

# Audit Progress Report

City of Bradford Metropolitan District  
Council

November 2023



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# 01

Section 01:

**Audit progress**

# 1. Audit progress

## **Purpose of this report**

This report provides the November 2023 Governance and Audit Committee meeting with an update on progress in delivering our responsibilities as your external auditors. It updates members on the national delays in completing the 2020/21 and 2021/22 audits and how they impact the Council and the timing of the 2022/23 audit. It also includes, at Section 2, a summary of the outcomes from a survey relating to the fiscal pressures and inflation challenges for the public and social sector and at Section 3, a summary of recent national reports and publications for your information.

## **2020/21 Audit**

The audit certificate for the 2020/21 audit has not yet been issued. This will follow in due course.

## **2021/22 Audit**

### ***Financial Statements audit.***

There are two matters remaining outstanding relating to the 2021/22 audit:

The Council received a revised IAS 19 valuation report following completion of the triennial valuation of the pension fund. Our work in respect of this revised report is now substantially complete, however this is subject to review.

The Council has made a decision to apply its change in its Minimum Revenue Provision (MRP) policy retrospectively to 2021/22 and reduce its MRP charged to the General Fund in 2021/22 by £24.193m. The Council obtained KC advice on the lawfulness of this decision. We have obtained our own KC advice, and we are considering the audit response to the Council's decision. We are unable to complete the 2021/22 financial statements audit and provide our signed audit report until this matter is resolved. We continue to discuss with Council officers and will report progress to subsequent Governance and Audit Committee meetings.

### ***Value for money arrangements***

Our work in respect of the Council's arrangement for securing economy, effectiveness and efficiency in its use of resources remains in progress. We will provide our commentary including any identified significant weaknesses in arrangements in our Auditor's Annual Report.

### ***Whole of government accounts***

When we have issued the 2021/22 audit opinion, we will also be able to report to NAO on the WGA. The Council is below the NAO's £2bn threshold for detailed audit work. However, the NAO's group audit instructions confirm that the NAO may select Council's below the threshold for detailed audit work. We will be unable to issue our 2021/22 certificate until the NAO confirms whether they require further audit work on the Council's WGA submission.

# 1. Audit progress (continued)

## 2022/23 Audit

Our Audit Strategy Memorandum for the 2022/23 audit was presented to the Governance and Audit Committee in September 2023. We have now substantially completed our planning work in respect of the 2022/23 audit. This has not resulted in any changes being necessary to our planned audit approach set out in our Audit Strategy Memorandum

Due to delays in finalising the financial statements and working papers for audit, we have updated our timeline to complete the audit. The updated timeline is shown on the following page.

We commenced our audit fieldwork on the 2022/23 financial statements at the start of November. We are aiming to complete our audit work in relation to the 2022/23 audit by the end of March 2024. The timetable includes more flexibility, conscious that this period is when the Council will be producing and finalising its 2024/25 budget, and the finance team's time available to support the audit may be more limited.

Public Sector Audit Appointments (PSAA) reported that nationally just one per cent of local authority accounts were audited by 30 September 2023 and the Government, the NAO, audit suppliers and regulators are working together to find a way to clear the backlog before 2023/24, which is the first year of a new external audit contract let by PSAA. We will update the Governance and Audit Committee as soon as a way forward is agreed.

# 1. Audit progress (continued)

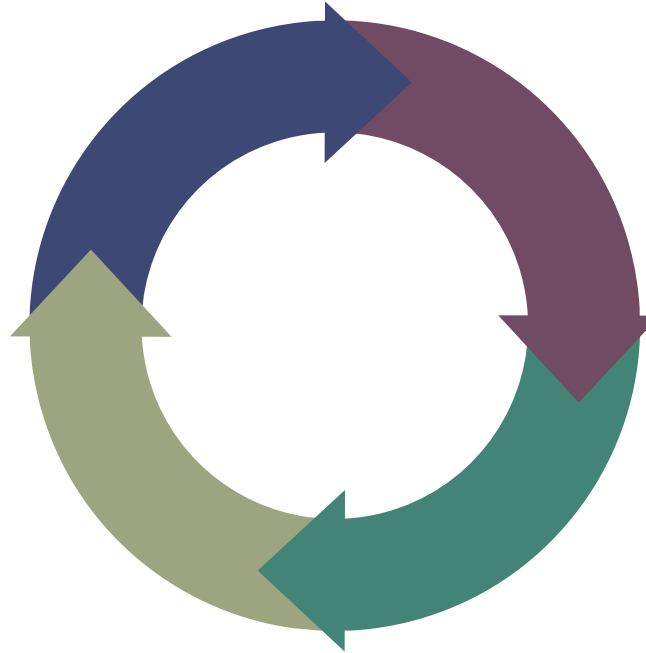
This is an indicative timetable for the audit for the year ended 31 March 2023.

