

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 20 September 2013.

Subject:

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External audit's Audit Completion Report for the 2012/13 audit of West Yorkshire Pension Fund

Summary statement:

The report summarises the findings from the audit of West Yorkshire Pension Fund's 2012/13 financial statements.

Mark Kirkham
Director
Mazars LLP

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Suzan Hemingway, City Solicitor

1. SUMMARY

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2013 and forms the basis for discussion at the Governance and Audit Committee meeting on 20 September 2013.

At the time of issuing this report we anticipate issuing an unqualified opinion on your statement of accounts.

2. BACKGROUND

➤ Not applicable.

3. OTHER CONSIDERATIONS

➤ None.

4. OPTIONS

➤ Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

➤ Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

➤ None.

7. LEGAL APPRAISAL

➤ Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

➤ Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

➤ Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

➤ Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

- Not applicable.

8.5 HUMAN RIGHTS ACT

- Not applicable.

8.6 TRADE UNION

- Not applicable.

8.7 WARD IMPLICATIONS

- Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

- None.

10. RECOMMENDATION

That the Governance and Audit Committee:

- consider the unadjusted misstatements schedule (section 11)
- approve the letter or requested representations (Appendix 1) including the reasons for not amending the unadjusted misstatements

11. APPENDICES

- Audit Completion Report 2012/13

12. BACKGROUND DOCUMENTS

- None.

West Yorkshire Pension Fund

Audit Completion Report Year ended 31 March 2013

September 2013

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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Non-Executive Directors, Members or officers are prepared for the sole use of the audited body and we take no responsibility to any Non-Executive Director, Member or Officer in their individual capacity or to any third party.

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1. Purpose of this document

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2013 and forms the basis for discussion at the Governance and Audit Committee meeting on 20 September 2013.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance of West Yorkshire Pension Fund to fulfil their respective responsibilities;
- provide constructive observations arising from the audit process to those charged with governance;
- ensure as part of the two-way communication process we, as external auditors, gain an understanding of the attitude and views of those charged with governance to the internal and external operational, financial, compliance and other risks which might affect the statement of accounts, including the likelihood of those risks materialising and how they are managed; and
- receive feedback from those charged with governance as to the performance of the engagement team.

2. Independence

As part of our on-going 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.

No further threats to our independence have been identified since we issued our Audit Strategy Memorandum.

3. Our audit approach

Our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

There have been no changes to our audit approach as communicated to you in the Audit Strategy Memorandum dated May 2013.

4. Overall conclusion and opinion

At the time of issuing this report we anticipate issuing an unqualified opinion on your financial statements.

5. Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included the examination of the transactions and the controls thereon of. The International Standards on Auditing (UK and Ireland) do not require us to design audit procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

6. Audit status

We have substantially completed our audit of the financial statements for the year ended 31 March 2013.

As at the time of preparing this report, the following matters remain outstanding:

- completion of review of financial instrument disclosure;
- completion of review of governance compliance statement;
- 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.

7. Significant risks and key judgement areas identified during planning

Set out below are the significant risks and key areas of management judgement in the Audit Strategy Memorandum to which we paid particular attention in order to reduce the risk of material misstatement in the financial statements. We have detailed below the work performed to address each risk and judgement and our conclusions.

Significant audit risks	How we addressed this risk	Audit conclusion
<p>Management override of controls</p> <p>All systems of internal control are susceptible to management override of controls. In particular senior management holds a position of authority within an organisation so is able to perpetuate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards presume this is a significant risk of fraud which applies to all audits.</p> <p>This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.</p>	<p>Auditing standards mandate an element of substantive testing for every audit regardless of the operating effectiveness of the system of internal control.</p> <p>We completed the following procedures to address the risk:</p> <ul style="list-style-type: none"> • testing the appropriateness of journal entries recorded in the general ledger and adjustments made in preparing the financial statements; • reviewing the key areas within the financial statements where management has used judgement and applied estimation techniques and considering whether there is evidence of unfair bias; and • reviewing significant transactions outside the normal course of business or that otherwise appear to be highly unusual. <p>We also obtained written assurances from the</p>	<p>We found no evidence of management override of controls.</p> <p>Our sample testing of material journals posted throughout the year and at year end identified no inappropriate or unexplained journals.</p> <p>We evaluated a sample of adjustments made in preparing the financial statements and our work did not identify any significant matters to bring to your attention.</p> <p>We reviewed key areas of management judgement and our work did not identify any significant matters to bring to your attention.</p> <p>We found no significant transactions that we considered outside the normal course of business within the context of the pension fund.</p> <p>We also evaluated the impact of the errors we identified during the audit and concluded there was no pattern to the errors that might indicate</p>

