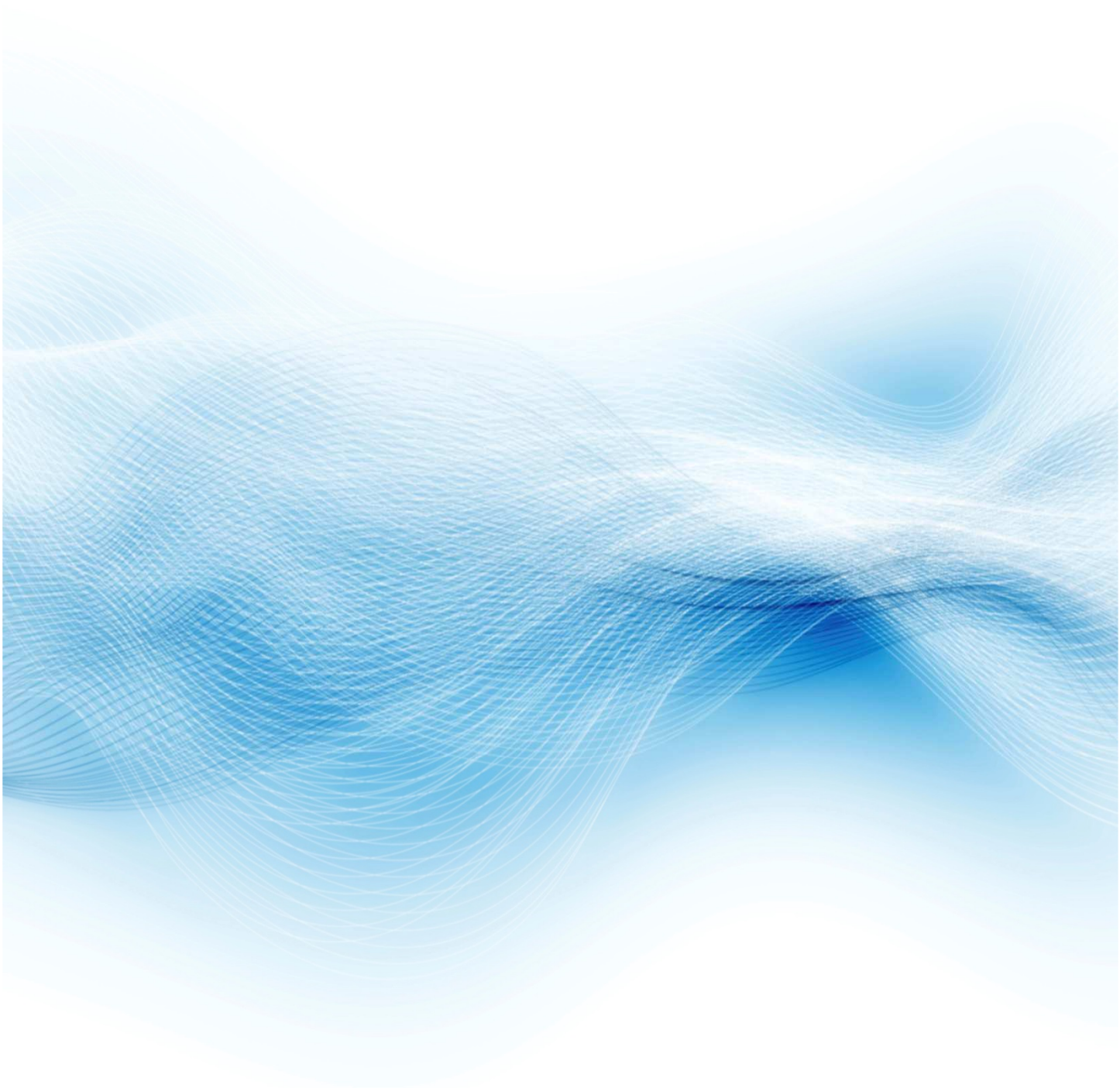




Audit Completion Report

City of Bradford Metropolitan District Council
Year ending 31 March 2018





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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

Governance and Audit Committee
City of Bradford Metropolitan District Council
City Hall
Norfolk Gardens
Bradford
BD1 1UH

18 July 2018

Dear Members

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, were outlined in our Audit Strategy Memorandum and our External Audit Progress Report which we presented on the 22 March and 28 June 2018 respectively. We have reviewed our these documents and concluded that the identified significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 387 8850.

