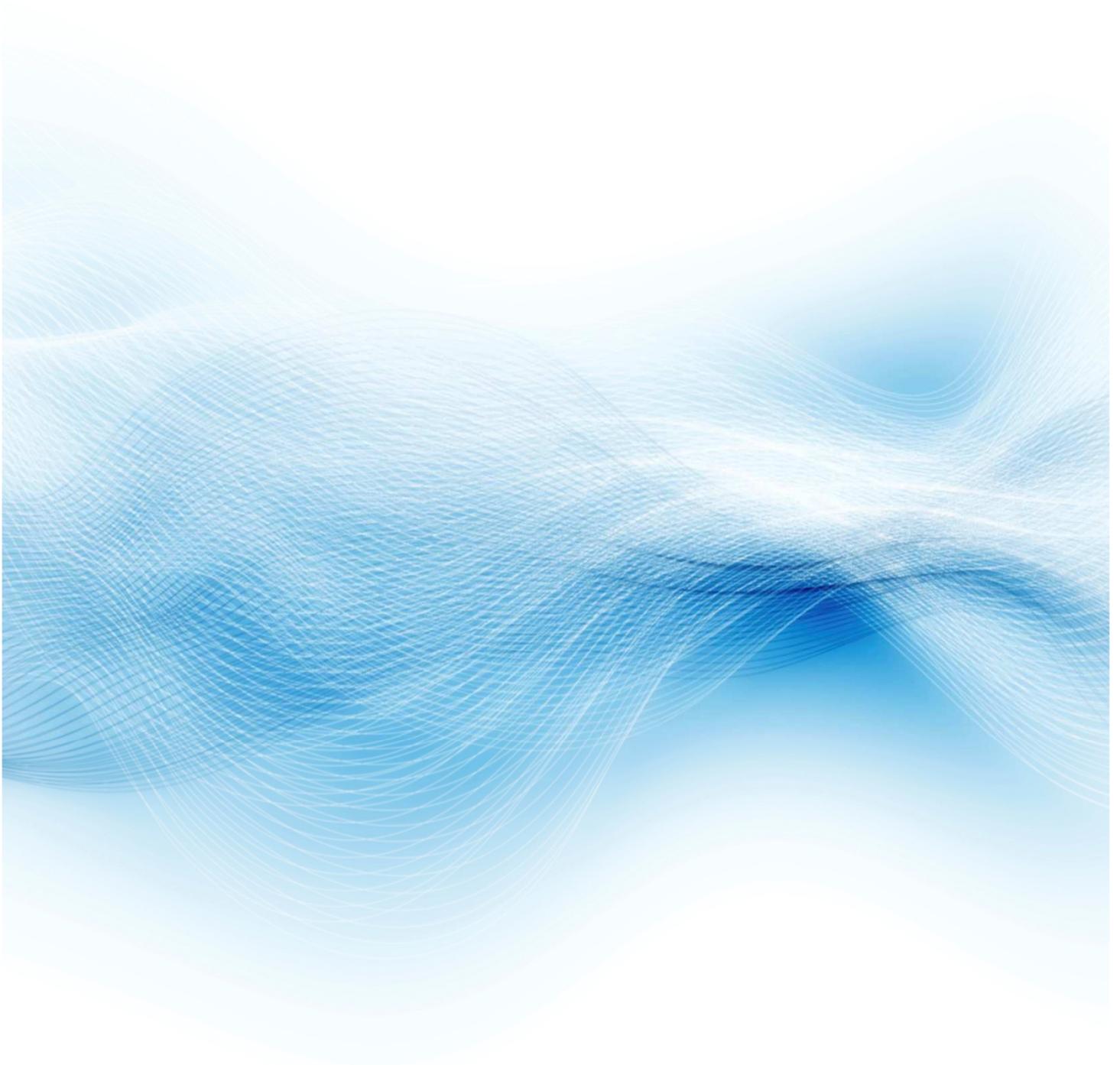