Significant audit risks	How we addressed this risk	Audit conclusion
	Governance and Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.	manipulation.
<p>Valuation of unquoted investments</p> <p>As at 31 March 2012, the fair value of unquoted investments was £1.1 billion, which accounted for 14% of the Fund’s total investments.</p> <p>As prices for these investments are not quoted in active markets, the values included in the accounts are based on those provided by investment managers, who use a variety of valuation techniques. Where the valuations do not coincide with the Fund’s year end, an adjustment may be made for cashflows since the investment manager valuation.</p> <p>This results in an increased risk of material misstatement.</p>	<p>In addition to our standard programme of work in this area we undertook tests on a sample basis:</p> <ul style="list-style-type: none"> • obtaining the valuation of the investment at 31 March 2013 directly from external investment managers, and ensuring that the valuations included in the client’s financial statements were not materially different to those obtained directly; • agreeing the investment manager valuation to audited accounts where possible. Reviewing the audited accounts to ensure they include an unqualified opinion; and • reviewing available independent control assurance reports. 	<p>Management estimate the value of unquoted investments based on the best available information of year end value at the time the financial statements are prepared. We obtained additional information from external fund managers relating to year end value which was not available at the time the financial statements were prepared.</p> <p>Based on sample testing, the net assets value statements at 31 March 2013 obtained from investment managers indicate a higher valuation by £6.67 million than the estimates included in the financial statements. Our extrapolation indicates a potential difference of £12.08 million if the sample results were true for the whole population. We consider the extrapolation does not indicate a risk of a material difference.</p>

8. Audit findings

It is a requirement of ISA 260 that significant findings from the audit are communicated to those charged with governance.

Significant qualitative aspects of accounting practices

Accounting policy on currency translation

Foreign currency cash balances held at year end have been translated into sterling at exchange rates ruling at the time the balances were acquired. This is a departure from the stated accounting policy which says that assets and liabilities in foreign currency are translated at 'exchange rates ruling at the financial year end.' Although the impact of the departure from the accounting policy on the current period financial statements is trivial, so is not reported as an uncorrected misstatement, the Pension Fund should review application of its accounting policy to ensure compliance for future years.

9. Internal control

We are required to report to you any significant deficiencies in the accounting and internal controls systems identified during the course of the audit. **We have no significant issues to report in this respect.**

We have identified one other matter where we recommend the Pension Fund's arrangements are strengthened as set out in the table below.

The purpose of our audit was 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 statement of accounts, 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.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our audit 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.

Other recommendations in internal control

Description of deficiency	Potential effects	Remedial action	Management response
<p>The tight timetable for preparing the financial statements means that valuation of unquoted investments is based on the best available information.</p> <p>Subsequent information relevant to the year end valuation often becomes available after the draft financial statements have been prepared.</p> <p>Management's arrangements for preparing accounts should be strengthened to include consideration of whether information which becomes available after the draft financial statements are prepared indicates that initial estimates of value are materially correct.</p>	<p>There is a risk that additional information relevant to the year end valuation of unquoted investments becomes available between the date the financial statements are prepared and the completion of the audit and indicates a materially different valuation.</p>	<p>Set up a procedure to monitor whether additional information relevant to year end valuation of unquoted investments received after preparation of the draft financial statements has a material impact on the figures in the financial statements.</p>	<p>Agreed. We will use the monthly investment valuation process to review year end valuation of unquoted investments disclosed in our annual financial statement. The following tests will be carried starting from May each year until the conclusion of the final audit:</p> <ol style="list-style-type: none"> 1. Compare the latest valuations in "ICON" and "Private i" to schedule of values used in the financial statement for material changes in investment values as at 31st of March. 2. Each month obtain all new Net Asset Value statements for 31st of March, received from fund managers and check for material change in investment values. 3. Where the result of any or both of the tests in 1. and 2. above results in material increase or reduction in investment values as at 31st March adjust the value in the draft financial statement 4. Where the result of any or both of the tests in 1. and 2. above results in a significant reduction in investment value after 31st of March (post balance sheet events), discuss the disclosure requirements with our Auditor and WYPF Management for post balance sheet events reporting and adjustments.

10. Unadjusted misstatements

We are required to bring to your attention the misstatements found during the course of audit that have not been corrected, unless they are clearly trivial.

Unadjusted misstatements					
		Fund Account		Net Assets Statement	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
1	Debit: Investment assets (pooled investment vehicles)	-	-	795	-
	Credit: Profit and losses on disposal of and changes in value of investments	-	795	-	-
	<i>Being correction of error in the valuation of an overseas investment quoted in sterling but treated as denominated in euros. The actual error identified is £795k although extrapolation indicates the potential error for the whole population is £2,443k.</i>				

Adjustment 1:

Sample testing of investment assets (pooled investment vehicles) identified an overseas quoted investment with a valuation of £4,357,979 which was quoted in sterling but was treated as denominated in euros and translated to sterling in error. As a result the investment was undervalued by £795,225.

As the error was identified within a test sample we extrapolate the error to estimate the potential error if it was present in the whole population. The extrapolated error is £2,443,431 which is below materiality. We consider the extrapolation does not indicate a risk of material misstatements arising from the actual error identified in the test sample.

11. Adjusted misstatements

We bring to your attention the misstatements found during the course of audit that have been corrected, unless they are clearly trivial.