## Planning and Risk Assessment (August – September 2023)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

## Completion (February to March 2024)

- Final review and disclosure checklist of financial statements
- Final Engagement Lead review
- Agreeing content of letter of representation
- Reporting to the Audit and Governance Committee
- Reviewing subsequent events
- Signing the independent auditor's report



## Interim (September to October 2023)

- Documenting systems and controls
- Performing walkthroughs
- Updating our understanding of the IT environment
- Reassessment of audit plan and revision if necessary

## Fieldwork (November 2023 to February 2024)

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

# 02

Section 02:

## **Fiscal pressure & inflation challenges for the public & social sector – our 2023/24 survey**

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and desperate. In response, we sought to understand how the public sector plans to support vulnerable people, communities, and service users in 2023/24.

# Fiscal pressure & inflation challenges for the public & social sector – our 23/24 survey

## Key Findings at a Glance

**1. Supporting vulnerable communities is a public and social sector imperative:** The public sector is taking proactive steps to strengthen support and service delivery to deprived communities, but could more be done to safeguard vulnerable citizens?

To support people, communities, and service users, 61% said they are seeking new funding/income streams to maintain services; and 54% said they are reassessing the breadth and depth of services. In particular, respondents highlighted the creation of hardship funds, diversion of critical services, and streamlining of internal processes.

81% said lack of funding; 67% said lack of staffing resources; and 46% said focus on short term not long term all pose the greatest barrier to supporting vulnerable people and communities.

**2. Innovation and collaboration are key enablers in the fight against financial constraints:** As the public sector moves to meet rising demand with renewed vigour, what role will innovation and collaboration play in the fight against poverty?

The majority of public sector organisations are looking externally for support and solutions, with 90% agreeing that external collaboration could strengthen their response to deep-running fiscal challenges and 87% of respondents positive that engaging with third parties could improve efficiency and productivity organisation wide. There were similar reflections about the importance of leveraging internal networks, with 83% of respondents agreeing that staff collaboration across their organisation was key, e.g. cross-departmental, would improve efficiency and productivity. Organisations are therefore advocating a unified approach, which values the existing workforce's skills and insight, and supplements this with external perspectives to diversify thinking and continually improve.

Both innovation and technology were identified as potential opportunities for improved service delivery. Respondents highlighted the need for digital transformation strategies, sharing good practice, and using artificial intelligence to identify the people and communities most at risk. Efficient and digitised services have the potential to free up resources and there was a particular spotlight on self-help tools for their dual function in creating capacity and empowering citizens.

**3. The Public and social sector must redefine its place in an evolving economic landscape:** Many service providers are still thinking short-term. How can we ensure public services are future fit, and what will the biggest priorities be over the next 12-24 months?

Organisations referred to targeting priorities across both key inputs (31% securing funding; 41% continuous employee wellbeing and development) and outputs (54% improving citizen/service user experience; 45% supporting local communities to cope with rising living costs).

Public sector organisations remain alert to issues on the external horizon that could impact success, with uncertainty both in relation to energy costs and inflation (90%) and the current UK political landscape (79%) being a key concern for most respondents. Instability in the workforce completed the top three concerns, with 77% of organisations responding that higher level skills shortages were having a high (43%) or medium (34%) impact.

These themes are consistent with previous findings – employees need to be nurtured, new funding streams secured, and significant efficiency gains made. Upstream investment in people and relationships should intrinsically support the achievement of outputs and outcomes, maximising medium to long term impact. However, our survey suggests the sector needs an injection of confidence that there will be the financial and political security to deliver this success.