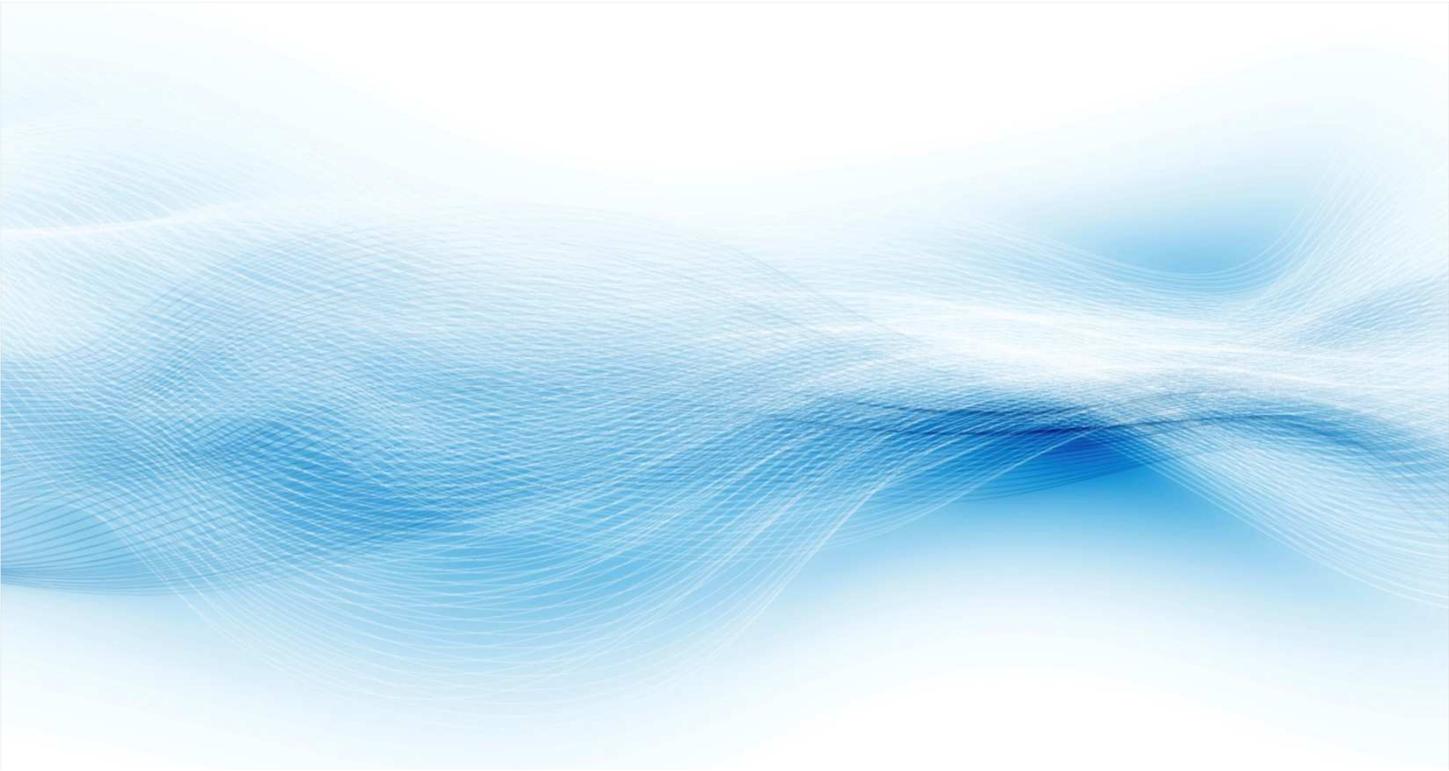




