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10 November 2023

Dear Members

**Follow-up Letter to our Audit Completion Report for West Yorkshire Pension Fund in relation to the 2021/22 audit**

As required by International Standards on Auditing (UK), this letter communicates an update on progress on concluding upon those matters that were marked as outstanding in our Audit Completion Report, which was presented to the Governance and Audit Committee on 22 September 2022.

The outstanding matters identified and the current status of each are detailed below.

Matter	Conclusion reached
Related party transactions	We have now completed our work. As a result of our findings we have raised an internal control recommendation. The recommendation can be seen in Appendix B to the letter.
Level 3 investments	We have completed our work, while our work did not identify any additional matters to bring to your attention, the misstatements reported in our Audit Completion Report have been updated. Further details can be seen in the body of this letter below this table and also in Appendix A to this letter.
Level 2 investments	We have completed our work and have no matters to bring to your attention.
Employer contributions	We have completed our work and have no matters to bring to your attention.

Matter	Conclusion reached
Investment purchases and sales	We have completed our work and have no matters to bring to your attention.
IT General Controls	We have completed our work in respect of ITGCs and have provided conclusions on the follow up of the previous internal control recommendations. These can be seen in Appendix C.
Consistency opinion	Information within the Pension Fund Annual Report is consistent with the financial statements within Bradford Council's Statement of Accounts.
Audit review and quality control procedures	We have completed our work. Review procedures identified a number of adjustments to disclosure notes within the financial statements, the most significant of these are disclosed in appendix A to this letter.
Post balance sheet events	We will continue to review events after the balance sheet date up until we sign the audit report.

#### **Change to previously reported adjusted and unadjusted misstatements to level 3 investments.**

The value of adjusted misstatements reported in our Audit Completion Report (ACR) included an adjustment that had been identified by management. However, subsequently management opted not to post these adjustments, therefore the value of the adjusted misstatement has reduced, and the unadjusted misstatement increased. Appendix A to this letter presents both the misstatements originally reported and the updated misstatements in respect of level 3 investments.

#### **Note 2 Actuary Report and Note 12 Actuarial present value of promised retirement benefits**

The results of the triennial valuation for 31 March 2022 were released prior to the accounts being signed. The triennial valuation forms the basis of both Note 2 and Note 12 to the Pension Fund's financial statements and as a result the actuary provided the Fund with updated disclosures for these notes. The financial statements have been updated to reflect the revised statement from the actuary.

Please contact me if I can be of any further assistance.

Yours sincerely

**Cameron Waddell**

Partner

For and on behalf of Mazars LLP

# Appendix A – Change in previously reports adjusted and unadjusted misstatements.

Previously reports in our Audit Completion Report:

## Unadjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr Investment assets – pooled investment vehicles		9,980	
	Cr: Profit and losses (-) on disposal and changes in value of investments	9,980		
	Being the extrapolated difference of pooled investment vehicle assets between the valuation per the pension fund financial statements and third-party confirmations. (Based on an actual understatement of £9,825k.			
	<b>Total unadjusted misstatements</b>	9,980	9,980	

## Adjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr Investment assets - pooled investment vehicles		85,646	
	Cr Profit and losses (-) on disposal and changes in value of investments	85,646		
	Dr Profit and losses (-) on disposal and changes in value of investments	925		
	Cr Investment assets - equities			925
	Being changes in market value arising from more up to date information being available in respect of level 3 equities and pooled investment vehicles.			
	<b>Total adjusted misstatements</b>	925	85,646	925

Updated unadjusted and adjusted misstatements:

## Unadjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr Investment assets – pooled investment vehicles		9,980	
	Cr Profit and losses (-) on disposal and changes in value of investments	9,980		
	Being the extrapolated difference of pooled investment vehicle assets between the valuation per the pension fund financial statements and third-party confirmations. (Based on an actual understatement of £9,825k.			
2	Dr Investment assets – pooled investment vehicles	12,483		
	Cr Profit and losses (-) on disposal and changes in value of investments		12,483	
	Being the understatement of investments identified by management arising due to timing differences in the valuation information available but which management did not process through the investment system			
	<b>Total unadjusted misstatements</b>	22,463	22,463	

## Adjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr Investment assets - pooled investment vehicles		73,163	
	Cr Profit and losses (-) on disposal and changes in value of investments	73,163		
	Dr Profit and losses (-) on disposal and changes in value of investments	113		
	Cr Investment assets - equities			113
	Being changes in market value arising from more up to date information being available in respect of level 3 equities and pooled investment vehicles.			
	<b>Total adjusted misstatements</b>	113	73,163	113

## Disclosure amendments

As a result of the amendment to reclassify asset types, several disclosure amendments have been required. The following notes have required amendment:

**Note 11 Additional Voluntary Contributions (AVCs)** – At the time of preparing the draft financial statements Prudential had not notified the pension fund of the value of AVCs. This information became available later in the year and therefore Note 11 has been updated to include the AVC's from Prudential.

Note 15 Investment Income –

Note 17a Movement in the value of investments in 2021-22 – the values of purchase costs, sales proceeds, change in market value and closing value at 31 March 2021 have been updated. This is in part as a result of adjusted misstatements in the value of level 3 investments however also arose as the disclosures made in the draft accounts did not reconcile fully to the data from ICON (the Pension Funds investment asset system).

**Note 18 Sensitivity of assets valued at level 3** - prior year comparators – the prior year comparator for Note 18 has been updated to correct an error in the assessed valuation range percentages that are used.

In addition, there were several other minor amendments made to disclosures in the financial statements to improve the quality and readability.

# Appendix B Internal control recommendations

## Description of deficiency

For one Councillor that had been a member of the Joint Advisory Group we were not able to see a copy of their declaration of interest form, the Councillor was not a Bradford Councillor and had lost their seat in the May 2022 elections. We were also unable to obtain up to date declaration forms for two Councillors that were members of Governance and Audit Committee in year.

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## Potential effects

There is a risk of the Pension Fund entering into transactions with related parties without knowledge.

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## Recommendation

Declaration forms be obtained for all members including those who do not sit on City of Bradford MDC.

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## Management response

We will issue declaration forms to all committee members (we are in the process of updating it) by the end of the month (November 2023).

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# Appendix C Follow up on previous control recommendations

## Description of deficiency

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

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## Potential effects

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

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## Recommendation

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

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## 2021/22 update

Our work did not identify the same occurrence in 2020/21.

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## Description of deficiency

IT user access testing in 2020/21 found that:

- For a sample of 25 joiners/movers one mover had no record of a change in access being requested and for 16 no evidence was provided.
- Of 663 leavers in year 3 were found to have accounts that had not been deactivated, however it was noted that for all 3 users they only had Employee Self Service access (ESS) which only allows them to view payslips and request annual leave.

Similar findings were also recorded in 2018/19 and 2019/20.

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## Potential effects

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

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## Recommendation

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

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## 2021/22 update

In 2021/22 we did not test operating effectiveness of these controls however we did complete a walkthrough test to confirm design and implementation. Our walkthrough test did not highlight any issues to bring to your attention.

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### **Description of deficiency**

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

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### **Potential effects**

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

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### **Recommendation**

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

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### **2021/22 update**

Our work did not identify the same occurrence in 2020/21.

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