Our full report of our survey and responses can be downloaded for free from our website. <https://www.mazars.com/Home/Insights/Latest-insights/Public-and-social-sector-study-2023>



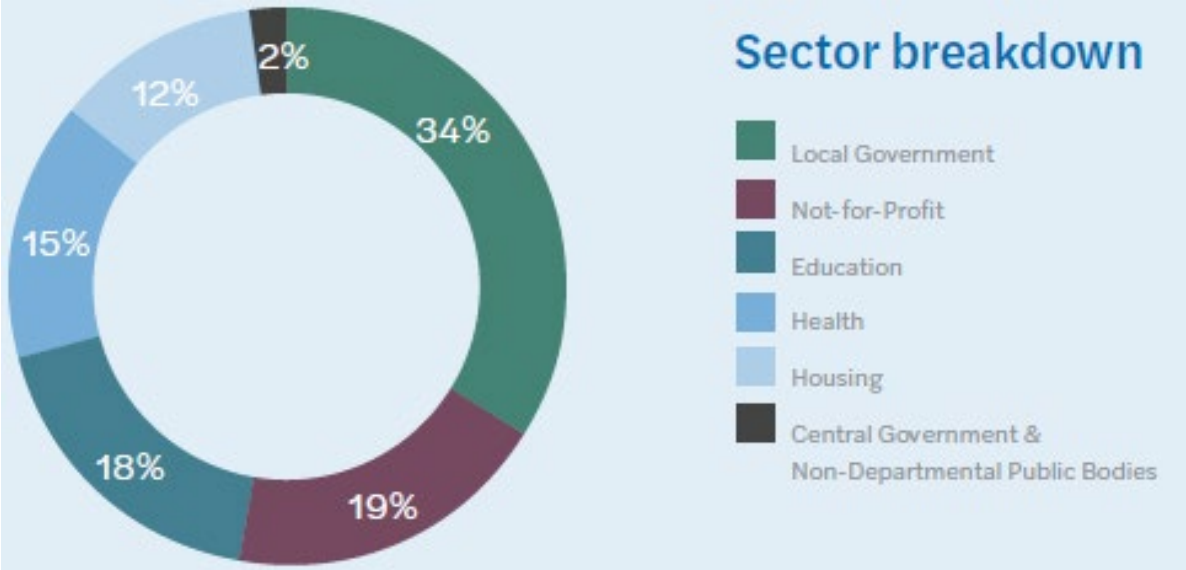
# Key findings at a glance

## Survey methodology and breakdown

A survey to measure fiscal pressure and inflation challenges for the public & social sector was conducted by Surveys in Public Sector in partnership with Mazars. The consultation period ran from Tuesday 7th February 2023 to Monday 6th March 2023. A total of 332 individuals from 312 unique organisations participated in the survey, representing a broad cross-section of job functions across the UK public sector.

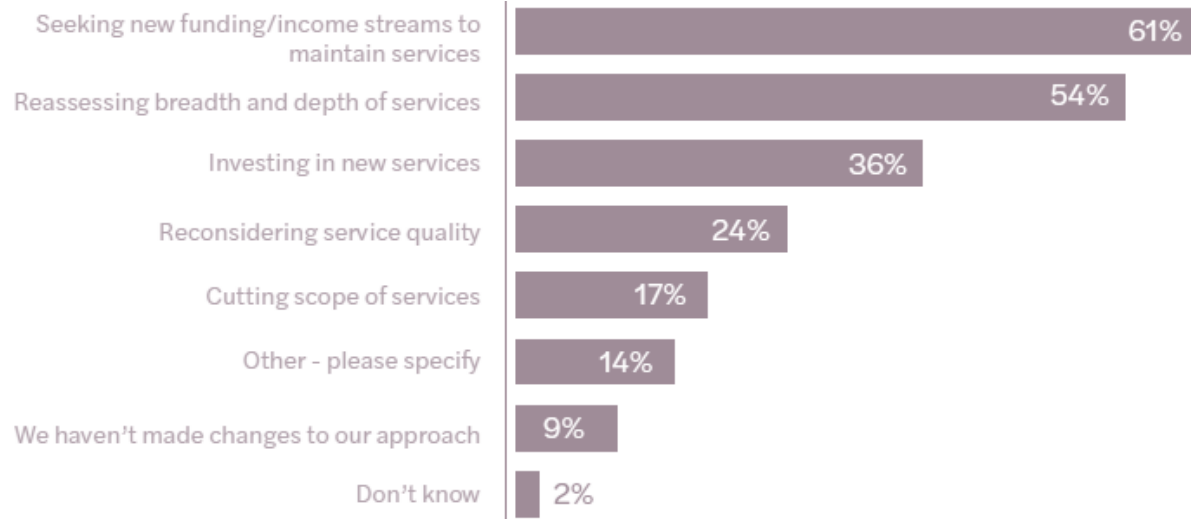
All survey participants have received a complimentary copy of the key findings report. There was no inducement to take part in our research project, and Mazars was not introduced as the survey partner.