# Audit Completion Report

City of Bradford Metropolitan District Council  
Year ending 31 March 2019





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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

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22 July 2019

Dear Members

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 14 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Cameron Waddell  
Mazars LLP

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VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Governance and Audit Committee meeting on 31 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- property, plant and equipment valuation; and
- valuation of the net pension liability.

## Status of our work

As we outline on the following page, at the time of issuing this report our work remains in progress. Subject to the satisfactory completion of the outstanding work, and based on the areas of our work completed to date, we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except for the areas assessed as inadequate by Ofsted in their report on children's social care services in October 2018. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

### Wider powers

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 to consider any objection made to the accounts. We have received no objections in respect of the 2018/19 statement of accounts.

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# 1. EXECUTIVE SUMMARY

## Status of our audit work

Our work on the financial statements for the year ended 31 March 2019 remains in progress. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Property, Plant and Equipment (including Investment Property)	●	We are awaiting responses from the valuer in respect of a small number of outstanding queries raised on the valuation of PPE (including Investment Property). In addition, our work on rights and obligations for a sample of assets remains in progress.
Pensions	●	Completion of our work in relation to the late amendment to the estimate of the pension liability for the GMP equalisation and the McCloud judgement (see page 14). An update IAS19 report was received from the actuary on the 15 July 2019. We are also awaiting responses to our queries from the auditor of the West Yorkshire Pension Fund.
Heritage Assets	●	Our work on physically verifying the existence of one asset remains in progress.
Cash and cash equivalents	●	We are awaiting receipt of an external bank confirmation from HSBC.
Expenditure and remuneration disclosures	●	We are awaiting a response from management to a query on a termination payment.
Non material notes to the financial statements	●	Our work on non material notes included in the statement of accounts remains in progress.
Whole of government accounts (WGA)	●	Completion of audit procedures supporting the WGA return to the NAO.
Final versions of the Annual Governance Statement (AGS) and amended financial statements	●	Review of the final version of the AGS and amended financial statements.
Post balance sheet events	●	Review of post balance sheet events up to the point at which we sign our audit report.
Review and closure procedures	●	Completion of audit closure procedures and final manager and partner review.

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

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# 1. EXECUTIVE SUMMARY

## **Our audit approach**

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## **Materiality**

We set materiality at the planning stage of the audit at £8m using a benchmark of circa 1.8% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £20m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Governance and Audit Committee, at £600k based on 3% of overall materiality).

## **Misstatements and internal control recommendations**

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance and Audit Committee in a follow-up letter.

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## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

### 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 intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	<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 override 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>Our audit methodology incorporates this risk as a standard significant risk at all audits. Based on our cumulative knowledge and planning discussions, we do not consider this risk at the Council to be unusually high or require enhanced audit procedures.</p> <hr/> <p><b>How we addressed this risk</b></p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"><li>• Accounting estimates impacting on 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> <hr/> <p><b>Audit conclusion</b></p> <p>Subject to resolution of outstanding matters on page 4, there are no matters arising from our work on management override of controls.</p> <hr/>

## 2. SIGNIFICANT FINDINGS (CONTINUED)

<b>Significant risk</b>	<b>Description of the risk</b>
Property, plant and equipment valuation (including Investment Property)	<p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. Investment property is valued annually to ensure it reflects market conditions at year end.</p> <p>Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE because of the significant judgements and number of variables involved in providing valuations.</p> <p>In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>

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### **How we addressed this risk**

We considered the Council's arrangements for ensuring that PPE values are materiality fairly stated and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's in-house valuer.

We reviewed the scope and terms of the engagement with the Council's in-house valuer and how management used the valuers report to value land and buildings in the financial statements. We also assessed the competence, skills and experience of the Council's valuer;

In relation to the assets which have been revalued during 2018/19, we reviewed the valuation methodology used, including testing the underlying data and assumptions. We compared the valuation output with market intelligence provided by Gerald Eve, our expert and consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.

We also reviewed the approach that the Council adopted to address the risk that assets not subject to valuation in 2018/19 are materially misstated and considered the robustness of that approach in light of the valuation information reported by the Council's in-house valuers. In addition, we considered movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

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### **Audit conclusion**

Subject to completion of the outstanding work highlighted on page 4, our work has provided the assurance we sought and has not identified any matters to report in relation to property, plan and equipment valuation.

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<b>Significant risk</b>	<b>Description of the risk</b>
Defined benefit liability valuation	<p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p>

(continue overleaf)

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk (continued)
Defined benefit liability valuation (continued)	<p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>

### How we addressed this risk

We reviewed the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation. We also:

- evaluated the competency, objectivity and independence of the scheme Actuary, AON Hewitt;
- liaised with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the financial statements.

### Audit conclusion

Subject to completion of the outstanding work highlighted on page 4 and the amendment detailed on page 14 in relation to GMP equalisation and the McCloud judgement, our work has provided the assurance we sought in each of these areas and has not highlighted any indication of material estimation error in respect of the defined benefit liability valuation.

Management judgement	Description of the management judgement
Useful asset lives and depreciation of Property, Plant and Equipment	Property, Plant and Equipment is depreciated over its useful life in the financial statements. Management makes a judgement on asset lives based on factors such as repairs and maintenance. Changes in asset lives could have a significant impact on the amount of depreciation charged to the income and expenditure account.

### How we addressed this area of management judgement

We have reviewed useful asset lives and tested the underlying calculation of depreciation to ensure they are reasonable and based on reasonable assumptions.

