



Audit Completion Report

City of Bradford Metropolitan District Council
Year ending 31 March 2020

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November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. 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, was outlined in our Audit Strategy Memorandum which we presented on 25 June 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and 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 0781 375 2053.

Yours faithfully



Cameron Waddell
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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of City of Bradford Metropolitan Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Governance and Audit Committee meeting on 26 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Land and buildings valuations;
- Defined benefit liability valuation; and
- Accounting for PFI.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on your financial statements. We intend to reflect in our auditor's report, the disclosure made in notes 9 (Property, Plan and Equipment) and 31 (Defined Benefit Pension Schemes) to the financial statements regarding material valuation uncertainty of property valuations.

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, except for the issues highlighted by Ofsted in their monitoring update letter on children's social care services, dated March 2020. Our draft auditor's report, including 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. 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 to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

Executive summary

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money conclusion

Appendices

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the West Yorkshire Pension Fund. We are finalising our work in this area and we provide more information on this matter at page 8. We also asked Management to provide assurance that they do not expect the impact of the recent McCloud resolution and emerging Goodwin case to be material. We have requested that management liaise with the Fund's Actuary to support their judgement.
Property, plant and equipment and investment property - valuations	●	We are finalising our work in this area and we anticipate further guidance on the form of the audit opinion wording that should be used against the backdrop of COVID-19. We currently expect that the declaration of uncertainty in property valuations caused by Covid19 will lead to an emphasis of matter paragraph in the audit opinion.
Journals	●	We have selected a sample of journals based on our risk criteria and requested the supporting evidence for these journals.
Net cost of service – income and expenditure	●	Our work is on going in this area. We have selected a sample of income and expenditure items and we are in the process of obtaining and agreeing them to evidence. This work also includes cut off and members allowance testing.
Heritage Asserts	●	We have selected a sample and have requested evidence to support their value and existence.
Collection Fund	●	We have an outstanding query relating the business rates appeal.
Cash and cash equivalents	●	We are awaiting receipt of a bank confirmation to enable us to complete our bank reconciliation procedures.
Whole of government accounts procedures	●	Completion of whole of government accounts procedures
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, including VFM conclusion moderation, final manager and partner review.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

2. EXECUTIVE SUMMARY (CONTINUED)

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.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2020. 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 £22.812 million using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is unchanged, 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 £0.684 million based on 3% of overall materiality.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following item of account/disclosures:

Item of account/disclosure	Specific Materiality
Senior officer remuneration	£5,000*
Members' allowances	£50,000
Related party transactions	£50,000

*Reflecting movement from one salary band to another

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

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 Audit and Governance Committee in a follow-up letter.

2. SIGNIFICANT FINDINGS

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 9 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;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

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

Description of the risk

Management override of controls

In all entities, 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. 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 through performing audit work over:

- 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

Subject to the completion of the outstanding matters on page 4, there are no matters to bring to your attention in respect of our work on management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Land and building valuations

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. Investment property is valued annually to ensure it reflects market conditions at year end.

The Council employs an internal valuation expert to provide information on valuations. There is 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.

In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not materially fairly stated at their fair value.

How we addressed this risk

We have considered the Council's arrangements for ensuring that PPE values are reasonable and we have considered corroborative evidence to enable us to assess the reasonableness of the valuations provided by the Council's in-house valuer. We have also assessed the competence, skills and experience of the valuer.

For assets revalued in 2019/20 we have reviewed the valuation methodology used, including testing the underlying data and assumptions. We have compared the valuation output with market intelligence, to obtain assurance that the valuations are in line with market expectations.

We have reviewed the Council's approach to address the risk that assets not subject to valuation in 2019/20 are materially misstated and considered the robustness of your approach in light of the valuation information reported by the Council's in house valuers.

We have also considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

We also considered the potential impact of the Covid-19 pandemic on the Council's asset valuations and the adequacy of the disclosures in the financial statements, specifically those relating to the material uncertainty applied by your valuer to their valuations.

Audit conclusion

As set out on page 4, the final elements of our work on the valuation of Property, Plant & Equipment are still to be completed and concluded. To date there are no significant findings from our work on property, plant and equipment valuations.

The Council's valuer has followed RICS guidance and as expected their valuation report concludes that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings at the balance sheet date. As discussed with management we expect the notes to the Statement of Accounts to be updated to reflect this.

In line with normal practice, we plan to include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report at Appendix B will be updated for any 'emphasis of matter' paragraph once our internal consultation processes are complete. The inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of our audit opinion.