The results discussed throughout our report are based on those who fully completed the questionnaire and are displayed as a percentage of this group, unless explicitly stated otherwise.



## Key findings at a glance

# How is your organisation currently changing its approach to supporting people, communities, and service users?



# Supporting vulnerable communities is a public & social sector imperative

### How is your organisation currently changing its approach to supporting people, communities, and service users?

- 61% said they are seeking new funding/income streams to maintain services
- 54% said they are reassessing the breadth and depth of services
- 36% said they were investing in new services to meet increasing demand
- 17% said they were cutting the scope of services

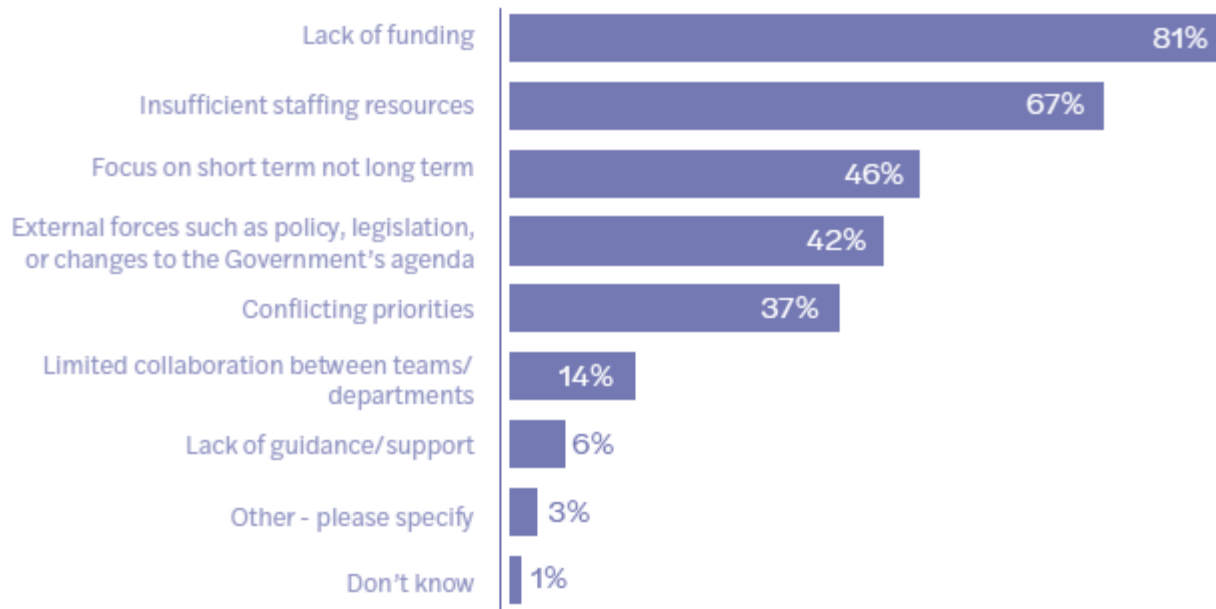
The comments section was used to expand on these points, highlighting the creation of hardship funds, diversion of critical services, and streamlining of internal processes.

### In your opinion, which of the following poses the greatest barrier to your organisation's ability to support vulnerable people/communities?

