

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 29 January 2016.

Subject:

AF

**External audit progress report for the 2015/16 audits of City of Bradford
Metropolitan District Council and West Yorkshire Pension Fund**

Summary statement:

**The report updates the Governance and Audit Committee on progress with the
2015/16 audits and highlights key issues which may be of interest to the Committee.**

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1. SUMMARY

We have started planning the 2015/16 audits of City of Bradford MDC and West Yorkshire Pension Fund.

We will present our Audit Strategy Memoranda at the March Governance and Audit Committee. These will set out the significant risks we have identified for the audits, for both the opinion on the statement of accounts as well as the value for money conclusion, and our approach to the audits.

We have also highlighted two matters which may be of governance interest.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee considers the external audit progress report.

11. APPENDICES

External audit progress report

12. BACKGROUND DOCUMENTS

None.

City of Bradford Metropolitan District Council



External Audit Progress Report

29 January 2016

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Purpose of this paper

This paper updates the Governance and Audit Committee on progress in meeting my responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact Mark Kirkham or Steve Appleton using the contact details at the end of this update.

Finally, please note the website address www.mazars.co.uk

which sets out the range of work Mazars carries out across the UK public sector. It also details the services provided within the UK and abroad.

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Summary of audit progress

We are currently planning the audit for 2015/16 which covers :

- the audit of your financial statements;
- our work to conclude on your arrangements for securing value for money ; and
- the report on the consistency of your Whole Government Accounts consolidation pack with the audited financial statements.

Our planning involves assessing the risks of material misstatement in the financial statements and the risks relating to the value for money conclusion and developing a plan of audit procedures to address the identified risks.

We do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the Council's financial performance;
- assessing internal control, including reviewing the control environment;
- evaluating and testing the IT control environment;

- assessing the risk of material misstatement arising from the activities and controls within the Council's information systems; and
- walking through the key controls within the Council's key financial systems.

We are holding planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Council faces.

At the Governance and Audit Committee (18 March) we will present our Audit Strategy Memorandum. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts as well as the value for money conclusion, and our approach to the audit.

The same process applies to the planning of the 2015/16 audit of West Yorkshire Pension Fund.

2015/16 Financial reporting workshop

As in previous years, we are running our annual accounts workshops, designed to inform practitioners of the main changes effecting the preparation of the financial statements, along with any future accounting and financial reporting changes. Key finance staff from the Council are attending.

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Value for Money Conclusion guidance

Summary

The National Audit Office has published updated guidance in respect of the Value for Money (VfM) conclusion. The guidance sets out the revised criterion applying to 2015/16 audits and consists of an overarching document, along with a local authority-specific paper which provides details of supporting background information on key issues facing local authorities.

Revised criteria

In previous years, auditors were required to reach their statutory conclusion on arrangements to secure VfM in respect of two main criteria; these have now been replaced by one overall criterion, supported by three sub-criteria, as set out in the tables below

New overall criterion	Sub-criteria
In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.	<ul style="list-style-type: none">• Informed decision-making.• Sustainable resource deployment.• Working with partners and other third parties.

Previous criteria

Previous criteria	Focus
The Council has proper arrangements in place for securing financial resilience.	The Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The Council has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.	The Council is prioritising resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Sub-criteria – further detail

In both local government and the NHS, organisations are already required to have arrangements in place to ensure proper governance, resource and risk management, and internal controls, and to report on the design and operation of those arrangements through Annual Governance Statements.

The recently issued guidance draws on relevant requirements applicable to each sector and aligns the scope of proper arrangements with those that responsible parties are already required to have in place and to report on through documents such as annual governance statements and annual reports (where applicable).

Drawing on the relevant requirements applicable to local bodies, proper arrangements cover the following:

Sub criteria

Sub-criteria	Guidance
Informed decision-making	<ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of sound governance. • Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management. • Reliable and timely financial reporting that supports the delivery of strategic priorities. • Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. • Managing and utilising assets effectively to support the delivery of strategic priorities. • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities. • Commissioning services effectively to support the delivery of strategic priorities. • Procuring supplies and services effectively to support the delivery of strategic priorities.

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Publications

The following pages outline for your attention some significant publications by Public Sector Audit Appointments in respect of:

- Results of auditor's work 2014/15: local government bodies; and
- Statement of Responsibilities of Auditors and Audited bodies.

Publications

Summary	Possible action
<p>Results of auditor’s work 2014/15: local government bodies, <i>Public Sector Audit Appointments Ltd, December 2015</i></p> <p>This is the first report for local government bodies published by Public Sector Audit appointments Ltd (PSAA), and it summarises the results of auditors’ work at 509 principal bodies for 2014/15. The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors utilised their statutory reporting powers.</p> <p>The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies. Against a background of financial challenges, the sector is clearly working hard to achieve appropriate standards in its stewardship of resources.</p> <p>Auditors at 97 per cent of principal bodies were able to issue the opinion on the 2014/15 accounts by 30 September 2015, with 23 bodies receiving an unqualified audit opinion by 31 July 2015. For the second year in a row there have been no qualified opinions issued to date to principal bodies. The number of qualified conclusions on value for money arrangements remained consistent with the previous year at 4 per cent.</p>	<p>The report can be found at http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/</p>

Publications

Summary	Possible action
<p>Statement of Responsibilities of Auditors and Audited Bodies, Public Sector Audit Appointments Limited</p> <p>This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of the audited body in certain areas. It replaces the previous statement issued by the Audit Commission and applies to audit engagements in respect of 2015/16.</p> <p>The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the NAO Code. Nothing in the Statement is intended to limit or extend those responsibilities.</p> <p>The statement covers the following areas:</p> <ul style="list-style-type: none">• responsibilities in relation to the financial statements;• responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources (the VfM conclusion);• specific powers and duties of auditors (public interest report, referral to Secretary of State);• reporting the results of audit work;• ad hoc requests for auditors' views; and• access to information, data security and confidentiality.	<p>The statement can be found at http://www.psa.co.uk/wp-content/uploads/2006/08/Statement-of-responsibilities-of-auditors-and-audited-bodies-2015_16.pdf</p>

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