

# Audit Completion Report

City of Bradford Metropolitan District Council – year ended 31 March 2016

29 September 2016

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Governance and Audit Committee  
City of Bradford Metropolitan District Council  
City Hall  
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September 2016

Dear Members

**Audit Completion Report – Year ended 31 March 2016**

We are delighted to present our Audit Completion Report for the year ended 31 March 2016. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 15 April 2016. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 3836300 or [mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk).

Yours faithfully

Mark Kirkham  
Partner and Engagement Lead

Mazars LLP

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# 01 Executive summary

## Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2016 to the Governance and Audit Committee of City of Bradford Metropolitan District Council and forms the basis for discussion at the Governance and Audit Committee meeting on 29 September 2016.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing City of Bradford Metropolitan District Council; and
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

## Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2016.

At the time of preparing this report, the following significant matters remain outstanding:

- review of events after the balance sheet date; and
- completion of our review procedures.

We will provide an update to you in relation to the significant matters outstanding above through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by 30 September 2016.

Our proposed audit report is set out in Appendix B.

## 02 Financial highlights

Good finances are the foundation of the Council's ability to deliver essential services for the district and to achieve value for money for taxpayers. The Statement of Accounts is the key medium by which the Council communicates financial performance with external stakeholders. As such it provides valuable data on how resources have been employed and what assets and liabilities are outstanding, and is a useful indicator as to the financial health of the organisation.

### **Comprehensive Income and Expenditure Statement (CIES)**

The statement shows the cost of providing services for 2015/16 prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2015/16. The statement shows a deficit for the year for the provision of services of £85.3m. This differs from the Council's reported performance on its revenue budget for 2015/16 because of items of expenditure which are correctly charged to CIES under accounting rules are not charged to the General Fund under statute. Note 4 to the financial statements sets out the adjustments between the accounting basis and the funding basis.

The Council's performance against its revenue budget is set out in the narrative report (page 11) of the Statement of Accounts. Net expenditure was £0.8m lower than budgeted net expenditure of £400.8m.

### **Balance Sheet**

The balance sheet shows the value of the Council's assets and liabilities on a single date at the year end. It shows that the Council's liabilities exceed its assets by £42.2m reflecting an overall decrease in net worth of £25.6m from last year. This is mainly due to a net decrease in the valuation of land and buildings and the disposal of school assets on conversion to academy status for nil consideration.

External borrowing, excluding PFI and lease arrangements, has reduced by £53.6m from last year as loans have been repaid on maturity and not replaced in line with the Council's Medium Term Financial Strategy.

The Council's short term investments and cash balances have decreased by £70.9 from last year as the Council has used its own resources to finance capital investment rather than borrow externally.

The long term pension liability of £700m has reduced by £33.5m from last year. The liability is not expected to crystallise at any single future point. Pension contribution rates are set by the actuary every three years and are intended to eliminate the pension deficit over 21 years.

The Council's net assets are matched by reserves which comprise both usable and unusable reserves. Note 5 to the accounts sets out the Council's usable reserves and shows that £19.9m corporate reserves are available to support future budget decisions, an decrease of £13.7m on last year although £6.1m has been committed to support the 2016/17 budget as planned.

## 03 Significant findings

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

- Our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum.
- Our comments in respect of your accounting policies and disclosures in the financial statements. We have concluded that 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 significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

#### Management override of controls

##### Description of the risk

International Standards on Auditing (ISA) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.

In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

##### How we addressed this risk

We addressed this risk by:

- evaluating and testing the basis for material accounting estimates included in the financial statements;
- reviewing unusual or significant transactions outside the normal course of business; and
- testing journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

##### Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We identified no indication of management override of controls.

#### Revenue recognition

##### Description of the risk

In accordance with 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 but, given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal. 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 the pre and post year end period to ensure they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

### **Audit conclusion**

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. We identified no indication of revenue being recognised in the wrong year.

## **Pension estimates (IAS19)**

### **Description of the risk**

The financial statements contain material pension entries in respect of the 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 National Audit Office.

