



Annual Audit Letter

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' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers 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.

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1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for City of Bradford Metropolitan District Council (the Council) for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements (City of Bradford Metropolitan District Council)	<p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2019 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 2018/19.
Audit of the financial statements (West Yorkshire Pension Fund)	<p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial transactions of the 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 prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that the other information in the Statement of Accounts is consistent with the audited financial statements.</p>
Value for Money conclusion	<p>Our report concluded that we are satisfied that in all significant respects, the 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, except for the areas assessed as inadequate by Ofsted in their report on children's social care services in October 2018.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 19 August, we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> <p>The report also confirmed that we did not exercise any other special powers of the auditor under sections 28, 29 or 31 of the 2014 Act.</p>
Audit of the financial statements included in the Pension Fund Annual Report	<p>On the 31 July we issued our opinion that the Pension Fund financial statements within the Pension Fund Annual Report are consistent with the Council's Statement of Accounts.</p>

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2. AUDIT OF THE FINANCIAL STATEMENTS CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Governance and Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 1.8% of Gross Operating Expenditure	£20m
Trivial Threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.6m

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2. AUDIT OF THE FINANCIAL STATEMENTS CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Governance and Audit Committee within the Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</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 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>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting on amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>There were no matters arising from our work on management override of controls.</p>
<p>Property, plant and equipment valuation - including Investment Property</p> <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>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.</p> <p>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;</p> <p>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.</p> <p><i>(continued on next page)</i></p>	<p>There were no matters arising from our work on property, plant and equipment valuations.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Property, plant and equipment valuation - including Investment Property (continued)</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>	<p>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.</p> <p>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.</p>	
<p>Defined benefit liability - valuation</p> <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> <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><i>(continued on next page)</i></p>	<p>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:</p> <ul style="list-style-type: none"> 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 	<p>There were no matters arising from our work on the defined benefit liability valuation.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability - valuation (continued)</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>	<ul style="list-style-type: none"> 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. 	
<p>Management judgement of useful asset lives and depreciation of property, plant and equipment</p> <p>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.</p>	<p>We have reviewed useful asset lives and tested the underlying calculation of depreciation to ensure they are reasonable and based on reasonable assumptions.</p>	<p>There were no matters arising from our work on management judgement of useful asset lives and depreciation of property, plant and equipment.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

We identified three internal control deficiency as part of our audit. These were not significant in nature and related to the Council's IT policies. User access and password parameters. Management has agreed to strengthen arrangements to address these control recommendations during 2019/20. We are content with Management's response.

2. AUDIT OF THE FINANCIAL STATEMENTS WEST YORKSHIRE PENSION FUND

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Pension Fund and whether they give a true and fair view of the Pension Fund's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 1% of net assets available to pay benefits	£143.6m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£4.3m
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: - Fund Account (using a benchmark of 10% of contributions receivable)	£52.0m

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2. AUDIT OF THE FINANCIAL STATEMENTS WEST YORKSHIRE PENSION FUND

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Governance and Audit Committee within the audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</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. Because of 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>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> ▪ accounting estimates impacting on amounts included in the financial statements; ▪ consideration of identified significant transactions outside the normal course of business; and ▪ journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work provided us with the assurance we sought and did not highlight any material issues.</p>
<p>Valuation of un-quoted investments for which market price is not readily available</p> <p>As at 31 March 2019, the fair value of investments which were not quoted on an active market was £2.1bn, which accounted for 14.5% of the Fund's net investment assets. As prices for these investments are not quoted in active markets, the values used in the accounts are those provided by fund managers. This results in an increased risk of material misstatement.</p>	<p>In addition to our standard programme of work in this area we have:</p> <ul style="list-style-type: none"> ▪ agreed the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made by the investment manager valuation; ▪ agreed the investment manager valuation to audited accounts. Where these were not available, we agreed the investment manager valuation to other independent supporting documentation; ▪ where audited accounts were available, we checked they were supported by a clear opinion; and ▪ where available, we reviewed any independent control assurance report and confirmed they did not highlight any risks of material misstatement. 	<p>Our work provided us with the assurance we sought and did not highlight any material issues.</p>

3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Qualified ('except for')

Our approach to Value for Money

We are required to consider 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

Our auditor's report, issued to the Council on 31 July 2019, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019

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 & 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

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3. 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"> • set a balanced budget for 2019/20 which is underpinned by detailed savings plans; • refreshed it's 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; • enhanced it's monitoring and reporting arrangements to more quickly identify and tackle emerging financial issues and / or develop compensatory savings; • commissioned external support to help the identification and delivery of required savings and transformation; and • developed a better alignment between budget processes and its purposes, priorities and ambitions as set out in the Council Plan. <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

3. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
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



3. VALUE FOR MONEY CONCLUSION

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 Completion Report, we reported that we had identified two significant Value for Money risk(s). The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>Financial sustainability</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 indicated that the Council was projecting to overspend totalling £6.1m, which placed further pressure on service delivery and potentially increased 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 financially 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"> 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 the arrangements in place to monitor progress in delivering the budget and related savings plans. 	<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>



3. VALUE FOR MONEY CONCLUSION

Significant Value for Money risks (continued)

Risk	Work undertaken	Conclusion
<p>Ofsted inspection: children's social care services</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. arrangements are in place except for those aspects assessed as inadequate by Ofsted).</p>

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Consistent
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power 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 statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain consistency tests on the data. We submitted this information to the NAO on 19 August 2019.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Governance and Audit Committee in March 2019.

Having completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

Area of work	2018/19 proposed fee	2018/19 final fee
Delivery of audit work under the NAO Code of Audit Practice	£142,694	£142,694

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

Area of work	2018/19 proposed fee	2018/19 final fee
Housing Benefit Subsidy Claim	£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.

6. FORWARD LOOK

Audit Developments

Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>)

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

Financial Resilience

Fair Funding Review

The Council will need to incorporate the impact of the Spending Review, due in the latter half of 2019, to its Medium Term Financial Plan. The Spending Review will set out the department allocations for 2020/21 and potentially beyond. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and/ or income generation schemes.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office intends to publish a report on Commercialisation during 2019. Depending on the appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property; and
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

Lease accounting

The implementation of IFRS 16 *Leases* in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

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6. FORWARD LOOK

Next year's audit and how we will work with the Council

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to:

- liaise with the Council's Internal Auditors to minimise duplication of work;
- attend Governance and Audit Committee meetings and presenting Audit Progress Reports including updates on regional and national developments; and
- host events for staff, such as our Local Government Accounts Workshop.

We will meet officers to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit.

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