

Members of the Governance and Audit Committee
 City of Bradford Metropolitan District Council
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31 July 2018

Dear Members

Conclusion of pending matters – Audit Completion Report for City of Bradford Metropolitan District Council

As required by International Standards on Auditing (UK and Ireland), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report.

The outstanding matters identified and the current status of each are detailed below.

| City of Bradford Metropolitan District Council | |
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| Matter | Conclusion reached |
| Income – cut off testing | We have completed our cut off testing and there are no matters to bring to your attention. |
| Expenditure – members allowances (Note 32) and senior officers remuneration and termination payment disclosures (Note 33). | <p>We have completed our work and identified a number of minor misstatements for which Management has amended:</p> <ul style="list-style-type: none"> the members allowances note (increasing members expenses from £12,566 to £14,726); the ‘Senior Officers with a salary less than £150k’ table within Note 33 (increasing pension contributions from £2,505 to £13.672 for the City Solicitor and reducing pension contributions for the Interim Director of Public Health from £9,870 to £1,235 to correct a casting error); and the Exit Packages within Note 33 to eliminate double counting, to ensure exit package are recorded in the correct financial year and to ensure the correct split between compulsory and ‘other’ departures. <p>These changes are disclosure only and do not impact on expenditure within the Comprehensive Income and Expenditure Statement.</p> |

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| City of Bradford Metropolitan District Council | |
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| Matter | Conclusion reached |
| Heritage Assets – physical verification | We have completed our physical verification / existence testing of a sample of heritage assets and there are no matters to bring to your attention. |
| Cash and cash equivalents | We have completed our work on cash and cash equivalents and there are no matters to bring to your attention. |
| Pensions | We have completed our work and, subject to the amendments detailed below, there are no matters to bring to your attention. |
| Collection Fund | We have completed our work and there are no matters to bring to your attention. |
| Provisions and contingencies | We have completed our work and there are no matters to bring to your attention. |
| Non material notes to the financial statements | We have completed our work and there are no matters to bring to your attention. |
| Whole of government accounts (WGA) - completion of procedures on the Council's WGA consolidation pack. | Our work on the Council's WGA pack remains in progress. As reported in the Audit Completion Report, we anticipate completing our work by the NAO's deadline of 31 August 2018. We anticipate reporting that the WGA submission is consistent with the audited financial statements |
| Final versions of the Annual Governance Statement (AGS) and amended financial statements | We have completed our final review and there are no matters to bring to your attention. |
| Post balance sheet events | We have completed our final post balance sheet events review and, notwithstanding an update to Note 7 for an additional academy transfer on the 1 July 2018, there are no matters to bring to your attention. |
| Review and closure procedures | We have completed our final review and closure procedures and management have made a small number of presentational changes. This has included some significant enhancement to the Related Party Transactions disclosure note (Note 41). None of the other changes require specific mention. |

Pension plan asset values and IAS19 accounting

On the 24 July 2018, we and the Council were informed by the West Yorkshire Pension Fund and its Auditors that the Pension Fund actuary had reported that the assets used for IAS19 accounting figures at 31 March 2018 are overstated by approximately 1.5% (the actuary had used asset values as at 28 February 2018 and projected forward using an indexed return of -1.94% to estimate the value of assets as at 31 March 2018. The actual return for the period as reported by the actuary was -3.38%).

The actuary has advised that the impact of this overstatement on Bradford Council's pension plan assets is a decrease of £33.7m (with related increase in the pension / defined benefit liability) and an additional £1.4m cost on services (this is in comparison to the position originally presented in the draft, unaudited Statement of Accounts).

Management have adjusted the pension plan asset and defined benefit liability within the financial statements (by £33.7m) including 'other long term liabilities', 'unusable reserves' and 're-measurements of the net defined benefit liability' on the Balance Sheet, Movement in Reserves Statement and Comprehensive Income and Expenditure Statement and supporting notes (Note 21 Unusable reserves, Note 39 Long term liabilities and Note 31 Defined Benefit Pension Schemes). The required adjustment to the cost of services (increased cost of £1.4m) has also been action within the Comprehensive Income and Expenditure Statement.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully



Mark Kirkham
Mazars LLP