### Audit conclusion

There were no significant findings arising from our work on the key management judgement of useful asset lives and depreciation.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

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

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

### Significant matters discussed with management

Over and above our challenge of management' judgements and assertions made in producing the financial statements, the following significant matter was discussed with management:

- the Council's estimation of the pension liabilities arising in respect of guaranteed minimum pension (GMP) changes and also following on from the McCloud judgement (a national issue reflecting a revised interpretation based on the most up to date information and impacting the wider local government sector); and
- the need for a Housing Revenue Account (HRA) in 2018/19. Given the increase in Council dwellings over recent years, the number of such dwellings now exceeds the threshold above which an HRA is required (as stated in the Written Ministerial Statement of 20 March 2015 and as reinforced by Ministry of Housing, Communities and Local Government (MHCLG) guidance of 14 March 2019). Through discussion with management, the Council has sought and received MHCLG confirmation that these properties can, for years 2018/19 and 2019/20, continue to be account for in the General Fund in accordance with the current Direction issued in 2010. MHCLG have therefore agreed that the Council does not need to reopen an HRA in 2018/19.

### 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.

Draft accounts were received from the Council on 3 June 2019 and, recognising the scope for continuous improvement, the accounts were generally of a good quality. We will debrief with the Finance Team to share views on the final accounts audit. We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit visit to answer our queries in a prompt and timely manner. This co-operation has allowed the audit to progress smoothly and to complete within the allocated timeframe.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

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### 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 relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor 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 ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	none
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	3
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	0

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Deficiencies in internal control – Level 2

##### Description of deficiency

Information Technology (IT) policies do not adhere to best practice for example in relation to the creation of new user accounts, access rights, password parameters, segregation of duties between development and operations, backup procedures, the incident management process and levels of escalation.

##### Potential effects

Users are not aware of the process to follow and may make errors which reduce the security of the Council's systems.

##### Recommendation

The Council should review existing IT policies to ensure they are in line with best practice and address the deficiencies highlighted above

##### Management response

IT Policies to be reviewed and updated as appropriate with new policies to be developed where there are non-documented gaps with an emphasis on the use of "plain English" to promote understanding in all staff who use Council IT. All revised/new IT policies to be signed of by the Technical Design Authority (TDA) and communicated effectively to all staff to highlight changes.

Implemented by **January 2020**  
Responsible owner **Yunus Mayat**

##### Description of deficiency

IT user access testing found that:

- for a sample of 40 new starters, three new starter IT forms were missing
- for all leavers in the period, 72 accounts were found not to have been deactivated from business critical systems in a timely manner following their leaving date. Additional procedures were carried out to check the last log on date. All accounts had not been accessed since the employee had left.

##### Potential effects

Inappropriate access to business critical systems by an individual that has just joined the organisation or an individual that has left the organisation.

##### Recommendation

IT should perform and document scheduled periodic access reviews of business critical systems to ensure appropriate access / deactivation.

##### Management response

The new User Management (UM) forms and workflow to be launched in July 2019 will improve the closure and withdrawal of access to systems for staff who exit the organisation. The UM process will be communicated to the business via the council's IG board, IG operational network and IT Coordinators network.

A formal annual plan and schedule for reviewing Business critical system access will be developed and implemented.

Implemented by **January 2020**  
Responsible owner **Colum Sheridan-Small**

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### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Deficiencies in internal control – Level 2

##### Description of deficiency

Password parameters set within the Council's systems (AIM, Northgate, SAP, UPM) do not align with the Council's password policy.

##### Potential effects

Passwords are not sufficiently complex reducing the level of access security of critical business systems.

##### Recommendation

The Council should ensure that the password parameters for the critical business systems highlighted above reflect the Council's password policy.

##### Management response

Critical Business System password policies to be reviewed by the Technical Design Authority (TDA) to ensure effectiveness and secure approach.

Implemented by **October 2019**  
Responsible owner **Yunus Mayat**

#### Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

##### Description of deficiency

Declarations of interest from management were not sought in a timely manner to support the preparation of the related party note (Note 41) within the statement of accounts.

##### Potential effects

There is a risk that related party transactions are not identified and monitored appropriately in year. There is also a risk that the disclosure in the statement of accounts is not complete or based on up to date information.

##### Recommendation

The Council should ensure that declarations of interests are sought on a timely basis both throughout the year and in advance of preparation of the statement of accounts.

