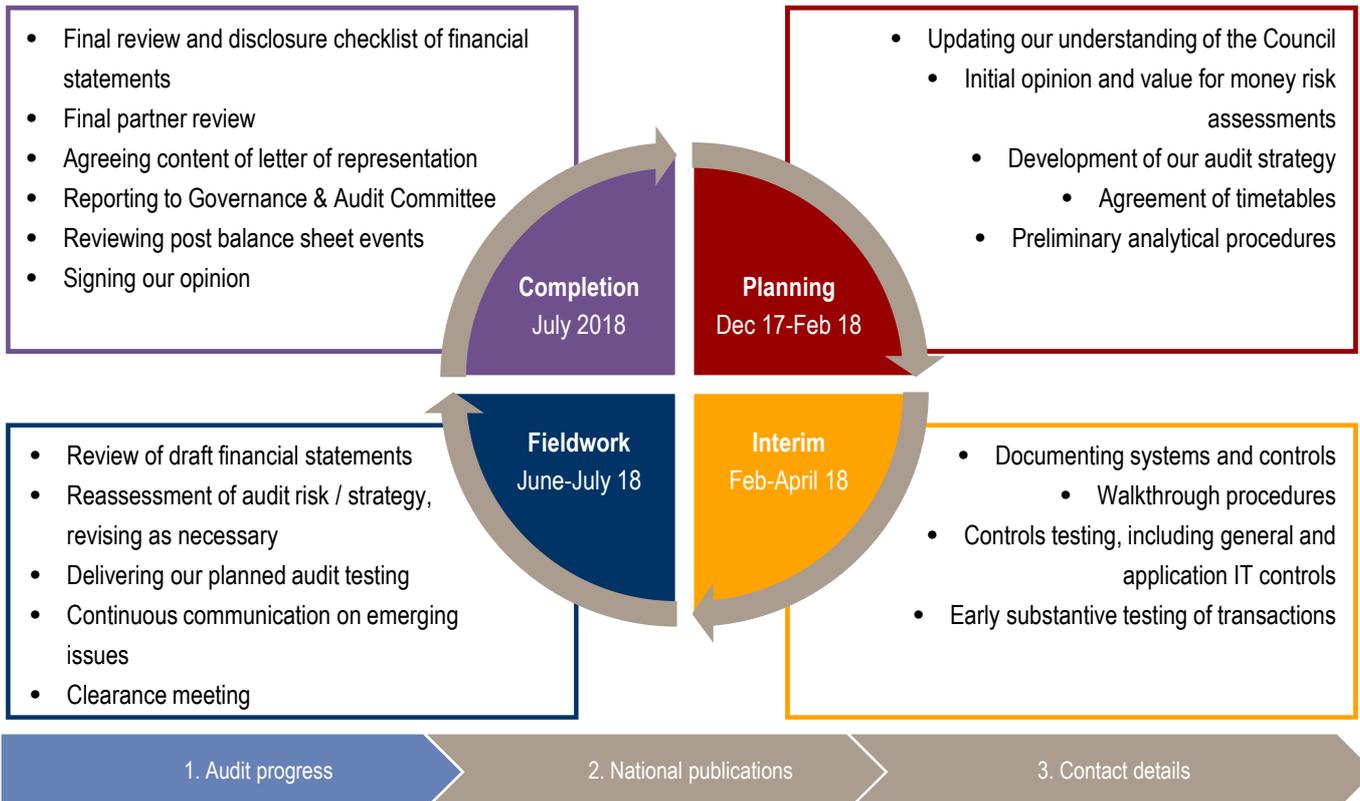
Our key audit stages are summarised in the diagram shown below. Overall work is on track and there are no significant issues arising from our work to date. Details of the work completed and on-going is as follows:

- documenting systems and controls;
- walkthroughs of the key information systems;
- updating our IT risk assessment;
- controls testing, including general and application IT controls;
- early substantive testing of transactions (including income and expenditure, journals and property, plant and equipment); and
- updating our VFM risk assessment and early work in response to the significant VFM risk identified within our *Audit Strategy Memorandum* i.e. delivery of a balanced budget and medium term financial planning.

Other on-going work includes:

- continued liaison with senior officers and consideration of key agendas and papers; and
- liaising with your internal auditors to share knowledge and ensure no duplication.

At this stage of the audit, there are no issues arising or significant deficiencies in internal control that we are aware of from our work and planned work is on track for the year.



1. AUDIT PROGRESS (CONTINUED)

Our work on the significant audit risks communicated in the *Audit Strategy Memorandum 2017/18* continues. We will report our findings in these areas through our *Audit Completion (ISA260) Report* to the July Audit Committee.