2. SIGNIFICANT FINDINGS (CONTINUED)

Defined benefit liability valuation

Description of the risk

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2019.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.

How we addressed this risk

We have reviewed the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation. We have also evaluated the competency, objectivity and independence of the scheme Actuary, AON Hewitt.

We have reviewed the appropriateness of the methodology applied, and the key assumptions included within the valuation, compare them to expected ranges, utilising the information provided by PwC, consulting actuary engaged by the National Audit Office. We have also reviewed the methodology applied in the valuation of the liability by AON Hewitt.

Audit conclusion

As at the time of writing this report, our work has not highlighted any indication of material estimation error in respect of the defined benefit liability valuation. However, as highlighted above in relation to the Council's property valuations, the Pension Fund auditor has highlighted a "material valuation uncertainty" relating to the valuation of their level 3 unquoted property investments and a number of private equity funds.

The Council is currently considering how this should be disclosed in the notes to the Council's Statement of Accounts, and in line with normal practice, we expect to include reference to this disclosure as an 'emphasis of matter' in our audit report.

Our draft Auditor's Report at Appendix B will be updated for any 'emphasis of matter' paragraph once our internal consultation processes are complete. The inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of our audit opinion.

2. SIGNIFICANT FINDINGS (CONTINUED)

Accounting for PFI

Description of the management judgement

The method for accounting for PFI assets can be complex and involves management judgement.

How we addressed this area of management judgement

We have reviewed your approach for accounting for your PFI assets, including consideration of any changes to the financial model used.

Audit conclusion

Our work has provided sufficient assurance that your PFI assets have been accounted for correctly and PFI disclosures are materiality correct.



2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council'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.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for our audit testing and reporting included:

- The impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuer has followed RICS guidance and as expected their valuation report concludes that, due to the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings at the balance sheet date. This has been disclosed in the notes to the Financial Statements.
- The Council's adoption of the 'going concern' principle in preparing the Statement of Accounts. The 'going concern' status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of Financial Statements. The above, combined with the impact of COVID-19, means an additional level of scrutiny is required over the going concern assertion in 2019/20. In particular management's explicit considerations of whether the financial statement disclosure for going concern should more explicitly describe the impact of COVID-19.
- The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included the proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report) which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020. We are currently waiting for management's to provide an update on this issue.
- Work required by our regulators and other risks emerging during the year. As highlighted in our Audit Strategy Memorandum and in our progress reports throughout the year, as a result of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers we have needed to increase the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. This and other issues emerging during the year (highlighted elsewhere in this report) have had an impact on the fee required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

Significant difficulties during the audit

Draft accounts were received from the Council on the 6 July, however receipt was delayed several times. There were also several formatting issues and omissions (including the Pension Fund Accounts) in the first draft.

Throughout the audit process we have received the cooperation from the Council's management team and we acknowledge the difficulties of remote working, however key working papers were not available from commencing the audit, and the process to obtaining audit evidence has been slow at times.

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.

As at the time of writing this report, we have not exercised any of these powers as part of our 2019/20 audit.

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.	0
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.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1



3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Internal control recommendations – Level 3

Description of deficiency

The Council does not have an accruals threshold included in its accounting policies.

Potential effects

The current accounting policy means any missed accrual of income or expenditure is incorrect by the Council's own policy and therefore an audit error.

Recommendation

The Council should consider updating its accounting policy, by setting threshold for recognising year-end accruals.

The impact of the threshold should be quantified to Those Charged With Governance, in terms of the impact on the accounts, the number of transactions and staff resources required to process the accruals.

Management response

The Council will include an accruals threshold in its accounting policies from 2020-21. The impact of this will be quantified to Those Charged with Governance, in terms of the impact on the accounts, the number of transactions and staff resources required to process the accruals



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

Information Technology (IT) policies do not adhere to best practice for example in relation to the creation of new user accounts, access rights, password parameters, segregation of duties between development and operations, backup procedures, the incident management process and levels of escalation.

Potential effects

Users are not aware of the process to follow and may make errors which reduce the security of the Council's systems.

Recommendation

The Council should review existing IT policies to ensure they are in line with best practice and address the deficiencies highlighted above

2019/20 update

Control deficiency has not been resolved. As part of our IT General Controls work, we noted the same observations as the previous year, specifically regarding the requirement for users to be unique and attributable, user access reviews and password parameters.

Description of deficiency

IT user access testing found that:

- for a sample of 40 new starters, three new starter IT forms were missing
- for all leavers in the period, 72 accounts were found not to have been deactivated from business critical systems in a timely manner following their leaving date. Additional procedures were carried out to check the last log on date. All accounts had not been accessed since the employee had left.

