

# Audit Completion Report

City of Bradford Metropolitan District Council – year ended 31 March 2015

September 2015

Mazars LLP  
Mazars House  
Gelderd Road  
Gildersome  
Leeds  
LS27 7JN

Governance and Audit Committee Members  
City of Bradford Metropolitan District Council  
City Hall  
Centenary Square  
Bradford  
BD1 1HY

September 2015

Dear Members

**Audit Completion Report – Year ended 31 March 2015**

We are delighted to present our Audit Completion Report for the year ended 31 March 2015. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 17 April 2015. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me 0113 387 8850 or [mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk).

Yours faithfully

Mark Kirkham

Partner, for and on behalf of Mazars LLP

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*Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and we take no responsibility to any member or officer in their individual capacity or to any third party.*

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# 01 Executive summary

## Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2015 to the Governance and Audit Committee of City of Bradford Metropolitan District Council and forms the basis for discussion at the Committee meeting on 25 September 2015.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing City of Bradford Metropolitan District Council; and
- receive feedback from yourselves on the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

## Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2015.

At the time of preparing this report, the following matters remain outstanding:

- review of events after the balance sheet date; and
- completion of our review procedures.

We will provide an update to you in relation to the significant matters outstanding above by issuing a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 2 October 2015.

Our proposed audit report is set out in Appendix B.

## 02 Commentary on the financial statements

Good finances are the foundation of the Council's ability to deliver essential services for the district and to achieve value for money for taxpayers. The Statement of Accounts is the key medium by which the Council communicates financial performance with external stakeholders. As such it provides valuable data on how resources have been employed and what assets and liabilities are outstanding, and is a useful indicator as to the financial health of the organisation.

### Comprehensive Income and Expenditure Statement (CIES)

The statement shows the cost of providing services for 2014/15 prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2014/15. The statement shows a deficit for the year for the provision of services of £24.75m. This differs from the Council's reported performance on its revenue budget for 2014/15 because of items of expenditure which are correctly charged to CIES under accounting rules are not charged to the General Fund under statute. Note 4 to the financial statements sets out the adjustments between the accounting basis and the funding basis.

The Council's performance against its revenue budget is set out in the financial summary (page 10) of the Statement of Accounts. Net expenditure was £3.4m (0.8%) lower than budgeted net expenditure of £420.6m.

### Balance Sheet

The balance sheet shows the value of the Council's assets and liabilities on a single date at the year end. It shows that the Council's liabilities exceed its assets by £16.5m reflecting an overall decrease in net worth of £101m from last year. This is mainly due to an increase in the net pension liability as estimated by the Council's actuary which is subject to annual variation. This liability is not expected to crystallise at any single future point. Pension contribution rates are set by the actuary every three years and are intended to eliminate the pension deficit over 21 years.

The Council's net assets are matched by reserves which comprise both usable and unusable reserves. Note 5 to the accounts sets out the Council's usable reserves and shows that £33.6m corporate reserves are available to support future budget decisions, an increase of £2.7m on last year although £15m has been committed to support the 2015/16 budget as planned.

## 03 Significant findings

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

- our audit conclusions regarding the significant risks 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 7 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; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

#### Management override of controls

##### Description of the risk

International Standards on Auditing 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* (ISA 240) requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.

In all entities, management at various levels is in a unique position to perpetrate fraud because of the 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.

##### How we addressed this risk

We addressed this risk by:

- evaluating and testing the basis for material accounting estimates included in the financial statements;
- reviewing unusual or significant transactions outside the normal course of business; and
- testing journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

##### Audit conclusion

We found no evidence of management override of controls. Our evaluation and testing of the basis for material accounting estimates which are key areas of management judgement did not identify any matters to bring to your attention.

We found no significant transactions that we considered outside the normal course of business within the context of local government.

Our sample testing of journals posted throughout the year and adjustments made in preparing the financial statements identified no inappropriate or unexplained journals.