Yours faithfully

Mark Kirkham
Mazars LLP

Mazars LLP – Salvus House, Aykley Heads, Durham DH1 5TS
Tel: +44(0)191 383 6300 – Fax: +44(0)191 383 6350 – www.mazars.co.uk

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1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of the City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2018, and forms the basis for discussion at the Governance and Audit Committee meeting on 30 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, at the time of issuing this report our work remains in progress. Subject to the satisfactory completion of the outstanding work, and based on the areas of our work completed to date, we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including our proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. We anticipate reporting that the WGA submission is consistent with the audited financial statements

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance and Audit Committee in a follow-up letter.

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1. EXECUTIVE SUMMARY

Status of our audit work

Our work on the financial statements and Value for Money conclusion for the year ended 31 March 2018 remains in progress. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Income	We are awaiting evidence from management to support 15 transactions selected for our cut off testing.
Expenditure and remuneration disclosures	Our work on members allowances remains in progress and we are awaiting a response from management to queries on senior officers remuneration and termination payment disclosures.
Heritage Assets	Our work on physically verifying the existence of a sample of assets remains in progress.
Cash and cash equivalents	We are awaiting evidence from management to support a number of balances included within cash and cash equivalents.
Pensions	Our work on pensions remains in progress.
Collection Fund	Our work on the collection fund remains in progress.
Provisions and contingencies	Our work on provisions and contingencies remains in progress.
Non material notes to the financial statements	Our work on non material notes included in the statement of accounts remains in progress.
Whole of government accounts (WGA)	Completion of audit procedures supporting the WGA return to the NAO.
Final versions of the Annual Governance Statement (AGS) and amended financial statements	Review of the final versions of the AGS and amended financial statements.
Post balance sheet events	Review of post balance sheet events up to the point at which we sign our audit report.
Review and closure procedures	Completion of audit closure procedures and final manager and partner review.

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

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1. EXECUTIVE SUMMARY

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £18m using a benchmark of 1.6% of Gross Revenue Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £18m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Governance and Audit Committee, at £450k based on 2.5% of overall materiality.

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2. FINANCIAL STATEMENTS AUDIT

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management override of controls

Description of the risk

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk by performing audit work in the following areas:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Based on the work completed to date, we have identified no indication of management override of controls and have no matters to bring to your attention.

2. FINANCIAL STATEMENTS AUDIT (CONTINUED)

Significant risk	Description of the risk
Revenue recognition – fees and charges	In accordance with international standards on auditing (ISA 240) we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted and we have done this in relation to the Council's most significant sources of income - taxation and grant income. We do not feel that there is sufficient scope for rebuttal for fees and charges so we identified those income streams as the key areas for testing. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we addressed this risk

We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition we undertook a range of substantive procedures including:

- testing receipts in March, April and May 2018 to ensure they have been recognised in the right year;
- testing material year end receivables;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

Audit conclusion

Based on the work completed to date, we have no matters to bring to your attention and we identified no indication of revenue being recognised in the wrong year.

Significant risk	Description of the management judgement
Property, plant and equipment (PPE) valuation	The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations. We have therefore identified the valuation of PPE to be an area of risk.

How our audit addressed this area of management judgement

We evaluated the Council's arrangements for ensuring that PPE values are reasonable. We reviewed the scope and terms of the engagement with the Council's in-house valuer and how management used the valuers report to value land and buildings in the financial statements. We also

- assessed the competence, skills and experience of the Council's valuer;
- considered regional valuation trends (provided by our valuation expert) to assess the reasonableness of the movement in valuations; and
- where necessary performed further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.