##### 2018/19 update

Declarations of interests were sought from officers prior to the end of the financial year. These have then been chased as appropriate during the process to prepare the statement of accounts.

Declarations from the members were reviewed as part of the preparation of accounts.

We recognise that there remain opportunities to further strengthen and embed arrangements and increase the profile of the need to receive timely responses to speed up the processes for future years.

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### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Follow up of previous internal control points (continued)

##### Description of deficiency

As part of the audit, we identified a significant number of journals containing no narrative description.

##### Potential effects

The exclusion of a narrative description makes it more difficult to determine the reason for a journal posting and potentially increases the risk for fraudulent activity being undetected.

##### Recommendation

The Council should both remind staff of the need to include an appropriate narrative description on all journals and regularly review journals to ensure that journal descriptions have been appropriately included for all posted entries.

##### 2018/19 update

A working group has been established to standardise and improve all aspects of narrative descriptions for journals.

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £600k.

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2018/19

We are pleased to report that there were no unadjusted audit differences.

### Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Net cost of services – non service budgets Cr: Other long term liabilities - Pensions liability	27,800			27,800
To reflect the additional pension liabilities arising from recent court decisions in relation to Guaranteed Minimum Pensions (GMP) equalisation and the McCloud judgement. Actuarial estimate of £27.8m in respect of the entity. No net impact on the Authority's General Fund, with pension costs under IAS 19 being reversed out in the Movement in Reserves Statement and replaced by actual employer pension contributions				
2 Dr: Other operating expenditure Cr: Property, Plan and Equipment	4,862			4,862
Inclusion of a land and building disposal omitted from the draft financial statements This misstatement was identified by officers during the audit				

### Disclosure amendments

During the course of the audit we identified a small number of disclosure changes which are detailed below. All have been adjusted for in the final version of the financial statements.

**Note 8 c2) Government Grants** – to ensure full disclosure and consistency with note 45 (Grant Income) £667k of local Services Support Grant required adding to note 8 c2). This misstatements was also identified independently by officers during the audit.

**Note 21g Accumulated Absences Account** – the subtotal for 'amounts accrued at the end of the current year' was omitted in error from the draft accounts. This subtotal (of £10,108k) has now been added to this disclosure note.

**Note 32 Members' Allowance** – the total cost of members' allowances and expenses required updating from £1,348,577 and £4,050 to £1,919,773 and £11,173 respectively. In addition the excluding Employers National Insurance contributions figure required amendment from £1,772,372 to £1,779,552.

**Note 33 Employees Remuneration** – due to a number of individuals being double counted within the banded number of employees remunerated in excess of £50,000, the note required amendment.

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## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Disclosure amendments (continued)

**Note 42 External Audit Costs** – the audit fee for the certification of grant claims and returns in 2018/19 required amendment from £17k to £9k to appropriately reflect the fee reduction on the prior year fee.

**Note 44 Contingent Liabilities and Assets** – the PFI BSF Phase 1 Asbestos Compensation Claim contingent liability required removal as the claim has been settled and paid in year.

**Collection Fund Note 3 Provision for Council Tax and Business Rates Bad Debts** – the prior year figure, which is part of the calculation of the decrease in the provision for Business Rates, required restating from £3.192m to £3.912m.

In addition to the above, we identified a significant number of minor presentational issues during our audit and these have all been amended by the Authority.

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## 5. 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
- 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 the senior management structure has been refreshed to ensure it remains appropriate to 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 quarterly Financial Position Statement reports and associated in year and outturn finance and performance reports, present to the Executive and Corporate Overview &amp; Scrutiny Committee the current and forecast position on performance and finance in relation to the Council's activities – supporting effective decision making.</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