We also evaluated the impact of the errors we identified during the audit and concluded there was no pattern to the errors that might indicate manipulation.

## Revenue recognition

### Description of the risk

In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal in 2014/15.

This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

### How we addressed this risk

We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we undertook a range of substantive procedures including:

- testing receipts in the pre and post year end period to ensure they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of principal year end bank balances and testing the reconciliations to the ledger.

### Audit conclusion

We found no evidence of fraud in revenue recognition based on our audit procedures. Our testing of a sample of transactions in the pre and post year end period did not identify any instances of income being recognised in the incorrect financial year.

Our sample testing of journals identified no matters to report relating to revenue recognition.

There were no matters arising from our review of third party confirmations of principal year end bank balances or from testing of year end reconciliations.

We also evaluated the impact of the errors we identified during the audit and concluded there was no pattern to the errors that might indicate manipulation.

## Pension estimates (as required by International Accounting Standard 19)

### Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

### How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:

- evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and
- consider the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission.

### Audit conclusion

We concluded that management's arrangements, which include an assessment of the reasonableness of the actuary's report, are appropriate to determine the estimate of the net pension liability.

As this is a complex area we used our own external expert to evaluate the work of the consulting actuary. There are no significant matters to bring to your attention.

## Accounting for schools

### Description of the risk

The decision to recognise school assets on the Council's Balance Sheet is a material management judgement that can be complex particularly for voluntary controlled, voluntary aided, foundation and trust schools. CIPFA has issued new guidance (December 2014) on the practical application of the Code of Accounting Practice which requires re-consideration of the approach to recognition and may lead to change in the treatment of some school assets for 2014/15.

### How we addressed this risk

We discussed with key contacts the Council's approach to accounting for school assets prior to the preparation of the financial statements. We evaluated the proposed accounting treatment and assess it's reasonableness by reference to the requirements of the CIPFA Code of Accounting Practice and applicable International Accounting Standards.

### Audit conclusion

We have assessed the Council's approach to implementing CIPFA's guidance on accounting for schools and consider it is reasonable. Management have determined that 11 foundation schools should be recognised on the Council's balance sheet for the first time. Our evaluation is that, taking account of materiality, the Council has a reasonable basis for the accounting treatment that it has applied.

## Accounting policies and disclosures

We have reviewed City of Bradford Metropolitan District Council's accounting policies and disclosures and concluded they comply with the material requirements of the Code of Practice on Local Authority Accounting (the Code).

The recognition of 11 foundation schools (£66,497,000) on the balance sheet for the first time, as considered above, has given rise to a prior period adjustment in which prior year figures are restated as if the schools had been treated as the Council's assets in prior periods. Note 2 sets out the impact of the prior period adjustment in detail. There is no impact on the General Fund as the depreciation charge (£546,000) for the schools for last year is transferred under Regulations to the Capital Adjustment Account.

## 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.



## 04 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we 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.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
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.	1

### Other deficiencies in internal control – (Level 3)

#### Description of deficiency

The asset register has not been updated annually to remove vehicles, plant and equipment that have been disposed of at the end of their useful lives. Whilst the net book value of these assets is nil, as they have been fully depreciated, the asset register has carried assets with a gross cost or value of £45.727m and matching depreciation balance until they were written out of the asset register at year end.

#### Potential effects

Absence of robust arrangements to update the asset register for vehicle, plant and equipment disposals, at least annually, risks misstating the Council's asset base and undermining the accuracy of management information extracted from the asset register.

#### Recommendation

The Council should ensure that the asset register is updated for asset disposals at least annually.

#### Management response

The recommendation is agreed in full; the Council implemented the recommendation for vehicles in 2014-15 and has also updated the year end timetable to implement this in future years.

As part of our audit we completed a review of IT general controls. There were no significant matters to report to you. We will summarise our findings for the next Governance and Audit Committee.