As highlighted above, as we progress through the audit we continually re-assessed the significant audit risks. Through this process and as a result of developments at the Council, we have identified an additional significant audit risk over and above those communicated to you in our *Audit Strategy Memorandum 2017/18* – this relates to revision to the MRP calculation. We have updated our testing strategy accordingly as set out below.

Description of risk	Planned response
<p>Revision to Minimum Revenue Provision (MRP) calculation</p> <p>Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (2003 Regulations), as amended, requires local authorities to set aside a prudent amount of MRP. DCLG has issued Guidance on MRP which sets out the principles and processes to be followed in complying with these regulations and gives four options which are consistent with the Regulations to determine the MRP calculation. Local authorities, under this guidance, have to make an annual statement setting out their MRP policy for the year which is approved by elected members.</p> <p>We are aware that, relatively late in the year and, in part, due to changes to the MRP guidance, the Council is reviewing its policy in respect of the annual charge for MRP in 2017/18. Changing MRP does not lead to an absolute revenue saving as the change typically reallocates the cost of financing into future years.</p> <p>Local authorities, when revising their MRP, will need to consider the possible consequences such as maintaining a higher Capital Financing Requirement (CFR) and the interest implications of a higher underlying need to borrow.</p> <p>There is a risk that the revisions the Council makes may not be compliant with 2003 Regulations and guidance issued by DCLG. Additionally, to make prudent policies, the Council needs to apply sound judgements and reasonable estimates.</p>	<p>We will assess whether our audit opinion will be affected by changes the Council has made and will seek evidence that the Council has:</p> <ul style="list-style-type: none"> considered all the options available and their wider impact on CFR and underlying borrowing; determined that the change in policy is appropriate and prudent; demonstrated that the proposed revised MRP policy complies with Regulations and guidance issued by DCLG (including taking legal advice where appropriate); and recorded proper approval of the change in policy; <p>We will also :</p> <ul style="list-style-type: none"> critically assess the revised MRP calculations for accuracy, completeness and correct accounting treatment in the year end financial statements (including the treatment of any theoretical overpayments); test the reasonableness of estimates and judgements made by the Council in arriving at the revised MRP calculation.

Housing benefits

Initial planning discussions have been held and early testing undertaken in relation to the 2017/18 housing benefits subsidy return. There are no matters arising from this early work and we remain on track to meet the end of November submission deadline.

Although the current year's housing benefits work is covered by the PSAA contract, from 2018/19, the Council needs to make its own arrangements. DWP have produced draft guidance on the work required and the nature of the future engagement of a reporting accountant to carry out the required housing benefit assurance work. Although this assurance work is not due to be completed until November 2019, DWP require councils to identify their reporting accountant for this work much sooner, by 2 July 2018 (following the extension of an earlier deadline of 1 March 2018, as the guidance was not complete).

Mazars have provided a quotation for undertaking this work which the Council is currently considering.

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2. NATIONAL PUBLICATIONS AND OTHER UPDATES

	Publication / update
1.	Adult social care workforce, National Audit Office, February 2018

1. Adult social care workforce, National Audit Office, February 2018

This report considers the role of the Department of Health and Social Care in overseeing the adult social care workforce and assesses whether the size and structure of the care workforce are adequate to meet users' needs for care now, and in the future, in the face of financial challenges and a competitive labour market.

Local authorities commission most care from the independent (private and voluntary) sector. The report notes that, in 2016-17, net current expenditure by local authorities on care was £14.8 billion. Around 65% of providers' income comes from care arranged by local authorities, so public funding is essential to the sustainability of the sector.

The Care Act 2014 sets out minimum standards of care that local authorities must offer. It places a duty on local authorities to ensure that there is diversity and quality in the market of care providers so that there are enough high-quality services for people to choose from. Local authorities must also step in to ensure that no vulnerable person is left without the care they need if their service closes due to business failure.

The key findings from the report include:

- high staff turnover within the sector, also carrying a high vacancy rate;
- growth in the number of jobs has fallen behind growth in the demand for care;
- providers and commissioners of care have raised concerns that low pay for care workers is contributing to high vacancy and turnover rates. Around half of care workers were paid £7.50 per hour or below (the National Living Wage was £7.20 in 2016-17);
- the Department does not have an up-to-date care workforce strategy and roles and responsibilities of the bodies involved in delivering care are not clear. Local and regional bodies and partnerships are not taking the lead on workforce planning in the absence of a national strategy; and
- the Department cannot demonstrate that the sector is sustainably funded, which makes workforce planning difficult. Four-fifths of local authorities are paying fees to providers which are well below the benchmark costs of care.

The report makes recommendations for the Department of Health and Social Care to address including a requirement to produce a national workforce strategy, long term modelling and planning of costs and staff needed in the care sector. Oversight of local plans is required to confirm that they complement the national strategy.

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>

3. CONTACT DETAILS

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

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