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Council delivered a small budget underspend of £1.7 million for 2018/19 and delivered recurrent savings of £13.9m.</p> <p>Whilst the Council has a good track record of achieving savings, having managed to reduce spending by almost £250 million over the past 8 years, £13.5m of the £27.4m of planned savings for 2018/19 were not delivered as intended. Whilst the underachievement against the savings plan for 2018/19 was lower than last year (£22m) it was significantly higher than prior years (£7.9m in 2016-17 and £4.3m in 2015-16). Underachievement was due, in the main, to increased demand for adult and children's services, the increased difficulty in delivering savings as the Council reduces in size and as lower priority areas have already been cut.</p> <p>Notwithstanding the above, the Council recognises that having high levels of underachieved savings has a detrimental impact of the financial health of the Council as savings not delivered in year compound the difficulty in delivering future years' additional savings unless addressed. In response, the Council has:</p> <ul style="list-style-type: none"> <li>• set a balanced budget for 2019/20 which is underpinned by detailed savings plans;</li> <li>• refreshed its Medium Term Financial Strategy (MTFS) to recognise that some of the underachieved savings highlighted above will require a longer delivery period and others may not be deliverable given current service demand pressures;</li> <li>• enhanced its monitoring and reporting arrangements to more quickly identify and tackle emerging financial issues and / or develop compensatory savings;</li> <li>• commissioned external support to help the identification and delivery of required savings and transformation; and</li> <li>• developed a better alignment between budget processes and its purposes, priorities and ambitions as set out in the Council Plan.</li> </ul> <p>The Council approved a MTFS for 2020/21 to 2022/23 and beyond which is a key part of the Council's planning and performance framework. The financial outlook remains highly challenging requiring the delivery of significant savings of £16.1m in 2019/20 and £41.3m in 2020/21 including £23.9m of as yet unidentified savings. The MTFS highlights similar levels of required savings in subsequent years through to 2025/26.</p>	Yes
Working with partners and other third parties	<p>The Bradford 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>The Council is an active member of a number of strategic delivery partnerships. Through the Health and Wellbeing Board, for example, the Council is a lead member of the Bradford District and Craven Sustainability and Transformation Plan (STP) and the wider West Yorkshire and Harrogate Health and Care Partnership – working to create a strategic health and care economy that supports people to be healthy, well and independent.</p> <p>The Council continues to work with partners and other third parties to explore scope for alternative delivery models with some already in place and others being considered.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### 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 Value for Money 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 two significant Value for Money risks. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Financial sustainability</b></p> <p>The Council's medium term financial strategy for the period 2019/20 to 2022/23 sets out the significant financial challenges the Council faces in the medium term. The mid-year finance position statement for 2018/19 indicates that the Council is projecting to overspend this year's budget by £6.1m, placing further pressure on service delivery and potentially increasing the use of reserves to support revenue expenditure.</p> <p>The continuing challenges the Council faces are not new and are not unique to the City of Bradford Metropolitan District Council. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.</p>	<p>Building on our work in previous years, we reviewed the arrangements the Council has in place for ensuring financial resilience. Specifically, our work included reviewing:</p> <ul style="list-style-type: none"> <li>the Council's medium term financial plan to ensure it takes into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors; and</li> <li>the arrangements in place to monitor progress in delivering the budget and related savings plans.</li> </ul>	<p>The Council has revised its medium-term financial strategy for 2020/21 to 2022/23 to ensure it is based on appropriate assumptions (income projections, central government funding, pay and non-pay inflation) and recognises the risks associated with these assumptions.</p> <p>The Council delivered a balanced budget for 2018/19 – delivering a small budget underspend of £1.7m and recurrent savings of £13.9m.</p> <p>Whilst the underachievement against the savings plan for 2018/19 was lower than last year (£22m) it was significantly higher than prior years due, in the main, to increased demand for adult and children's services. The Council recognised these demand pressures early in the financial year and, through its routine monitoring and reporting arrangements, put compensating arrangements in place sufficient to deliver a balanced budget.</p> <p>As highlighted above, the financial outlook remains highly challenging and in response, the Council has further enhanced its MTFS arrangements and its budget monitoring and reporting arrangements.</p>

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks (continued)

Risk	Work undertaken	Conclusion
<p><b>Ofsted inspection: children's social care services</b></p> <p>In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we are required to consider the reports issued by other regulators.</p> <p>In October 2018, Ofsted reported the results of an inspection of children's social care services and concluded that the overall effectiveness of these services was inadequate.</p> <p>Whilst we are aware that the Council has taken a number of early steps to tackle the issues raised in the Ofsted inspection, there is a risk that the Council's arrangements do not secure the required improvements to this key service or that the improvements are not secured in a timely manner.</p>	<p>We considered the progress made by the Council in response to the October 2018 Ofsted report on children's social care services.</p> <p>This requires an expert judgement and therefore we have relied on the updated commentary from the regulator i.e. Ofsted's monitoring visit report of 4 July 2019.</p>	<p>Ofsted's monitoring visit letter of 4 July 2019 highlights that whilst some progress has been made and some positive improvements secured, there are several areas in which the pace of improvement is slow and insufficient progress has been made. We note the Council intent to ensure improvements are sustainable and embedded rather than 'quick fix'.</p> <p>As Ofsted will not provide an updated assessment until 2020 (when the Council is subject to a full re-inspection) children's social care services continue to be rated as 'inadequate' by Ofsted.</p> <p>As a result, our VFM conclusion will be qualified on an 'except for' basis (i.e. arrangement are in place except for those aspects assessed as inadequate by Ofsted).</p>

