

City of Bradford Metropolitan District Council



External Audit Progress Report

18 March 2016

Contents

- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Publications
- 04 Contact details

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01

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.

02

Summary of audit progress

As part of our audit we need to understand how the Governance and Audit Committee, as those charged with governance, gains assurance over management processes and arrangements:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

We list below our questions and would be grateful if the Committee could provide a response by 30 April 2016.

Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work we need to undertake.

Audits of City of Bradford Metropolitan District Council and West Yorkshire Pension Fund for the year end 31 March 2016

- 1) How do you exercise oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;
 - identifying and responding to risks of fraud in the authority, please detail any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
 - communicating to employees its view on business practice and ethical behavior; and
 - communicating to you the processes for identifying and responding to fraud or error.
- 2) How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2015/16?
- 3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2015/16?
- 4) Are you aware of any actual or potential litigation or claims that would affect the financial statements?
- 5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the authority's ability to continue as a going concern?

Changes affecting the public inspection of the accounts

The Accounts and Audit Regulations (2015) have made changes to, amongst other things:

- the roles and responsibilities associated with informing electors of their rights; and
- the publication of draft and audited statements of account and information that accompanies those statements.

It is now the Responsible Financial Officer's responsibility to publish a statement that includes details of the period for the exercise of public rights. It is also now the Responsible Financial Officer's responsibility to inform the auditor of the date on which that period commences; previously the auditor was responsible for 'calling the audit' and appointing a specific date on which electors could ask questions relating to the audit.

The period for the exercise of public rights must be a single period of 30 working days. Electors can only exercise their rights of inspection and objection, as set out in the Local Audit and Accountability Act 2014, during this period. The period must include the first 10 working days of July for this year's audit.

The Regulations also set out the revised timetable for the preparation and audit of the Council's financial statements from 2017/18. We continue to work closely with the Council's finance team to ensure that we both meet the revised timetable.

03

Publications

The following pages outline for your attention some significant publications in respect of:

- Guidance for Directors of companies partly or fully owned by the public sector, January 2016;
- Supporting the transition, Public Sector Audit Appointments Ltd, February 2016;
- Cipfa: Guide to auditor panels, December 2015; and
- Mazars: Public services blog 'Let's talk public services'

Guidance for Directors of companies partly or fully owned by the public sector, January 2016

This guidance, which has been published by the Cabinet office, is to help directors of companies owned by the public sector, in full or in part, to understand their duties and responsibilities, including identifying and managing conflicts of interest. As local government and related bodies increasingly explore alternative models of service delivery, including establishing local authority trading companies, this guidance is of relevance.

<https://www.gov.uk/government/publications/guidance-for-directors-of-companies-fully-or-partly-owned-by-the-public-sector>

An additional guidance paper referred to in the Cabinet Office report is a National Audit Office paper produced in January 2015 on Conflicts of Interest. This is also of relevance to authorities that are operating in an increasingly complex environment of related entities.

<https://www.nao.org.uk/report/conflicts-interest-2/>

Supporting the transition, Public Sector Audit Appointments Ltd, February 2016

Public Sector Audit Appointments Ltd (PSAA) has published its Corporate Plan for the period to 2018. The Plan sets out how the company will discharge the functions delegated to it by the Secretary of State for Communities and Local Government which include managing audit contracts originally let by the Audit Commission and supporting a smooth transition to the new audit regime introduced by the Local Audit and Accountability Act 2014.

PSAA's work programme involves two parallel strands:

- ensuring that the existing audit contracts continue to deliver good quality and positive value for audited bodies and effective assurance to the public; and
- providing as much support as possible to assist local bodies to prepare for, and be ready to meet, their new responsibilities as the legislation is fully implemented.

For principal local authorities and criminal justice bodies the existing arrangements will continue for audits up to and including 2017/18. For these bodies the new regime will apply to 2018/19 audits and beyond.

As part of its role in supporting local bodies to prepare for their responsibilities under the new regime, PSAA has set up on its website a dedicated Supporting the transition area containing resources to assist local public bodies in making the transition to the new arrangements.

<http://www.psa.co.uk/supporting-the-transition/>

A further important aspect of PSAA's work in relation to the new regime will involve working with the Local Government Association and the Improvement and Development Agency to explore the feasibility of PSAA seeking to become a 'sector-led body' with the ability to enter into contracts and appoint auditors to local bodies in the new regime. Further information will be provided on PSAA's website as this work progresses.

CIPFA: Guide to auditor panels, December 2015

This publication is aimed at those within local authorities who will have a role to play in deciding how and who to appoint as their organisation's local auditors.

It has been commissioned by DCLG, and a working group including DCLG, NAO, Public Sector Audit Appointments Limited (PSAA) and other stakeholders have ensured that the guidance is relevant and specific to authorities.

<http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

Mazars: Public services blog 'Let's talk public services'

Mazars has launched a blog 'Let's talk public services' where Mazars' team of auditors and advisors working with UK public service organisations can provide a place in which public service practitioners can exchange experience and ideas relevant to their jobs. The blog can be found here:

<http://blogs.mazars.com/lets-talk-public-services>

04

Contact details

Mark Kirkham Partner and Engagement Lead
mark.kirkham@mazars.co.uk
0113 3878850

Steve Appleton Senior Manager
steve.appleton@mazars.co.uk
07881 283340

Address: Mazars House
 Gelderd Road
 Gildersome
 Leeds
 LS27 7JN