## 05 Summary of misstatements

We set out below the misstatements that have been adjusted by management during the course of the audit, above the trivial level (£391,000), for adjustment. There are no unadjusted misstatements above the trivial level.

Adjusted misstatements 2014/15					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Debit £'000	Credit £'000	Debit £'000	Credit £'000
1	Debit: Education and Children's Services	4,202	-	-	-
	Credit: Property, Plant and Equipment	-	-	-	4,202
<p>The amendment recognised the impact of a downward revaluation of a school which was completed late in the revaluation cycle and omitted from the draft financial statements. Management advised us of the error. The revaluation loss is charged to the cost of services under accounting rules although the impact on the General Fund is adjusted under Regulations so there is no future impact on Council Tax.</p>					
2	Debit: Other Operating Expenditure	6,674	-	-	-
	Credit: Financing and Investment Income and Expenditure	-	6,674	-	-
<p>The amendment reclassified the loss on the transfer of school property when schools achieve academy status to the correct line in the Comprehensive Income and Expenditure Statement. There is no impact on the Council's reported financial performance for the year.</p>					
3	Debit: Exceptional Items	572	-	-	-
	Credit: Corporate and Democratic Core	-	572	-	-
<p>The amendment reclassified the recovery of VAT within the Comprehensive Income and Expenditure Statement as exceptional items relate to matters that materially affect an understanding of the Council's financial performance.</p>					

### Disclosure amendments

#### Adjusted misstatements

##### 1. Prior period adjustments (Note 2)

The note was amended to reverse a prior period adjustment for the accounting treatment of school buildings transferred to academies. The error arose due to lack of clarity in original CIPFA guidance and late confirmation that the accounting treatment of school building transfers should remain the same as last year. The reversal of the prior period adjustment relates to classification and does not change the Council's reported financial position or financial performance.

##### 2. Heritage assets (Note 12)

Additional disclosure has been added to cover four accounting periods as required by the Code.

3. Current assets – debtors and payments in advance (Note 18)

The note has been amended to correct classification errors totalling £588,000 between different categories of debtor disclosed in the note. The change does not affect the debtors figure shown in the Balance Sheet.

4. Leases (Note 35)

The analysis of future minimum lease payments receivable for operating leases granted by the Council has been reduced by £4,120,000 to correct for an arithmetic error in preparation of the note. The disclosure is a stand-alone note so the correction does not impact on the Council's reported financial position or performance for the year.

5. Related party transactions (Note 41)

The disclosure was amended to include a listing of the joint arrangements to which the Council is a party.

6. External audit costs (Note 42)

Disclosure was added to show fees payable to the external auditor of £5,000 for certification of grants outside the Audit Commission's regime.

7. Financial instruments (Note 44)

An amendment removed payments in advance of £9,201,000 from the note as they do not meet criteria financial instruments criteria. The disclosure is stand-alone so the correction does not impact on the Council's reported financial position or performance for the year.

8. Other minor presentational changes

We also agreed a small number of minor presentational changes to the disclosure notes to improve clarity for readers of the financial statements.

## 06 Value for money

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do this by considering the Council's arrangements against two criteria specified by the Audit Commission. We reported the interim findings from our work to the Governance and Audit Committee on 26 June 2015 in our report 'Review of arrangements for securing value for money.'

In the Audit Strategy Memorandum we identified significant risks relevant to the value for money conclusion. We detail below how we have addressed these risks and our conclusions.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

### Significant Value for Money risks

#### VFM risk – management of savings plans

##### Description of the risk

The Council faces significant financial pressure from reduced funding and increasing demand for some services. The Council needs to achieve challenging savings plans and to identify further plans to bridge funding gaps for 2016/17 (£19m) and 2017/18 (£59m).

The risk arises from the high level of planned savings (£35m) needed to achieve a balanced position in 2015/16. In addition the scale of the future challenge is so significant that fundamental changes to the level and scope of service provision will be necessary to ensure the Council manages within its available resources in future years.