Audit conclusion

Based on the work completed to date, we have no matters to bring to your attention.

2. FINANCIAL STATEMENTS AUDIT (CONTINUED)

Significant risk

Defined benefit liability valuation

Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and
- considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.

Audit conclusion

Based on the work completed to date, we have found no indication of material estimation error in respect of the defined benefit liability valuation and have no matters to bring to your attention.

Significant risk

Revision to Minimum Revenue Provision (MRP) calculation

Description of the risk

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (2003 Regulations), as amended, requires local authorities to set aside a prudent amount of MRP. DCLG has issued Guidance on MRP which sets out the principles and processes to be followed in complying with these regulations and gives four options which are consistent with the Regulations to determine the MRP calculation. Local authorities, under this guidance, have to make an annual statement setting out their MRP policy for the year which is approved by elected Members.

We are aware that, relatively late in the year and, in part, due to changes to the MRP guidance, the Council is reviewing its policy in respect of the annual charge for MRP in 2017/18. Changing MRP does not lead to an absolute revenue saving as the change typically reallocates the cost of financing into future years.

Local authorities, when revising their MRP, will need to consider the possible consequences such as maintaining a higher Capital Financing Requirement (CFR) and the interest implications of a higher underlying need to borrow.

There is a risk that the revisions the Council makes may not be compliant with 2003 Regulations and guidance issued by DCLG. Additionally, to make prudent policies, the Council needs to apply sound judgements and reasonable estimates.

Continued overleaf

2. OPINION AUDIT (CONTINUED)

Significant risk

Revision to Minimum Revenue Provision (MRP) calculation
(continued)

How we addressed this risk

We assessed whether our audit opinion will be affected by changes the Council has made and will seek evidence that the Council has:

- considered all the options available and their wider impact on CFR and underlying borrowing;
- determined that the change in policy is appropriate and prudent;
- demonstrated that the proposed revised MRP policy complies with Regulations and guidance issued by DCLG (including taking legal advice where appropriate); and
- recorded proper approval of the change in policy;

We also:

- critically assessed the revised MRP calculations for accuracy, completeness and correct accounting treatment in the year end financial statements (including the treatment of any theoretical overpayments);
- tested the reasonableness of estimates and judgements made by the Council in arriving at the revised MRP calculation.

Audit conclusion

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention.

Management judgement

Useful asset lives and depreciation of Property, Plant and Equipment

Description of the management judgement

Property, Plant and Equipment is depreciated over its useful life in the financial statements. Management makes a judgement on asset lives based on factors such as repairs and maintenance. Changes in asset lives could have a significant impact on the amount of depreciation charged to the income and expenditure account.

How we addressed this area of management judgement

We have reviewed useful asset lives and tested the underlying calculation of depreciation to ensure they are reasonable and based on reasonable assumptions.

Audit conclusion

There were no significant findings arising from our work on the key management judgement of useful asset lives and depreciation.

2. OPINION AUDIT (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Council Accounting (the Code), appropriately tailored to the Council's circumstances.

In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2018.

Significant matters discussed with management

There were no significant matters discussed with management that we need to specifically report to the Governance and Audit Committee.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Draft accounts were received from the Council on 31 May 2018, in line with the statutory deadline, and the accounts were of a good quality. We will debrief with the Finance Team to share views on the final accounts audit. We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit visit to answer our queries in a prompt and timely manner. This co-operation has allowed the audit to progress smoothly and to complete within the allocated timeframe.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been received.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	none
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Deficiencies in internal control – Level 2

Description of deficiency

Declarations of interest from management were not sought in a timely manner to support the preparation of the related party note (Note 41) within the statement of accounts.

Potential effects

There is a risk that related party transactions are not identified and monitored appropriately in year. There is also a risk that the disclosure in the statement of accounts is not complete or based on up to date information.

Recommendation

The Council should ensure that declarations of interests are sought on a timely basis both throughout the year and in advance of preparation of the statement of accounts..

Management response

The Council will review related party transactions earlier in future years.