Potential effects

Inappropriate access to business critical systems by an individual that has just joined the organisation or an individual that has left the organisation.

Recommendation

IT should perform and document scheduled periodic access reviews of business critical systems to ensure appropriate access / deactivation.

2019/20 update

Control deficiency has not been resolved. As part of our IT General Controls work in 2019/20, we noted similar issues regarding starters and leavers controls as the prior year.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Description of deficiency

Password parameters set within the Council's systems (AIM, Northgate, SAP, UPM) do not align with the Council's password policy.

Potential effects

Passwords are not sufficiently complex reducing the level of access security of critical business systems.

Recommendation

The Council should ensure that the password parameters for the critical business systems highlighted above reflect the Council's password policy.

2019/20 update

Control deficiency has not been resolved. As part of our IT General Controls work completed in 2019/20, we noted the same issues regarding password controls as the prior year.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.684m.

The first table 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 table outlines the misstatements that have been adjusted by management during the course of the audit.

Should any such misstatements arise through the completion of the outstanding work outlined on pages 4, we will provide an update to the Audit and Governance Committee in our follow up letter.

Unadjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: General Fund Reserve			955	
Cr: Children's Services - expenditure		955		
Our testing of expenditure identified one item of expenditure totalling £12,284 which related to 2018/19, which was recorded within expenditure for 2019/20. This item should have been accrued in 2018/19. As there was no means to isolate this error, the error was extrapolated totalling £0.955m.				
Total unadjusted misstatements		955	955	

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2019/20

In September 2020, the Council received updated pension figures from the actuary. The change in value is the result of the Pension Fund identifying an error when calculating the Authority's share of the fund's assets as at 31 March 2020. This resulted in an adjustment of £12.8 million to the net liability. This material adjustment was not a result of our audit work.

No other adjusted misstatements have been noted.

Disclosure amendments

As a result of our work, a number of amendments have been made to the other statements, notes and disclosures within the financial statements, and the most significant of these are as follows:

- Note 13 (investment property): Inconsistency between note 8b (financing and investment income and expenditure) and note 13 (investment property). Note 8b included £3.75m for Income and expenditure in relation to 'investment properties and changes in their fair value', which was inconsistent with note 13 (£2.840m).
- Note 18 (current assets and current liabilities): The total included in the narrative under the cash and cash equivalents table should total £15.312m.
- Note 33 (employee remuneration): Staff costs totalling £0.130k relating to three external schools had been omitted. The disclosure also did not include the pay bands as required by the code.
- Note 42 (audit fees): Incorrect audit fee for West Yorkshire Pension Fund (£63,360). We also recommended that some narrative should be added to explain why the Pension Fund audit fee is disclosure in the Council's accounts.
- Note 47 (financial Instruments): Inconsistency between note 47 and the debtors (totalling £8.244m), creditors (totalling £0.171m) and cash (totalling £0.003m) notes.
- Note 48 (trust funds and custodial money): The totals for expenditure and income were transposed.
- Movement in reserves statement: Casting and inconsistency errors were noted, including a casting error of £0.734m in usable reserves and a £0.033m inconsistency between the balance sheet reserves total.
- Earmarked reserves: Inconsistency with 2018/19 earmarked reserves relating to ICT Programmes Budget and Other Reserves which omitted in 2018/19 and disclosed in 2019/20.
- Collection Fund: Incorrect signage within the statement and note 2 (business rates) requires an update to reflect pooling arrangements with Leeds City Region and an amount due to central government.

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

5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

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.
- 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>The Bradford Council Plan (2016-2020) sets out the Council's objectives and spending priorities for the duration of the plan.</p> <p>New decisions are supported by reports that outline options and relevant considerations, including references to financial, risks, legal and performance issues where appropriate.</p> <p>Financial reporting is also used to deliver the Council's strategic objectives, for example through the Medium Term Financial Strategy (MTFS 2020/21 to 202/23 and beyond), which allocates resources to priority areas per the Council Plan.</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 Position Statement reports and associated in year and outturn finance and performance reports, present to the Executive and Corporate Overview & Scrutiny Committee the current and forecast position on performance and finance in relation to the Council's activities – supporting effective decision making.</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>	<p>We have assessed this criteria as 'no', as we have been unable to conclude on the VFM risk outlined on page 21 of this report, relating to the Council's OFSTED rating.</p> <p>With the exception of the above, we do consider the Council to have arrangements in place.</p>