##### How we addressed this risk

We reviewed the Council's arrangements for:

- monitoring budgets and ensuring that identified savings are being achieved;
- revising the medium term financial plan; and
- developing plans to bridge the funding gap for future years through the New Deal process.

We also reviewed a sample of project plans for saving proposals and considered the arrangements in place for delivery.

##### Conclusion

The Council has made arrangements for managing its savings programme and achieved savings of £29.1m, equivalent to 93% of the savings plan, during 2014/15. Compensating measures ensured the Council's net revenue spend for the year was £3.4m lower than budget but consistent with in year forecasts.

The Council approved a balanced budget for 2015/16 in February 2015 which involves planned savings of £35m. After the first quarter, management forecast achievement of 87% of planned savings although mitigating actions are being taken by Strategic Directors to make compensatory savings to offset the forecast shortfall.

In addition the Council has revised its medium term financial strategy for 2016/17 to 2018/19 and beyond to provide a longer term view of the significant financial challenge it faces. The scale of the challenge is so significant that fundamental changes to the level and scope of service provision are envisaged to ensure the Council manages within its available resources.

## VFM risk – Better Care Fund

### Description of the risk

The implementation of the Better Care Fund is central to securing an integrated system of community-based care for the citizens of Bradford with joint commissioning between the Council and the NHS. The Fund has a total budget of £37.3m for 2015/16 of which £15.127m is planned to protect adult social care services.

The risk is that arrangements, including governance, will be insufficiently robust to support delivery of the plan with potentially adverse consequences for services and the Council's financial position.

### How we addressed this risk

We reviewed the Council's arrangements to secure the delivery of the Better Care Fund plan.

### Conclusion

The Council and its partners submitted a Better Care Fund plan in line with the national timetable and the plan has been approved by the Department of Health's national assurance process.

Governance arrangements have been established as follows:

- The Health and Wellbeing Board is responsible for overarching direction and governance.
- The Integration and Change Board is accountable for strategy.
- Two Transformation and Integration Groups are responsible for operational implementation.

Arrangements for the operation of the pooled budget including hosting have been determined although the formal agreement required under Section 75 of the NHS Act 2006 has yet to be signed by the parties. This needs to be completed as soon as all parties are content with the formal agreement.

# Appendix A – Draft management representation letter

**To:**

Mazars LLP  
Mazars House  
Gelderd Road  
Leeds  
LS27 7JN

**City of Bradford Metropolitan District Council - audit for year ended 31 March 2015**

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 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

**My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and relevant legislation and International Financial Reporting Standards.

**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 that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

**Accounting records**

I confirm that all transactions that have a material affect 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 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 the 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 any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable. I confirm that disclosures related to accounting estimates are complete and that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against 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 relevant legislation and International Financial Reporting Standards (IFRSs).

## 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.

I confirm the Council has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

## Fraud and error

I acknowledge my responsibility as Director of Finance 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's financial statements 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 relevant legislation and International Financial Reporting Standards.

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.

## 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.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, relevant legislation and International Financial Reporting Standards 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.

### **Specific representation on disclosure of subsequent events relating to claims**

I am satisfied that, taking account of materiality, disclosure of subsequent events relating to an expected settlement of longstanding claims made against the Council is sufficient to comply with the Code.

### **Going concern**

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

Signed

For and on behalf of City of Bradford Metropolitan District Council.



## Appendix B – Draft audit report

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

#### Opinion on the Council's financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. 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 2014/15.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford Metropolitan District Council as at 31 March 2015 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 2014/15.

#### Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Opinion on the Pension Fund financial statements**

We have audited the pension fund financial statements for the year ended 31 March 2015 under the Audit Commission Act 1998. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2014/15.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Director of Finance and auditor**

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for my report.

### **Opinion on Pension Fund financial statements**

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Council and the auditor**

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place 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.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, City of Bradford Metropolitan District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Certificate of audit completion**

We certify that we have completed the audit of the accounts of City of Bradford Metropolitan District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

## 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.