- 81% said lack of funding
- 67% said lack of staffing resources
- 46% said focus on short term not long term

## Key findings at a glance

In your opinion, which of the following poses the greatest barrier to your organisation's ability to support vulnerable people/communities?



## Innovation and collaboration are key enablers in the fight against financial constraints:

### How much do you agree that the following ways of working together/collaboration could help address the fiscal and inflationary challenges your organisation faces?

- Increasing opportunities for easy collaboration locally, regionally, and nationally:

90% agreed that external collaboration could strengthen their response to deep-running fiscal challenges.

- Working with partners to identify innovative solutions to improve efficiency and productivity:

87% of respondents felt that engaging with third parties could improve efficiency and productivity organisation wide.

- Improved/increased staff collaboration across the organisation:

83% of respondents agreed that staff collaboration across their organisation was key, e.g. cross-departmental, would improve efficiency and productivity.

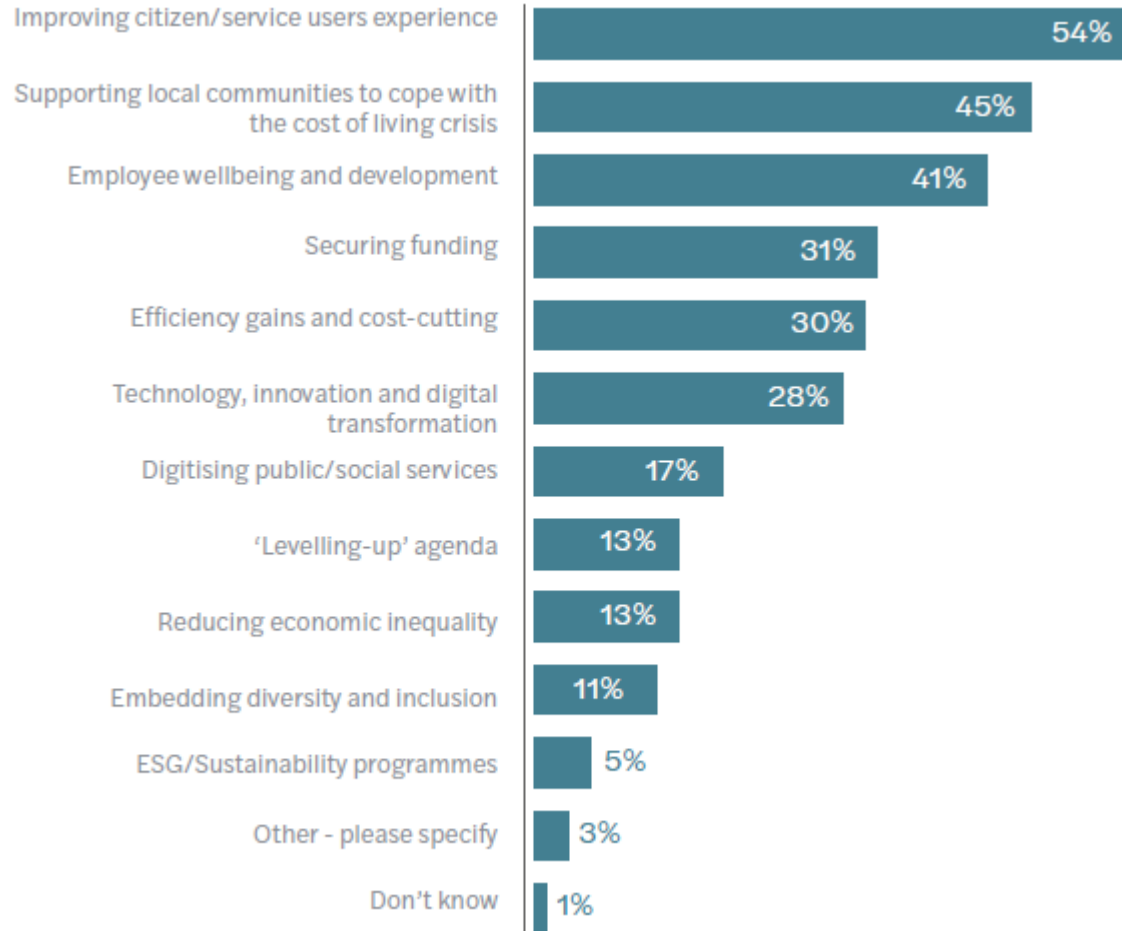
Innovation and technology were identified as potential opportunities for improved service delivery – respondents highlighted the need for ‘*digital transformation strategies*’, sharing good practice, and using artificial intelligence to identify the people and communities most at risk.