5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money (continued)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>In 2019/20 the Council delivered a small budget underspend of £1.4m and delivered recurrent savings of £16.1m in 2019/20.</p> <p>The Council has track record of achieving savings, having reduced spending by almost £280m over the past 9 years, however it did not deliver £7.9m of the £22.0m of planned savings in 2019/20. The majority of this related to £4.4m of underachieved travel assistance savings. Additionally, there was a £1.9m underachievement relating to demand management and public health savings. As in previous years these were offset by mitigations and underspends in other services.</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. In response, the Council has:</p> <ul style="list-style-type: none"> • set a balanced budget for 2020/21 which is underpinned by detailed savings plans; • refreshed its Medium Term Financial Strategy (MTFS) 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; • in response to the Covid-19 pandemic, the Council has put in arrangement to identify and tackle emerging financial issues and / or develop compensatory savings; and • maintained alignment between its budget processes and its purposes, priorities and ambitions as set out in the Council Plan. <p>In February 2020, the Council refreshed its MTFS (2020/21 to 2022/23 and beyond), which identified a budget gap of £11.86m. In response to the Covid-19 pandemic the Council updated its MTF Plan (up to 2025/26) to reflect the worst case scenario for the Council. Management is currently working with Directorates to provide an update to the MTFS in February 2021.</p> <p>As at Quarter 2 the Council is projecting a £11.8m overspend, which includes £7m of additional net costs relating to Covid-19. This is an evolving situation and the latest position does not take into account any additional Government support or funding. Despite these pressures the Council does not foresee any significant reduction of services in 2020/21.</p> <p>We will continue to monitor the Council's financial arrangements, however, at the time of our report and despite the current financial uncertainty, the Council's has proper arrangements to monitor its financial position and ensure sustainable resource deployment.</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money (continued)

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third partners	<p>The Bradford District Plan has been developed with key partners and sets out the long-term ambitions and priorities for the District. The District Partnership has established an executive group, the Public Service Executive, which is chaired by the Council's chief executive and comprises of other chief officers from other local bodies including the CCG, Police, Fire, Government departments and community leaders.</p> <p>The Council is leading member the Health and Wellbeing Board, which brings together leaders from across the district including the Council, the NHS, the Police, Fire and Rescue, social housing and the Voluntary and Community sector, to provide strategic leadership across a wide range of health and wellbeing outcomes across the district and the wider West Yorkshire region.</p> <p>In June 2019 the Council approved its Strategic Partnering Agreement (SPA) for the Transformation and Better Integration of Health and Care Services for the Population of Bradford District and Craven. The agreement is intended to promote integrated and partnership working within the local health and social care systems.</p> <p>The Council has confirmed that the Wellbeing Board will lead the development of the Council's next District Plan, and will identify the ambitions and actions to be taken across the District in response to Covid.</p> <p>As part of the Council's response to the COVID-19 pandemic the Council has worked with local NHS organisation as part the Scientific Advisory Group (C-SAG). This is a group has been established to provide expert advice as to how to respond to the pandemic at a local level.</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



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money 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 two significant Value for Money risks. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>Financial resilience</p> <p>As in previous years, the Council continues to face significant financial challenges. In July 2019 the Council updated its medium term financial strategy for the period up to 2022/23, highlighting significant challenges faced by the Council. As at period 7, the Council is projecting a budget overspend of £1.3m, predicated by the delivery of £16.1m of savings. This challenging financial environment increases pressure of service delivery and could result in the increased reliance on reserves to achieve the Council's planned financial position.</p> <p>The continuing challenges the Council faces are not new and are not unique to the City of Bradford Metropolitan District Council. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financially sustainability over the medium term.</p>	<p>Building on our work in previous years, we reviewed the arrangements the Council has in place for ensuring financial resilience. Specifically, our work included reviewing:</p> <ul style="list-style-type: none"> the Council's medium term financial plan to ensure it takes into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors; the arrangements in place to monitor progress in delivering the budget and related savings plans; and considered the Council's arrangement to consider the impact of the COVID-19 pandemic on the Council's financial plans. 	<p>Our work has provided sufficient assurance. We have no matters to report.</p> <p>The impact of the COVID-19 pandemic means the Council will need to revisit the MTFS, including assumptions and future budget gaps.</p> <p>Our conclusion considers arrangements in the 2019/20 financial year and recognises that the impact of COVID-19 was in March 2020. When revisiting the MTFS to 2022/23, arrangements were in place to set a financial plan which reflected the circumstances at that time.</p>

