

# Audit Completion Report

City of Bradford Metropolitan District Council –  
Year ended 31 March 2021

November 2021



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City of Bradford Metropolitan Council  
City Hall  
Bradford  
BD1 1UH

Mazars LLP  
5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

Dear Committee Members

## Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. 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 25 March 2021. 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

Key Audit Partner

Mazars LLP

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined pension liability valuation;
- Valuation of land and buildings; and
- Covid-19 grant recognition.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements and unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

Subject to the satisfactory conclusion of the remaining audit work, we expect to report the following conclusions:



### Audit opinion

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

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



### 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 or questions from local electors.

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# 02




Section 02:

**Status of the audit**

# 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.


Audit area	Status	Description of the outstanding matters
Journals		Our work is substantially complete, however we are assessing evidence provided in relation to this area.
Property valuations		Our work is substantially completed, however we are finalising our work in this area.
Cash and bank		We are awaiting evidence to support reconciling items included in the bank reconciliation.
Creditors		Our work in this area is substantially complete, however are awaiting evidence to support three creditors included in our sample.
IT General Controls		Our work in this areas is underway, however we are awaiting evidence to support our work in this area.




-  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.



# 2. Status of the audit

The following standard closure procedures also need to be completed before signing the auditor's report

Audit area	Status	Description of the outstanding matters
Final versions of the Annual Report and Annual Governance Statement		We will review the final versions of the Annual Report and Annual Governance Statement. This includes our technical and final review of the financial statements.
Letter of Representation		Receipt, and review, of signed letter of management representation
Post balance sheet events		Review of post balance sheet events up to the point at which we sign our audit report.
Whole of government accounts		Completion of audit procedures supporting the WGA return to the NAO.
Audit review and quality control		Completion of Manager and Partner review and Mazars quality control processes in respect of the audit.

-  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.





# 03

## Section 03: **Audit approach**

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £22.5 million using a benchmark of circa 2% of gross operating expenditure. Our assessment of materiality, based on the draft financial statements is £23.5 million using the same benchmark.

As part of our closure procedures, we will revise materiality based on the final version of the financial statements.

## Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. There are no changes to our or management's use of experts:

Item of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt)	NAO's consulting actuary (PWC)
Property, plant and equipment valuation	In-house valuer	We take into account any relevant information which is available from third parties
Financial instrument disclosures	Link Asset Services (formerly Capita)	No expert required

## Service organisation

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

Items of account	Service organisation	Audit approach
School's payroll	Data-plan and Working for Schools. These are the two material providers.	Sufficient appropriate audit evidence has been obtained for us to substantively test schools' external payroll without contacting the service organisations.



# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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 17 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

<b>Management override of controls</b>	<p><b>Description of the risk</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p> <hr/> <p><b>How we addressed this risk</b> We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• Accounting estimates impacting 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> Subject to the satisfactory completion of the work highlighted in section 2 of this report, we do not expect there to be any matters to report in respect of management override of controls.</p>
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## 4. Significant findings

### Significant risks (continued)

#### Net defined pension liability valuation

##### Description of the risk

The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.

The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

##### How we addressed this risk

We have addressed this risk by:

- critically assessing the competency, objectivity and independence of the West Yorkshire Pension Fund's Actuary, Aon Hewitt;
- liaising with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension have been designed and implemented appropriately. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- reviewing and agreeing 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 by the consulting actuary engaged by the National Audit Office; and
- reviewing and agreeing 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 Authority's financial statements.

In line with 2019/20 and the continuing Covid-19 pandemic, we monitored the valuation approach to assess if a material uncertainty disclosure will be required for 2020/21.

##### Audit conclusion

Our work on the valuation of the Council's net pension liability valuation is complete and there are no issues to report.

We have also confirmed there is no material valuation uncertainty disclosure required for 2020/21.

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# 4. Significant findings

## Significant risks (continued)

<b>Valuation of land and buildings</b>	<p><b>Description of the risk</b> Council dwellings, infrastructure assets, other land and buildings were the Council’s highest value assets totalling £826.0 million in 2020/21. The balance sheet also included investment properties totalling £46.1 million, and assets held for sale totalling at £0.225 million in 220/21.</p> <p>Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate value at that date.</p> <p>Management engages its own Valuer as an expert to assist in determining the value of land and buildings to be included in the financial statements, however there remains a high degree of estimation uncertainty associated with the valuation of land and buildings due to the significant judgements and number of variables involved.</p> <hr/> <p><b>How we addressed this risk</b> We evaluated the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings. We:</p> <ul style="list-style-type: none"> <li>• assessed the scope and terms of engagement with the Valuer;</li> <li>• assessed the competence, skills and objectivity of the Valuer;</li> <li>• assessed how management use the Valuer’s report to value land and buildings included in the financial statements;</li> <li>• tested the accuracy of the data used in valuations;</li> <li>• challenged assumptions and judgements applied in the valuations;</li> <li>• reviewed the valuation methodology used, including the appropriateness of the valuation basis; and</li> <li>• considered the reasonableness of the valuation by comparing the valuation output with market intelligence.</li> </ul> <p>In line with 2019/20 and the continuing Covid-19 pandemic, we considered the valuation approach and whether a material uncertainty disclosure should have been reported in 2020/21.</p> <hr/> <p><b>Audit conclusion</b> Our work on the valuation of the Council’s land and buildings is ongoing (as set out in Section 2). We will report any issues to Governance and Audit Committee and within our follow-up letter.</p> <p>We have confirmed there is no further material valuation uncertainty disclosure required for 2020/21.</p>
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# 4. Significant findings