Other recommendations on internal control – Level 3

Description of deficiency

As part of the audit, we identified a significant number of journals containing no narrative description.

Potential effects

The exclusion of a narrative description makes it more difficult to determine the reason for a journal posting and potentially increases the risk for fraudulent activity being undetected.

Recommendation

The Council should both remind staff of the need to include an appropriate narrative description on all journals and regularly review journals to ensure that journal descriptions have been appropriately included for all posted entries.

Management response

The Council will review the input of journals with no narrative description, to identify whether those identified by external audit were exceptional and whether controls can be strengthened.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency - Level 2

IT user access testing for leavers identified that for a sample of 25 leavers, the access termination request for 13 leavers was issued after the leaving date.

We completed additional procedures checking the last logon dates for the leavers and confirmed that none of the 13 leavers logged on to the network or any business critical system after their leaving date.

Potential effects

Leavers are not deactivated in a timely manner, meaning that inappropriate access to business critical systems would be possible

2017/18 update

The Council's original response (September 2017) was that 'A new Leavers Process is currently under test which incorporates functionality to ensure access to key corporate IT systems are flagged for disabling. The new system has increased automation which will make it a more efficient process for council managers to work with and maintain timely compliance to closing down IT access for staff who leave the organisation.

July 2018 update - The scope of the originally planned leavers process was extended to include employee movement, this was agreed by key IT Services stakeholders, and a process to incorporate new starters, movers and leavers was developed. A re-scoped project called 'user management' which after due consultation, development and User Acceptance Testing is due to go live imminently.

Description of deficiency - Level 2

Although business continuity testing is performed every year by the Council, no disaster recovery testing was performed during the audit period.

Potential effects

Major incidents or disasters may cause outage of one or more business critical systems, causing data loss, thereby affecting the availability and integrity of information.

2017/18 update

The Council's original response (September 2017) was that 'work is underway to determine the IT disaster recovery (DR) requirements for council departments starting with Health and Well Being, Children's Services and Corporate Services. Once requirements are known a test plan to simulate a loss of a key systems will be agreed with the department leads by December 2017 with testing to follow in 2018.

July 2018 update - Business continuity has proven difficult to progress with the respective senior stakeholders in the departments. IT Services will now undertake a joint activity with the Council's emergency planning team to determine the IT requirements in a DR situation for each Council service area. This can then be used to update the current known existing core systems DR requirements.

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £450k.

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2017/18

We are pleased to report that there were no unadjusted audit differences.

Adjusted misstatements 2017/18

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Taxation and Non Specific Grant Income	2,307		
	Cr: Health and Well being Gross Income			2,307
	Correction of Adult Social Care Grant originally included within New Homes Bonus Grant within Taxation and non-specific grant income. A number of associated notes have also been appropriately amended			
2	Dr: Short term creditors		7,258	
	Cr: Short term debtors			7,258
	Correction of a provision for bad debts incorrectly recorded in the creditors balance. This misstatement was identified by officers during the audit. A number of associated notes have also been appropriately amended			

Disclosure amendments

Page 51, Note 18 Current Assets and Current Liabilities, Creditors and Receipts in Advance – the disclosure has been amended to correct the classification of £580k of short term creditors (£485k from Central Government bodies to Other entities and individuals and £95k from Other local authorities to Other entities and individuals). These misstatements was identified by officers during the audit.

Page 59, Note 23 2017-18 Expenditure Funding Analysis – a casting error was identified in the disclosure note and required the surplus(-)/deficit on Provision of Services to be amended from £87,510k to nil.

Page 87, Note 45 Grant Income – the disclosure was amended to correct the understatement of NHS Adult Social Care grant by £3,132k. This misstatement was identified by officers during the audit.

Page 88, Note 47 Financial Instruments – the disclosure was amended to remove £6,177k of general payments in advance from Debtors – Financial assets carried at contract amounts as payments in advance are not contractual instruments.

Page 96, Collection Fund Note 3 – a small section of the narrative disclosure was updated to amend the figures included for the bad debt provision movements for both council tax and business rates.