### **Audit conclusion**

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. We identified no indication of material estimation error in respect of pensions.

## **Valuation of land and buildings**

### **Description of the area of management judgement**

Land and buildings are the Council's highest value assets. Management use in house valuation services, as an expert, to determine the value of property to be included in the financial statements.

In addition a new financial reporting standard (IFRS13 fair value measurement) applies to the valuation of surplus property for 2015/16 and judgements may be required about 'highest and best' use values.

### **How we addressed this area of management judgement**

We liaised with management to update our understanding on the approach taken by the Council to the valuation of land and buildings including the requirements of IFRS13.

We reviewed:

- the scope and terms of the engagement with the valuer; and
- how management use the valuer's report to value land and buildings in the financial statements.

We wrote to the valuer to obtain information on the methodology and their procedures to ensure objectivity and quality.

We also considered evidence of regional valuation trends.

### **Audit conclusion**

We have completed our planned work reviewing the Council's use of experts to inform management judgements about valuation of land and buildings and the application of the new financial reporting standard.

We have also considered the evidence of regional valuation trends provided by our external expert.

We identified no matters to bring to your attention.

### **Accounting policies and disclosures**

We have reviewed City of Bradford Metropolitan District Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting 2015/16 ('the Code').

### **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.

### **Electors' rights to inspect the accounts**

The Accounts and Audit (England) Regulations 2015 ('the regulations'), introduced new requirements in respect of publishing the financial statements and the period within which local electors may raise questions on the financial statements or make an objection to an item of account. For 2015/16 the Council set this period as 1 July 2016 to 11 August 2016. We received no questions or objections within this period.



## 04 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have identified no matters to report. If we had performed more extensive procedures on internal control we might have identified deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

As part of our audit we completed a review of IT general controls. We reported our findings to management and there were no matters which we considered sufficiently significant to report separately to you.

### 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

The asset register has not been updated annually to remove vehicles, plant and equipment that have been disposed of at the end of their useful lives. Whilst the net book value of these assets is nil, as they have been fully depreciated, the asset register has carried assets with a gross cost or value of £45.727m and matching depreciation balance until they were written out of the asset register at year end.

#### Potential effects

Absence of robust arrangements to update the asset register for vehicle, plant and equipment disposals, at least annually, risks misstating the Council's asset base and undermining the accuracy of management information extracted from the asset register.

#### Remedial action

The Council implemented the recommendation for 2015/16 and also updated the year end timetable to ensure this is completed annually.

# 05 Summary of misstatements

We identified no misstatements for adjustment during the course of the audit that are above the trivial level (£489,000), which impact on the primary statements or the Council's reported financial performance and financial position.

We have identified a number of misstatements within the disclosure notes which management have amended and are set out below.

## Disclosure amendments

### Adjusted misstatements

1. Prior period adjustments – restatement of employees' remuneration banding (Note 2)

Three changes were made to the restated numbers of employees in the remuneration bandings to correct minor errors in the restated analysis.

2. Assumptions about major sources of estimation uncertainty (Note 3)

Figures relating to debtors were amended to ensure consistency with corresponding amounts shown elsewhere in the financial statements.

3. Amounts reported for resource allocation (Note 23)

The note was amended to show 'revenues and benefits' as a separate disclosable segment as the expenditure breached the threshold for separate reporting under the Code of Practice on Local Authority Accounting. The table showing comparative information was also restated to reflect the current year presentation.

The adjustment has no effect on the Council's reported financial performance or financial position.

4. Pooled budget arrangements (Note 28)

Better Care Fund arrangement established under Section 75 of the Health Act 2006 have been added to the disclosure note to comply with the Code's requirements.

5. Senior officers' remuneration (Note 33)

The annualised salary of the Interim City Solicitor has been added following management review of detailed disclosure requirements.

In addition the salary of the Acting Chief Executive was altered to reflect the timing when she left the role.

6. Related party transactions (Note 41)

The disclosure was amended to clarify the narrative relating to West Yorkshire Combined Authority and to delete duplicate text. The figure for sums received from West Yorkshire Combined Authority for the year was amended as last year's figure had not been updated.

