

City of Bradford Metropolitan District Council

Value for money audit risk assessment – 2015/16 planning stage

March 2016



Contents

Executive Summary	2
Proper arrangements	4

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01

Executive Summary

This document sets out the considerations which underpin the plan for the specific work we consider necessary to reach a safe VFM conclusion.

Auditor Guidance Note 03 issued by the National Audit Office (NAO), sets out the requirements for value for money (VFM) work in 2015/16. In respect of local government bodies, it states:

"Section 20(1) of the Act requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'."

Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:

Overall criterion: 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.

To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements but these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-criteria:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

We used the NAO's guidance to carry out an initial audit risk assessment using a red / amber / green (RAG) rating with the following definitions.

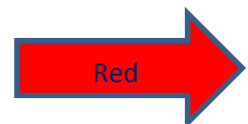
No audit risks to the vfm conclusion identified to date and no further work planned.



Not considered to be at audit risk at this stage although risk indicators to be followed up as further information becomes available.



Significant audit risk identified. This denotes risk to us as auditors in reaching a safe value for money conclusion so additional work is required to address our risk. It is a planning assessment of audit risk rather than a rating of the Council's arrangements.






The guidance also gives the following examples of issues which could be significant audit risks:

- organisational change or transformation;
- significant funding gaps in financial planning;
- legislative or policy changes; and
- repeated financial difficulties, or persistently poor performance.

Overall planning considerations

The Council’s financial position represents a significant risk to our value for money conclusion. Your need to transform services and functions to reduce costs and address funding gaps in future years represents a significant challenge for sustainable resource deployment. The Council has arrangements in place in most areas but there remains a risk of those arrangements not achieving the required outcome. Our audit risk assessment is dynamic and can change as the audit progresses and new information is considered.

Proper arrangements	
Informed decision making	 Amber
Sustainable resource deployment	 Red
Working with partners and other third parties	 Amber

The sub criteria in respect of sustainable resource deployment is categorised as red and therefore we consider that there is a significant risk to our VFM Conclusion. The other two sub criteria are assessed as amber. More details on each sub criteria can be found in the tables in section 2 of this report.

To mitigate our audit risk we plan to review 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 will also review a sample of project plans for saving proposals and their delivery arrangements.

We have identified a number of areas (amber rated) where further work is required to obtain sufficient assurance to inform our conclusion and these are set out below:

- updating our assessment of informed decision making when the 2015/16 Annual Governance Statement and year-end financial and performance reports are produced;
- considering the Council’s response to the June 2015 OFSTED report on school improvement; and
- updating our assessment of working with partners and third parties for progress delivering the Better Care Fund Plan.

We will report the outcomes of this work together with comparative data on the Council’s financial position in a separate report to the Governance and Audit Committee.




02


Proper arrangements

The NAO guidance defines proper arrangements based on existing sector requirements 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. For councils, this is the CIPFA/SOLACE framework for local government.




Drawing on the relevant requirements applicable to local bodies, proper arrangements cover the areas detailed in the tables in this section of the report.

Informed decision making




Proper arrangements	RAG Rating	Arrangements at City of Bradford Metropolitan District Council
Acting in the public interest, through demonstrating and applying the principles and values of sound governance.	 Amber	<ul style="list-style-type: none"> • Quarterly finance and twice-yearly performance reports to Executive. • Constitution on the website and subject to annual review and update. • 2014/15 Annual Governance Statement compliant with the CIPFA / SOLACE Delivering Good Governance Framework.
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.	 Amber	<ul style="list-style-type: none"> • We are not aware of data quality problems in respect of financial and performance information. • Frequent updates on the financial position covering at least 2 years between the annual updates of the 3 year Medium Term Financial Plan. • Consistent data in financial reports. • Action plan prepared in response to June 2015 OFSTED report. School improvement is a strategic priority
Reliable and timely financial reporting that supports the delivery of strategic priorities.	 Amber	<ul style="list-style-type: none"> • Regular and timely reporting to members. • Outturn has historically been reasonably close to projections in quarterly financial reports. • Track record of delivering planned savings and efficiencies in prior years with small underspends in each of the last 3 years.

Proper arrangements	RAG Rating	Arrangements at City of Bradford Metropolitan District Council
Managing risks effectively and maintaining a sound system of internal control.	 Green	<ul style="list-style-type: none"> • Risk management strategy approved January 2016 and first of quarterly reports to Executive in March 2016. • Risk register reviewed throughout the year by the Corporate Management Team. • Annual governance statement prepared, reviewed and approved by members. • Regular reporting by Internal Audit on internal control.

Sustainable resource deployment

Proper arrangements	RAG Rating	Arrangements at City of Bradford Metropolitan District Council
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	 Red	<ul style="list-style-type: none"> • Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services to date. • A three year Medium Term Financial Plan which is comprehensive and identifies the funding gap in order to focus work to identify savings under the New Deal. • Balanced 2016/17 budget with detailed savings plans developed for 16/17 and 17/18 but a £8m gap remaining in the latter, despite £42m of savings arising from the New Deal. • A funding gap of £28m for 2018/19, which the Council intends to bridge through continuing the New Deal approach.
Managing and utilising assets effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> • Asset register in place. • Asset management plan in place. • Significant savings in recent years from rationalising the estate to better fit the reduced size of the Council.
Planning, organising and developing the workforce effectively to deliver strategic priorities.	 Green	<ul style="list-style-type: none"> • HR performance indicators such as sickness within the corporate indicator set reported twice yearly. • New HR Strategy focused on talent management and plugging skill gaps as the scale of the Council continues to reduce. • New training programme to equip staff for the challenges ahead.

Working with partners and other third parties

Proper arrangements	RAG Rating	Arrangements at City of Bradford Metropolitan District Council
Working with third parties effectively to deliver strategic priorities.	 Amber	<ul style="list-style-type: none"> • Various policies and framework for partnership working established and working well. • Better Care Fund Plan being implemented with Section 75 agreement for a pooled budget with CCGs.
Commissioning services effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> • Successful in reducing costs and savings proposals include working with partners. • Better Care Fund Plan being implemented with Section 75 agreement for a pooled budget with CCGs.
Procuring supplies and services effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> • Use established national and regional procurement frameworks to maximise purchasing power. • Alternative delivery models already in place for some former council services (e.g. libraries) and more planned or being researched. • Broadway (Westfield) shopping centre delivered on time and in budget significantly regenerating the City Centre.