In addition to the above, we identified a number of minor presentational issues during our audit and these have all been amended by the Authority.



6. VALUE FOR MONEY CONCLUSION

Our approach

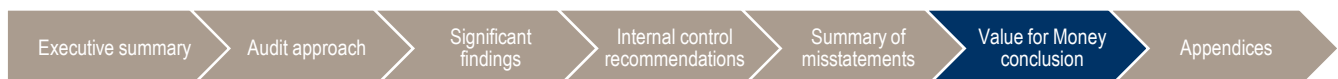
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council 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 assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council has a Constitution in place which is reviewed annually and provides the framework within which the Executive take decisions in exercise of Council functions.</p> <p>During the year the senior management structure has been refreshed to ensure it remains appropriate to respond to the Council's future plans and challenges.</p> <p>The Council has adopted a Risk Management Strategy and maintains both corporate and service risk registers which identify actions required to mitigate the identified risks.</p> <p>The Council uses corporate and departmental service level performance measures to report and manage service delivery. The Quarterly Financial Monitoring Reports and associated in year and outturn Finance and Performance Reports, present to the Executive and Corporate Overview & Scrutiny the current and forecast position on performance and finance in relation to the Council's activities.</p> <p>A set of corporate indicators is in place that focuses on key Council priorities. Performance is monitored through Departmental Management Teams, Corporate Management Team with reporting to the Executive and Overview and Scrutiny Committees.</p>	Yes



6. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Council delivered a small budget underspend of £0.3 million for 2017/18 and delivered recurrent savings of £23.4m.</p> <p>Whilst the Council has a good track record of achieving savings, having managed to reduce spending by £233 million over the past 7 years, £22.6m of the £46m of planned savings for 2017/18 were not delivered as intended. The underachievement against the savings plan was significantly higher than prior years (£7.9m in 2016-17 and £4.3m in 2015/16) and was due, in the main, to increased demand for adult and children's services, the increased difficulty in delivering savings as the Council reduces in size and as lower priority areas have already been cut.</p> <p>The Council recognises that having high levels of underachieved savings has a detrimental impact of the financial health of the Council as savings not delivered in year compound the difficulty in delivering future years' additional savings unless addressed.</p> <p>In response, the Council has:</p> <ul style="list-style-type: none"> • set a balanced budget for 2018/19 which is underpinned by detailed savings plans; • refreshed it's Medium Term Financial Plan (MTFP) to recognise that some of the underachieved savings highlighted above will require a longer delivery period and others may not be deliverable given current service demand pressures; • enhanced it's monitoring and reporting arrangements to more quickly identify and tackle emerging financial issues and / or develop compensatory savings; • commissioned external support to help the identification and delivery of required savings and transformation; and • developed a better alignment between budget processes and its purposes, priorities and ambitions as set out in the Council Plan. <p>The Council approved a medium-term financial strategy for 2019/20 to 2021/22 and beyond which is a key part of the Council's planning and performance framework. The financial outlook remains highly challenging requiring the delivery of significant savings of £28.2m in 2018/19 and £26.8m in 2019/20 and identification of further savings of £30.6 million for 2021/22.</p>	Yes
Working with partners and other third parties	<p>The District Plan has been developed with key partners and partnerships setting out long-term ambitions for the District and outlines priorities for action. A review of Bradford District Partnerships arrangements has established clear leads for each of the agreed outcomes that form the Council and District's vision.</p> <p>The Council is an active member of a number of strategic delivery partnerships. Through the Health and Wellbeing Board, for example, the Council is a lead member of the Bradford District and Craven Sustainability and Transformation Plan (STP) and the wider West Yorkshire and Harrogate STP – working to create a strategic health and care economy that supports people to be healthy, well and independent.</p> <p>The Council continues to work with partners and other third parties to explore scope for alternative delivery models with some already in place and others being considered.</p>	Yes

6. VALUE FOR MONEY CONCLUSION (CONTINUED)

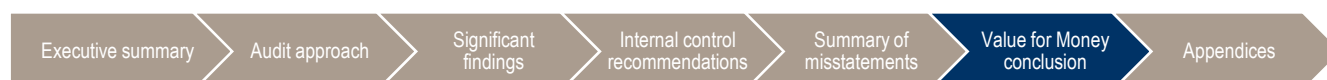
Significant risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant value for money audit risk and the work we carried out is outlined below.