7. Narrative Report

We agreed a few changes to the Narrative Report to ensure consistency with the financial statements and to improve presentation. The minor inconsistencies with the financial statements arose from timing differences.

8. Other minor presentational changes

We also agreed a number of minor presentational changes to the disclosure notes to improve clarity for readers of the financial statements.

## 06 Value for money

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources by considering one overall criterion which is made up of three sub-criteria. The overall criterion set out by the NAO is:

*'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.'*

In the Audit Strategy Memorandum, presented to the Governance and Audit Committee in April 2016, we identified a significant risk relevant to the value for money conclusion (VFM). At the same time we issued a separate VFM Risk Assessment report which set out our VFM planning considerations.

We report the detailed findings from our work to address the significant risk and to update our risk assessment in a separate report 'Review of arrangements for securing value for money' which accompanies this report.

We summarise the findings from our work to address the significant risk in the table below. We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

### Significant Value for Money risk

#### Sustainable resource deployment

##### Description of the risk

The Council faces significant financial pressure from reduced funding and increasing demand for some services. The challenge to identify and implement savings is increasingly difficult as by the year end the Council will have reduced spending by £172.6m over the past 5 years.

The VFM audit risk is that we will not be able to reach a safe conclusion without undertaking further work to assess the Council's arrangements to achieve the planned balanced position in 2016/17 and to identify further plans to bridge the funding gaps for 2017/18 (£7.6m) and 2018/19 (£28m).

##### How we addressed this risk

We reviewed 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 also reviewed a sample of project plans for saving proposals and considered delivery arrangements.

##### Conclusion

The Council has made arrangements for managing its savings programme and achieved planned savings of £32.8m, equivalent to 87% of the savings plan, during 2015/16. The shortfall of £4.9m was bridged by compensating measures including use of budget contingencies set aside to mitigate the risks of delay in implementing some of the more complex savings plans.

Service income for the year was £1.9m better than budget reflecting generally prudent assumptions about income growth that were built into the budget for 2015/16.

The Council approved a balanced budget for 2016/17 in February 2016 which involves planned savings of £45.6m. After the first quarter, management forecast achievement of 84% of planned savings although mitigating actions are being taken by Strategic Directors to make compensatory savings to offset the forecast shortfall.

In addition the Council has revised its medium term financial strategy for 2017/18 to 2019/20 and beyond to provide a longer term view of the significant financial challenge it faces. Our review indicates that the core assumptions are appropriate factors to consider and that management recognise the risks associated with the assumptions.

The scale of the financial challenge is so significant that fundamental changes to the level and scope of service provision are envisaged to ensure the Council manages within its available resources. The Council has already started to plan for fundamental change supported by outcome based budgeting.

# Appendix A – Draft management representation letter

## City of Bradford Metropolitan District Council - audit for year ended 31 March 2016

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 2016 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.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **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 Director of Finance 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the 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.

### **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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

#### **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 Director of Finance 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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.

#### **Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2015/16 in relation to the Council's PFI schemes that you have not been made aware of.

#### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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.

Yours sincerely

Director of Finance

Date.....

# Appendix B – Draft audit report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

### Opinion on the Authority financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2016 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 and Collection Fund and the related notes. 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 2015/16.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

### Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford Metropolitan District Council as at 31 March 2016 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 2015/16.

### Opinion on other matters

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;



- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Opinion on the Pension Fund financial statements**

We have audited the pension fund financial statements for the year ended 31 March 2016 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. 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 2015/16.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of the Director of Finance and auditor**

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Council's Statement of Accounts, which includes the Pension Fund 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for my report.

### **Opinion on Pension Fund financial statements**

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March 2016 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 2015/16.

### **Opinion on other matters**

In our opinion, the information given in the narrative statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Council and the auditor**

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.

We are required under section 20 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 National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

#### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. 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.

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, City of Bradford Metropolitan District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

#### **Certificate**

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Mark Kirkham

For and on behalf of Mazars LLP

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LS27J7N

## 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 in April 2016 and therefore we remain independent.