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks (continued)

Risk	Work undertaken	Conclusion
<p>Ofsted inspection: children’s social care services</p> <p>In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we are required to consider the reports issued by other regulators.</p> <p>In October 2018, Ofsted reported the results of an inspection of children’s social care services and concluded that the overall effectiveness of these services was inadequate.</p> <p>Since this report was published, Ofsted has completed monitoring visits and in their latest letter to the Council (December 2019) they have highlighted that the service still has improvements to make to achieve its own targets.</p> <p>We therefore consider there to be a risk that the Council does not put in place proper arrangements to secure improvements to the service in a timely manner.</p>	<p>We considered the progress made by the Council in response to the October 2018 Ofsted report on children’s social care services.</p> <p>This requires an expert judgement and therefore we have relied on the updated commentary from the regulator i.e. Ofsted’s monitoring visit report of 19 March 2020.</p>	<p>Ofsted’s monitoring visit letter of 19 March 2020 highlights that whilst progress has been made and some positive improvements secured, there are several areas in which improvement is still required.</p> <p>We note the Council’s intent to ensure improvements are sustainable and embedded rather than a ‘quick fix’.</p> <p>As Ofsted will not provide an updated assessment until at least 2021 (originally the full visit was going to be in 2020, before COVID-19) children’s social care services continue to be rated as ‘inadequate’ by Ofsted.</p> <p>As a result, our VFM conclusion will be qualified on an ‘except for’ basis (i.e. arrangements are in place except for those aspects assessed as inadequate by Ofsted).</p>

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mr C Waddell
Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

November 2020

Dear Cameron

City of Bradford Metropolitan District Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

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 applicable law.

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 City of Bradford Metropolitan District Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as 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 Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on City of Bradford Metropolitan District Council's financial position, financial performance and cash flows.

Executive summary

Significant findings

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Summary of
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conclusion

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APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by City of Bradford Metropolitan District Council in making accounting estimates, including those measured at current or 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 City of Bradford Metropolitan District 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 Code and applicable law.

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 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 financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting City of Bradford Metropolitan District 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 City of Bradford Metropolitan District Council'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 applicable law.

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

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

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.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, 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.

Other matters

I can confirm in relation to the following matters that:

- Brexit -we have assessed the potential impact of the United Kingdom leaving the European Union and that the disclosure in the Narrative Report and note 3 to the Statement of Accounts fairly reflects that assessment.
- COVID-19 -we have assessed the potential impact of the COVID-19 Virus pandemic on the Authority and the Statement of Accounts, including the impact of mitigation measures and uncertainties, and are satisfied that the Statement of Accounts and supporting notes fairly reflect that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will cease to 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 are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours sincerely

Director of Finance (s151 Officer)

Date.....



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

Report on the financial statements

Opinion

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund and notes to the financial statements, including a 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 2019/20.

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 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings

We draw attention to note X of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings. As disclosed in note X of the financial statements, the Council has referenced a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic impacting on the relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Material uncertainty relating to valuations of property investments

We draw attention to note X of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's share of the West Yorkshire Pension Fund's property assets as at 31 March 2020. As disclosed in note X of the financial statements, the outbreak of Covid-19 has had a significant impact on global financial markets. As such, the Pension Fund has included a material valuation uncertainty clause due to the possible impact of Covid-19. There is, therefore, less certainty and a higher degree of caution should be attached to valuations of unquoted property assets than would normally be the case. Our opinion is not modified in respect of this matter.

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 Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance's 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.

APPENDIX B

DRAFT AUDITOR'S REPORT

Other information

The Director of Finance 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 Director of Finance for the financial statements

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 2019/20, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 Director of Finance 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.

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.

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

Qualified conclusion – Except for

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, with the exception of the matters described in the 'Basis for qualified conclusion' paragraph below, we are satisfied that, in all significant respects, 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 2020.

Basis for qualified 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 April 2020, 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 2020.

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.

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, in our consideration of the 'informed decision making' sub criteria, we considered the reports issued by other regulators. In October 2018, Ofsted reported the results of an inspection of children's social care services and concluded that these services were inadequate. Ofsted have carried out three monitoring visits since the inspection in 2018. The latest monitoring visit, reported in February 2020, highlights that whilst progress has been made, there are several areas in which improvement is still required.

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 for the 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 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.

Use of the audit report

This report is made solely to the members of 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 44 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.

APPENDIX B

DRAFT AUDITOR'S REPORT

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 these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Cameron Waddell
For and on behalf of Mazars LLP
Address
[Insert date]



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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