

# **City of Bradford Metropolitan District Council**

## **External Audit Progress Report**

28 June 2016

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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](http://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

In the last quarter we have carried out the following work for the 2015/16 audit year.

We have:

- carried out our planning and risk assessment, refreshing our understanding of the Council's business and what we consider are the significant risks of material misstatement in respect of the financial statements and the Value for Money Conclusion to inform our testing strategy;
- documented a walkthrough of the key financial systems;
- held on-going liaison meetings with your Internal Auditors to both share common knowledge and ensure no duplication; and
- held on-going liaison meetings with senior officers.

We presented our Audit Strategy Memorandum , which sets out our planned work and assessments in more detail, to the April meeting of the Governance and Audit Committee. In addition, our update work on the Council's IT general controls is in the process of being completed.

Based on our work to date, including walkthroughs of the key financial systems, we have no significant matters arising to report to you and there are no changes to our original assessment of significant risks (opinion and VfM) as set out in our Audit Strategy Memorandum.

We have completed a similar process for the audit of West Yorkshire Pension Fund and we also presented our Audit Strategy Memorandum at the April meeting.

We start the next phase of our work on receipt of the financial statements at the end of June.

# 03

## Audit fees 2016/17

### City of Bradford Metropolitan District Council

Public Sector Audit Appointments Limited (PSAA) oversees the audit contracts let by the Audit Commission until they end at the completion of the 2017/18 audits for local government bodies. PSAA's responsibilities include appointing auditors, setting audit fees and monitoring the quality of auditors' work.

PSAA has concluded its consultation on its 2016/17 proposed work programme and scales of fees. There are no changes to the work programme for principal bodies for 2016/17. PSAA has set scale fees for the main audit at the same level as the fees for 2015/16.

The table below outlines our proposed fees for completion of our Code audit work.

Area of work	Proposed fee 2016/17	Provisional fee 2015/16
Code audit	£185,317 plus VAT	£185,317 plus VAT
Certification of claims	£19,733 plus VAT	£16,520 plus VAT

At this stage we are not proposing to carry out any additional services for the Council. PSAA's scale fee assumes that you are able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

## **Outline of work programme**

For 2016/17 we are required to meet the requirements of the National Audit Office's Code of Audit Practice and the Local Audit and Accountability Act 2014. The programme of work we are required to carry out in respect of the new Code remains largely unchanged. Our proposed fee for Code audit work includes:

- the audit of your financial statements;
- our work to conclude on your arrangements to secure value for money in your use of resources; and
- a programme of work specified by the National Audit Office in respect of your Whole of Government Accounts submission.

In addition, we will address any legal challenge work prompted by local electors at the rate prescribed by PSAA.

## **West Yorkshire Pension Fund**

PSAA has concluded that fees for pension fund audits at local authorities will also remain unchanged from 2015/16.

The proposed fee for the Code audit for 2016/17 is £48,546 plus VAT which is unchanged from 2015/16.

# 04

## Emerging issues and developments

The following pages outline for your attention some significant emerging issues and developments in respect of:

- English devolution deals, National Audit Office; and
- Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019, Department for Communities and Local Government, April 2016.

## English devolution deals, National Audit Office, April 2016

Devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended, according to the National Audit Office.

Over the last 18 months, 10 devolution deals have been agreed, outlining the transfer of powers, funding and accountability for policies and functions previously undertaken by central government, in Greater Manchester, Cornwall, Sheffield City Region; the North East; Tees Valley; Liverpool City Region; the West Midlands, East Anglia; Greater Lincolnshire; and the West of England. They are the latest in a range of initiatives and programmes designed to support localism and decentralisation.

HM Treasury and the Cities and Local Growth Unit are responsible for managing the negotiation, agreement and implementation of devolution deals on behalf of central government as a whole. All of the deals include an agreement on devolved responsibility for substantial aspects of transport, business support and further education. Other policy areas included in some of the deals are housing and planning, employment support and health and social care.

The government has announced new additional investment funding of £246.5 million a year alongside the devolution deals announced so far. Over time, the government intends to combine this funding with a number of other funding streams into a 'single pot' to enable more local control over investment decisions, and has announced £2.86 billion of initial allocations over 5 years for the first 6 mayoral devolution deals.

Central government's management approach to brokering devolution deals is designed to support its policy of localism. The government considers that devolution proposals should be led by local areas, and that central government's role should be to respond to these proposals. As a result, the government has decided not to set out a clear statement of what it is trying to achieve through devolution deals.

According to the NAO, however, there are significant accountability implications arising from the deals which central government and local areas will need to develop and clarify. These include the details of how and when powers will be transferred to mayors and how they will be balanced against national parliamentary accountability. The deals agreed so far involve increasingly complex administrative and governance configurations. And as devolution deals are new and experimental, good management and accountability both depend on appropriate and proportionate measures to understand their impact.

To improve the chances of success, and provide local areas and the public with greater clarity over the progression of devolution deals, central government should clarify the core purposes of devolution deals as well as who will be responsible and accountable for devolved services and functions, and should ensure it identifies and takes account of risks to devolution deals that arise from ongoing challenges to the financial sustainability of local public services.

<https://www.nao.org.uk/report/english-devolution-deals/>

## **Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019, Department for Communities and Local Government, April 2016**

Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses. This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment illustrates the financial benefits that can accrue from fighting fraud more effectively;
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan; and
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

<https://www.gov.uk/government/publications/fighting-fraud-and-corruption-locally-2016-to-2019>

# 05

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