## Significant risks (continued)

**Covid 19 grant recognition**

**Description of the risk**

Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities.

Use of management judgement was required to determine if the Council is acting as an agent or principal in relation to the administration of these grants, and in relation to determining whether the recognition criteria have been met.

We therefore identified accounting for the completeness and accuracy of this income as a risk.

**How we addressed this risk**

We have completed the following:

- reviewed the Council’s approach in determining whether grants are or are not ring-fenced for specified areas of expenditure;
- tested grant income recorded in the ledger to grant allocations/ notifications; and
- reviewed a sample of grants to ensure conditions to recognise the income in 2020/21 have or have not been met.

**Audit conclusion**

Our work in this area is complete and we have no issues to report.

# 4. Significant findings

## Key areas of management judgement

<b>PFI accounting</b>	<p><b>Description of the management judgement</b> The method of accounting for PFI assets can be complex and involve management judgement.</p> <p>There is therefore a potential risk of material misstatement if the Council fails to appropriately apply judgement and update their accounting model.</p> <hr/> <p><b>How our audit addressed this area of management judgement</b> We have reviewed the Council’s approach for accounting for its PFI assets including a review of any changes to the financial model.</p> <hr/> <p><b>Audit conclusion</b> We have no issues to report in this area.</p>
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<b>Introduction of HRA</b>	<p><b>Description of the management judgement</b> As part of our planning discussions with management , it was highlighted that the Council may need to introduce a Housing Revenue Account (HRA) in 2020/21.</p> <p>On 15 July 2019 the Ministry of Communities, Housing and Local Government wrote to the Council confirming that the Council must reopen a Housing Revenue Account (HRA) from 1 April 2020 as the number of dwellings held in the General Fund exceeded the current threshold stated in the Written Ministerial Statement</p> <p>As this is the first year of the HRA, there is a risk that the accounting treatment could be incorrect, resulting in misstatement.</p> <hr/> <p><b>How our audit addressed this area of management judgement</b> We have reviewed the HRA direction, dated May 2021, from the Ministry of Housing, Communities and Local Government, that confirms the Council does not require a HRA for the period 1 April 2020 to March 2022.</p> <hr/> <p><b>Audit conclusion</b> We have no issues to report in this area.</p>
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# 4. Significant findings

## Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council on 20 August 2021 and were of a good quality.

## Significant matters discussed with management

### Covid -19 Business support

The Council administered over £173.9 million of financial assistance to local businesses and individuals on behalf of the Government. This support, and the associated income, is not reflected in the Council’s financial statement because the Council demonstrated it acted as an agent of the Government. We considered whether the Council’s approach to accounting for these grants was in accordance with relevant guidance and accounting standards and found it to be reasonable.

### Defined benefit pension liability and property valuations

As a result of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers we have needed to increase the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the fee required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. As set out in our ASM all fee variation requests are subject to approval from PSAA.

## 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.

Given the ongoing impact of COVID-19 the whole audit was completed remotely.

## 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 2020/21 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.

No such objections have been raised.



# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

As at the time of drafting this report we have no new control recommendations to report.

We have provided an update on last year’s internal control point.

Priority ranking	Description	Number of issues
1 (high)	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.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0



# 5. Internal control recommendations

## Follow up on previous internal control point

### Description of deficiency

The Council does not have an accruals threshold included in its accounting policies.

### Potential effects

The current accounting policy means any missed accrual of income or expenditure is incorrect by the Council's own policy and therefore an audit error.

### Recommendation

The Council should consider updating its accounting policy, by setting threshold for recognising year-end accruals.

The impact of the threshold should be quantified to Those Charged With Governance, in terms of the impact on the accounts, the number of transactions and staff resources required to process the accruals.

### 2020/21 update

Management set an accruals threshold of above £1,000, which was considered and approved by Governance and Audit Committee in July 2021.