### Our overall Value for Money conclusion

On the basis of our work, with the exception of the matter reported below, we are satisfied that in all significant respects the Council has put in place proper arrangements to ensure it took properly informed decisions, deployed resources and worked with partners to achieve planned and sustainable outcomes for taxpayers and local people.

The exception to this are the areas of children's services that were identified as inadequate in Ofsted's report to the Council in October 2018, and the consideration of which were set out above in this report.

The wording of the Value for Money conclusion is set out in our draft audit report in Appendix B.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mr C Waddell  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

31 July 2019

Dear Cameron

### City of Bradford Metropolitan District Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

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 financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### 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 financial statements 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 City of Bradford Metropolitan District Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 Officer 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 Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on City of Bradford Metropolitan District Council's financial position, financial performance and cash flows.

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## DRAFT MANAGEMENT REPRESENTATION LETTER

### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by City of Bradford Metropolitan District Council in making accounting estimates, including those measured at current or 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 City of Bradford Metropolitan District 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 the Code and applicable law.

### 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.

### Fraud and error

I acknowledge my responsibility as s151 Officer 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 financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting City of Bradford Metropolitan District 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 City of Bradford Metropolitan District Council's financial statements 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 and applicable law.

I have disclosed to you the identity of City of Bradford Metropolitan District Council's related parties and all related party relationships and transactions of which I am aware.

### 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.

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## DRAFT MANAGEMENT REPRESENTATION LETTER

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, 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 City of Bradford Metropolitan District 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.

Yours sincerely

Director of Finance (s151 Officer)

Date.....

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of the City of Bradford Metropolitan District Council

#### Report on the financial statements

##### Opinion on the financial statements of the City of Bradford Metropolitan District Council

We have audited the financial statements of the City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the City of Bradford Metropolitan District Council as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### Opinion on the financial statements of West Yorkshire Pension Fund

We have audited the financial statements of West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of West Yorkshire Pension Fund during the year ended 31 March 2019, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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## DRAFT AUDITOR'S REPORT

### Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance 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 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- 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 sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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## DRAFT AUDITOR'S REPORT

### Conclusion on the City of Bradford Metropolitan District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, with the exception of the matter reported in the basis for qualified conclusion paragraph below, we are satisfied that, in all significant respects, the City of Bradford Metropolitan District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for qualified conclusion

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In October 2018, Ofsted reported the results of an inspection of children's social care services and concluded that these services were inadequate. Ofsted have carried out two monitoring visits since the inspection in 2018. The latest monitoring visit, reported in July 2019, highlights that whilst some progress has been made and some positive improvements secured, there are several areas in which the pace of improvement is slow and insufficient progress has been made. This qualification will remain until these services are no longer assessed as inadequate by Ofsted.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Responsibilities of the Council

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.

#### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Use of the audit report

This report is made solely to the members of the City of Bradford Metropolitan District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Certificate

We certify that we have completed the audit of the City of Bradford Metropolitan District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Cameron Waddell  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham, DH1 5TS

31 July 2019

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# APPENDIX C

## INDEPENDENCE AND FEES

### Auditor 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.

### Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit and non-audit fees at this, our Audit Completion phase.

Audit fees	2018/19 (actual)	2018/19 (planning)
Code audit work	£142,694	£142,694
Housing benefit subsidy certification	£9,210	£9,210

\* Our work on the Housing Benefit Subsidy Claim is not yet completed and consequently the final fee quoted above is still on an estimated basis.