Self-help tools were highlighted to free up internal resources and empower citizens – e.g. raising awareness of services to reduce demand through inappropriate referrals.

Efficient and digitised services were identified as having the potential to free up resources.

## Key findings at a glance

Which of the following areas do you believe will be key priorities of your organisation in the next 12-24 months?



## Key Findings at a glance

# The public and social sector must redefine its place in an evolving economic landscape (long term):

### Key priorities for the next 12-24 months

- 54% of respondents saw ‘improving citizen/service user experience’ as a high priority
- 45% saw supporting local communities to cope with rising living costs as a key priority
- 41% agreed with the importance of continuous employee wellbeing and development
- 31% identified securing funding

These themes are consistent with previous findings – employees need to be nurtured, new funding streams secured, and significant efficiency gains made.

### To what extent are the following global and national factors impacting your organisation’s decision making?

- 90% of respondents said national economic uncertainty due to energy costs and inflation had a high (64%) or medium (26%) impact
- 77% responded that higher level skills shortages were having a high (43%) or medium (34%) impact
- 79 % of respondents said the current UK political landscape had a high (42%) or medium (37%) impact

# 03

Section 03:

**National publications**



# National publications

This section highlights recent national publications that may be of interest to Members of the Committee. If you require any additional information, please contact any member of your engagement team.

We have, in the tables that follow, provided a brief insight into the purpose/key points of the publications with indicative relevance and/or suggested action using the following RAG ratings:

- Action required
- Action suggested
- For information only.

	Publication/update	Key points	Action
<b>National Audit Office (NAO)</b>			
1.	Condition of school buildings	Report which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education.	●
2.	Financial management in government: strategic planning and budgeting	This guide is for senior finance leaders in government departments and other public bodies. It sets out the first stage in the financial management lifecycle: strategic planning and budgeting.	●

# NATIONAL PUBLICATIONS

## National Audit Office

### 1. Condition of school buildings – June 2023

The NAO has published its report Condition of school buildings which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education. The evaluative criteria for assessing value for money include whether DfE has:

- a good understanding of the condition of school buildings
- appropriate arrangements to allocate funding for school buildings in line with need
- effective ways to support the sector.

The report covers:

- the school system and DfE's overarching school building maintenance approach (Part One)
- DfE's understanding of the condition of school buildings (Part Two)
- how DfE matches funding to need (Part Three).

Conclusions:

DfE is accountable for providing those bodies responsible for school buildings with the funding and support to enable them to meet their responsibility to ensure school buildings are safe and well maintained.

Following years of underinvestment, the estate's overall condition is declining and around 700,000 pupils are learning in a school that the responsible body or DfE believes needs major rebuilding or refurbishment.

Most seriously, DfE recognises significant safety concerns across the estate, and has escalated these concerns to the government risk register.

<https://www.nao.org.uk/reports/condition-of-school-buildings/>

Since NAO published their report, safety concerns about the use of re-enforced autoclaved aerated concrete (RAAC) in public buildings, especially schools, has prompted extensive school closures and expenditure on surveys and remedial work. Although we understand that the impact on the Council's schools has been limited, the issue illustrates the impact of underinvestment in maintaining school buildings highlighted in the NAO report.

# NATIONAL PUBLICATIONS

## National Audit Office

### 2. Financial management in government: strategic planning and budgeting – September 2023

The guide outlines how finance leaders can plan strategically and realistically to:

- Align strategy and planning;
- Make planning inclusive;
- Plan dynamically;
- Address optimism bias; and
- Deal with risk and uncertainty.

The insights have been drawn from NAO reports, the experiences of NAO audit teams, and the thoughts of a range of senior finance decision-makers.

[Financial management in government: strategic planning and budgeting - NAO insight](#)

This guide is part of a series supporting financial management in the public sector. NAO also published the following guide in July 2023:

- [Enablers to success](#)

# Contact

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