# 06

Section 06:

**Summary of misstatements**

## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £0.705 million. The first table 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 table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Revaluation Reserve			2,002	
	Cr: Property, plant and equipment (other land and buildings)				2,002
Three depreciated replacement cost assets (totalling £2.002 million) have been overstated. This was because the calculation for professional fees, external works and demolition costs were incorrect. Management has reviewed all the valuations and provided assurance the error is limited to these assets					
2	Dr: Property, plant and equipment (other land and buildings)			2,415	
	Cr: Revaluation Reserve				2,415
The valuation of a care home was calculated based on it being a 50 bedroom property. Review of the supporting data confirmed it should have been calculated on 69 bedrooms. We have quantified the understatement as £2.415 million. Management has reviewed all similar valuations and has provided assurance this is an isolated error.					
3	Dr: Property, plant and equipment			1,783	
	Cr: Gross Expenditure		1,783		
Our work on fixed asset depreciation, noted depreciation has been charged on assets valued as at 31 March 2021. This has resulted in the net book of these properties being understated by £1.783 million. Management has reviewed depreciation charged in year and confirmed the error does not exceed our extrapolated amount.					

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## 6. Summary of misstatements

### Unadjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	Dr: Debtors			2,060	
	Cr: Gross expenditure		2,060		
As part of our expenditure testing, we identified expenditure totalling £1,425 relating to 2021/22. The extrapolated error totals £2.060 million, which management has not changed.					
5	Dr: Gross income	916			
	Cr: General Fund				916
We noted the teachers pension allocation received in 2020/21 relates to 2019/20, due to delays submitting the claim. The error has been extrapolated and resulted in a £0.916 million error.					
<b>Total unadjusted misstatements</b>		<b>916</b>	<b>3,843</b>	<b>8,260</b>	<b>5,333</b>

As highlighted in section 2 of this report, our work is ongoing. Any additional errors will be included in our follow-up letter.

### Adjusted misstatements

To date no adjusted misstatements have been noted.

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# 6. Summary of misstatements

## Disclosure amendments

The following disclosure amendments have been agreed with management:

- Note 41 (related party transactions) – as part of our work we noted several omissions, the largest being West Yorkshire Combined Authority which was not disclosed, totalling £1.217 million; and
- Notes 8e (government grants) and 45 (grant income) – amounts for Council Tax Hardship and Tax Income Guarantee were transposed.

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

If any misstatements are identified on completion of the outstanding audit work highlighted in section 2, these will be reported to the Audit Committee in a follow-up letter.





# 07

Section 07:

**Value for Money**

# 7. Value for Money

## 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within the 3 months of issuing our audit opinion on the financial statements, consistent with NAO guidance.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report within 3 months of issuing our audit opinion on the financial statements, consistent with NAO guidance.



# Appendices

A: Draft management representation letter

B: Draft audit report

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D: Other communications

# Appendix A: Draft management representation letter

City of Bradford Metropolitan District Council headed paper  
Cameron Waddell  
5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

X November 2021

Dear Cameron

### City of Bradford Metropolitan District Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of City of Bradford Metropolitan District Council (the Council) for the year ended 31 March 2021 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 2020/21 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, 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 the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and IT 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.



# Appendix A: Draft management representation letter

## 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 the Council's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework..

## 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 un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with 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.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



# Appendix A: Draft management representation letter

## Fraud and error

I acknowledge my responsibility as Director of Finance and IT 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 the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's 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 the Council's related parties and all related party relationships and transactions of which I am aware.

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

## Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

## Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Council's PFI schemes that you have not been made aware of.



# Appendix A: 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.

### Covid-19

I confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the accounts, including the event after the balance sheet note to the financial statements, fairly reflects that assessment.

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. *Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the ACR. Unadjusted should be numerical AND disclosure..*

Yours faithfully

Director of Finance and IT: .....

Date: .....



# Appendix B: Draft audit report

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

## Report on the audit of the financial statements

### Opinion on the financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council (“the Council”) for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 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 2020/21.

### Basis for opinion

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, 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

In auditing the financial statements, we have concluded that the Director of Finance and IT’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and IT with respect to going concern are described in the relevant sections of this report.

### Other information

The Director of Finance and IT is responsible for the other information. The other information comprises the Annual Governance Statement and 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.





# Appendix B: Draft audit report

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 and IT for the financial statements

As explained more fully in the Statement of the Director of Finance and IT's Responsibilities, the Director of Finance and IT 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 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance and IT is also responsible for such internal control as the Director of Finance and IT 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 and IT is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance and IT 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21) and the Local Audit and Accountability Act 2014 (and associated regulations made under section 32) and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance and IT incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.



# Appendix B: Draft audit report

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance and Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and IT use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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.

## Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

### 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.



# Appendix B: Draft audit report

## 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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

## 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.

## Use of the audit report

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and 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.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Cameron Waddell, Key Audit Partner  
For and on behalf of Mazars LLP  
5th Floor  
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XX November 2021

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# Appendix C: 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.



# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and IT that City of Bradford Metropolitan District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

# Appendix D: Other communications

Other communication	Response
<p><b>Subsequent events</b></p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p><b>Matters related to fraud</b></p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Governance and Audit Committee, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul>



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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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