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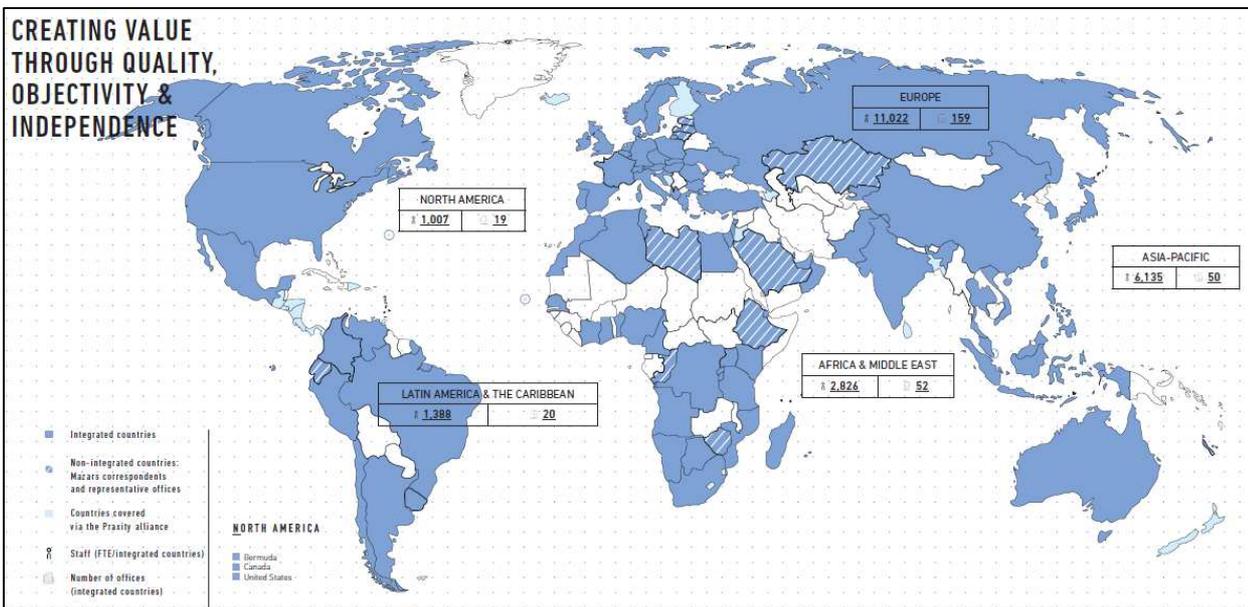
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# MAZARS AT A GLANCE

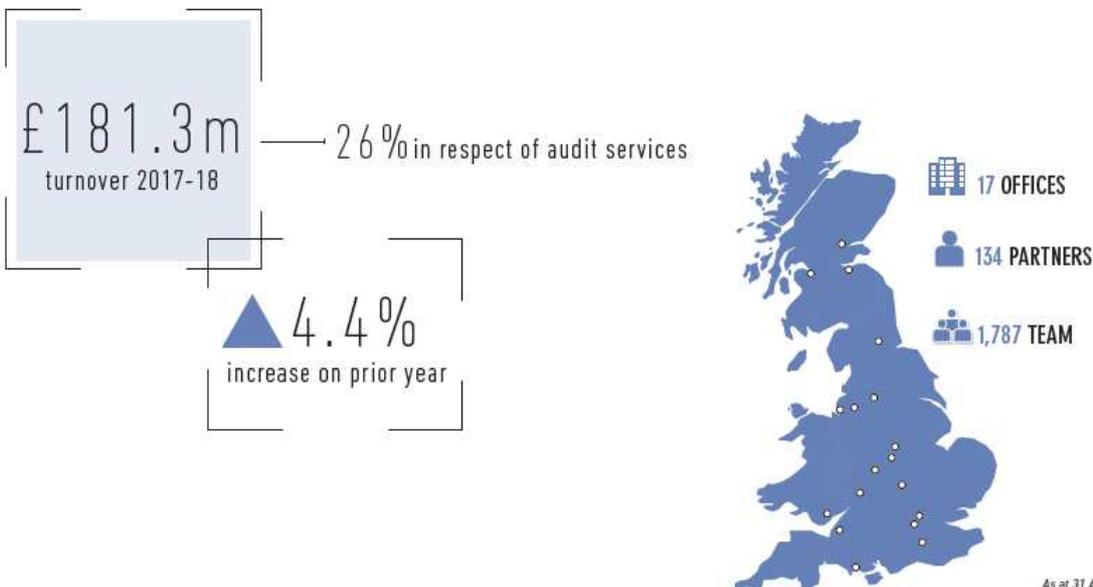
## Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

## Mazars Internationally



## Mazars in the UK



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