Adjusted misstatements 2012/13					
		Fund Account		Net Assets Statement	
		Debit £'000	Credit £'000	Debit £'000	Credit £'000
1	Debit: Investment assets (other investment balances)	-	-	11,403	-
	Credit: Investment assets (pooled investment vehicles)	-	-	-	11,217
	Credit: Returns on investment (profit and losses on disposal of and changes of investments)	-	186	-	-
	<i>Being re-classification within investment assets of an investment redemption at 31 March 2013 with minor consequential amendment to the Fund Account</i>				

Disclosure amendments

We agreed with management some amendments to the disclosures in the financial statements including:

- clarification of narrative in Note 11 administrative and other expenses; and
- additional reference to balances with central government bodies in Note 21 related party transactions.

Appendices

Appendix 1 – Management representations

To:

Mark Kirkham
Director
Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

West Yorkshire Pension Fund - audit for year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of West Yorkshire Pension Fund for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (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 financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and relevant legislation and International Financial Reporting Standards.

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 financial statements 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 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 Pension Fund's fund accounts and net assets statement.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable. I confirm that disclosures related to accounting estimates are complete and that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

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 Pension Fund 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 Code and relevant legislation and International Financial Reporting Standards (IFRSs).

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.

I confirm the Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the financial statements 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 financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund's financial statements 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 Pension Fund's financial statements 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 and relevant legislation and International Financial Reporting Standards.

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

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.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, relevant legislation and International Financial Reporting Standards 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.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund 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 financial statements.

Specific representation on unquoted Investments

Unquoted investments are included in the balance sheet at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am are satisfied, based on the knowledge I have, with the valuations, and are not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

Signed

For and on behalf of West Yorkshire Pension Fund

Appendix 2a – Draft audit report on the Council’s financial statements

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

Opinion on the Council financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. 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 2012/13.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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, 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 explanatory foreword 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 2013 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 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword 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 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

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 2013 under the Audit Commission Act 1998. 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 2012/13.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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 explanatory foreword and the annual 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 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 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword 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 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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 have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in February 2013, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice 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 2013.

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.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in February 2013, 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 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Mark Kirkham

For and on behalf of Mazars LLP, Appointed Auditors

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September 2013

Appendix 2b – Draft audit report on the Pension Fund Annual Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST YORKSHIRE PENSION FUND

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2013 under the Audit Commission Act 1998. 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 2012/13.

This report is made solely to the members of West Yorkshire Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

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 pension fund's financial statements 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 annual 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 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 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the annual 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 governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We have nothing to report in this respect.

Mark Kirkham, for and on behalf of Mazars LLP, Appointed Auditors
The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

September 2013

Appendix 3 – Required communication

ISA 260 ‘Communication With Those Charged With Governance’ and ISA 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ require the auditor to communicate a number of matters with those charged with governance. These matters are set out below along with our approach.

Required communication	When and how we communicate
<p>Respective responsibilities of auditor and those charged with governance.</p> <p>Our responsibility for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>	<p>This information was included in the Audit Strategy Memorandum.</p>
<p>Communication of the planned scope and timing of the audit.</p> <p>Matters communicated include:</p> <ul style="list-style-type: none"> ▪ significant audit risks and how we will address them; ▪ our approach to internal control relevant to the audit; ▪ the application of the concept of materiality in the context of an audit; ▪ our use of the work of internal audit; ▪ your approach to internal control and how you oversee the effectiveness of internal control procedures; ▪ the attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and ▪ your response to new accounting standards, corporate governance practices and related matters. 	<p>This information was included in the Audit Strategy Memorandum.</p>

Required communication	When and how we communicate
<p>Our views on significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</p> <p>When applicable, why we consider a significant accounting practice not to be appropriate to the entity.</p>	<p>Section 8 of this report.</p>
<p>Significant difficulties, if any, encountered during the audit.</p> <p>Significant difficulties encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> ▪ significant delays in management providing required information; ▪ an unnecessarily brief time within which to complete the audit; ▪ extensive unexpected effort required to obtain sufficient appropriate audit evidence; ▪ the unavailability of expected information; ▪ restrictions imposed on the auditor by management; and ▪ management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern. 	<p>No significant difficulties were encountered.</p>
<p>Details of significant matters discussed with, or subject to correspondence with management.</p>	<p>Not applicable.</p>
<p>Details of written representations we require for our audit.</p>	<p>Appendix 1 to this report.</p>
<p>Any other matters which we consider to be significant to the oversight of the financial reporting process.</p>	<p>Section 8 of this report.</p>
<p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p>	<p>The Audit Strategy Memorandum and section 2 of this report.</p>

Required communication	When and how we communicate
Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.	
Form, timing and general content of communications.	We issue our Audit Completion Report. Should you require us to communicate in a different way please let us know.
Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on appropriateness and timing of action taken by you in response to matters we have raised, the openness of your communication with us, your willingness and capacity to meet with us without management being present, your opportunity to fully comprehend matters we have raised, the extent to which you probe issues raised and our recommendations, any communication we have had in establishing with you the form, timing and general content of communications, your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.	We have evaluated the communication process between ourselves and those charged with governance and concluded that the communication has been sufficiently open and timely to meet our needs and applicable regulatory requirements.
Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.	Section 9 of this report.