Risk	Work undertaken	Conclusion
<p>Delivery of a balanced budget and Medium Term Financial Planning</p> <p>Our audit work in previous years has concluded that the Council has appropriate arrangements in place for Medium Term Financial Planning. The Council continues to face financial pressure in the coming years and the Council has recently updated its medium term financial strategy (MTFS).</p> <p>We need to ensure our knowledge of the Council's MTFS arrangements and its monitoring of the planned delivery of a balanced budget and related savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>Building on our work in previous years, we reviewed the Council's updated 2018 MTFS to ensure it reflects the latest income projections and funding position from central government. We also reviewed of the arrangements the Council has in place to monitor progress in delivering a balanced budget for 2017/18 and the related savings plans.</p>	<p>The Council has revised its medium-term financial strategy for 2019/20 to 2021/22 to ensure it is based on appropriate assumptions (income projections, central government funding, pay and non-pay inflation) and recognises the risks associated with these assumptions.</p> <p>The Council delivered a balanced budget for 2017/18 – delivering a small budget underspend of £0.3m and recurrent savings of £23.4m.</p> <p>The underachievement against the 2017/18 savings plan was significantly higher than prior years (£7.9m in 2016-17 and £4.3m in 2015-16) and was due, in the main, to increased demand for adult and children's services. The Council recognised these demand pressures early in the financial year and, through it's routine monitoring and reporting arrangements, put compensating arrangements in place sufficient to deliver a balanced budget.</p> <p>As highlighted above, the financial outlook remains highly challenging and in response, the Council has further enhanced its MTFS arrangements and its budget monitoring and reporting arrangements.</p>

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified value for money conclusion for the 2017/18 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mr M Kirkham
Mazars LLP
Mazars House
Gildersome
Leeds
LS27 7JN

30 July 2018

Dear Mark

City of Bradford Metropolitan District Council - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Assistant Director - Finance & Procurement (S151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Assistant Director - Finance & Procurement (S151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Assistant Director - Finance & Procurement (S151 Officer)

Date.....

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DRAFT AUDITOR'S REPORT

Independent auditor's report to the Members of the City of Bradford Metropolitan District Council

Opinion on the Council's financial statements

We have audited the financial statements of the City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the City of Bradford Metropolitan District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Opinion on the Pension Fund financial statements

We have audited the financial statements of West Yorkshire Pension Fund for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Director, Finance and Procurement's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director, Finance and Procurement has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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DRAFT AUDITOR'S REPORT (CONTINUED)

Other information

The Assistant Director, Finance and Procurement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Assistant Director, Finance and Procurement for the financial statements

As explained more fully in the Statement of the Assistant Director, Finance and Procurement Responsibilities, the Assistant Director, Finance and Procurement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Assistant Director, Finance and Procurement is also responsible for such internal control as the Assistant Director, Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Assistant Director, Finance and Procurement is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Assistant Director, Finance and Procurement is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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DRAFT AUDITOR'S REPORT (CONTINUED)

Conclusion on the City of Bradford Metropolitan District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the City of Bradford Metropolitan District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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DRAFT AUDITOR'S REPORT (CONTINUED)

Use of the audit report

This report is made solely to the members of the City of Bradford Metropolitan District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of the City of Bradford Metropolitan District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham
For and on behalf of Mazars LLP

Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

30 July 2018

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APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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CONTACT

Mark Kirkham

Partner

Phone: 0113 387 8850

Mobile: 07747 764529

Email: mark.kirkham@mazars.co.uk

Mark Dalton

Senior Manager

Phone: 0113 387 8735

Mobile: 07795 506766

Email: mark.dalton@mazars.co.uk