

Audit Completion Report

City of Bradford Metropolitan District Council – year ended 31 March 2014

September 2014



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Governance and Audit Committee Members
City of Bradford Metropolitan District Council
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September 2014

Ladies and Gentlemen

Audit Completion Report – Year ended 31 March 2014

We are delighted to present our Audit Completion Report for the year ended 31 March 2014. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 7 March 2014. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Mark Kirkham

Mazars LLP

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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, Directors or managers are prepared for the sole use of the audited body and we take no responsibility to any Non-Executive Director, Director or Manager in their individual capacity or to any third party.

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01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2014 to the Governance and Audit Committee of City of Bradford Metropolitan District Council and forms the basis for discussion at the Committee meeting on 19 September 2014.

Our communication with you is important to:

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

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

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

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2014.

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

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

We will provide an update to you in relation to the significant matters outstanding above by issuing a follow up letter.

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

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

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 3 October 2014.

Our proposed audit report is set out in Appendix B.

02 Commentary on the financial statements

Comprehensive Income and Expenditure Statement (CIES)

The statement shows the cost of providing services for 2013/14 prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2013/14. The statement shows a deficit for the year for the provision of services of £208.6m. This differs from the Council's reported performance on its revenue budget for 2013/14 because of items of expenditure which are correctly charged to CIES under accounting rules but are not charged to the General Fund under statute. Note 1 to the financial statements sets out the adjustments between the accounting basis and the funding basis.

The Council's performance against its revenue budget is set out in the financial summary (page 9) of the Statement of Accounts. Net expenditure was £2.7m (0.6%) lower than budgeted.

Balance Sheet

The balance sheet shows the value of the Council's assets and liabilities on a single date at the year end. It shows the Council's net worth of £18m which is a small increase on last year. The most significant movements from last year relate to a decrease in the net pension liability of £201m following the actuarial valuation offset by losses on the disposal of schools (£104m) transferring out of local authority control and revaluation losses on property, plant and equipment (£116m). Accordingly, long term assets (primarily Property, Plant and Equipment) have reduced by £209M (16%) whereas long term liabilities (primarily the net pension liability) have reduced by £236m (16%)

The Council's net assets are matched by reserves which comprise both usable and unusable reserves. Note 2 to the accounts sets out the Council's usable reserves and shows that £31m corporate reserves are available to support future budget decisions, an increase of £5m. This represents 6% of net expenditure.

03 Significant findings

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

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 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;
- significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls

Description of the risk

Auditing standards state that 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 is a risk of material misstatement due to possible management override of controls which is a significant risk on all audits.

This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.

How we addressed this risk

We addressed this risk by performing audit work on:

- accounting estimates which affect material amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business;
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements;
- the reconciliation of gross income and expenditure to feeder systems and appropriate journals;
- adjustments between the accounting basis and funding basis; and
- the year-end bank reconciliation.

Audit conclusion

We found no evidence of management override of controls.

Our sample testing of material journals posted throughout the year and at year end identified no inappropriate or unexplained journals.

We evaluated a sample of adjustments made in preparing the financial statements and our work did not identify any matters to bring to your attention.

We reviewed key areas of management judgement and concluded that, taking account of materiality, our work did not identify any matters to bring to your attention.

We found no significant transactions that we considered outside the normal course of business within the context of local government.

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 manipulation.

Revenue recognition

Description of the risk

Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of revenue recognition and in relation to judgements made by management as to when income has been earned. Mazars' policy is that the scope to apply such a rebuttal is limited. As there is an inherent risk of fraud in revenue recognition we consider it to be a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

How we addressed this risk

We addressed this risk through the work set out above in respect of management override supplemented by:

- cut-off testing of income in March and April to ensure it is recognised in the right year;
- testing the year-end reconciliations of revenue systems to the ledger; and
- predictive analytical review to ensure council tax and NNDR income is close to the expected level.

Audit conclusion

We found no evidence of fraud in revenue recognition based on our audit procedures.

Our cut-off testing on a sample basis did not identify any instances of income being recognised in the incorrect financial year.

There were no matters arising from our testing of year end reconciliations or from our predictive analytical review procedures.

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 manipulation.

Estimation of IAS 19 net pension liabilities

Description of the risk

The Council must include entries for retirement benefits at fair value using the revaluation method as described in IAS 19. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary. We considered the reasonableness of the actuary's assumptions and sought assurance from a national review by the Audit Commission's consulting actuary (PWC).

We also agreed the pension figures from the actuary's report to the financial statements and checked the narrative disclosures are consistent with requirements.

Audit conclusion

We concluded that management's arrangements for use of a consulting actuary as an expert are appropriate to determine the estimate of the net pension liability.

As this is a complex area we used our own external expert to evaluate the work of the consulting actuary. There are no significant matters to bring to your attention.

Business rates appeals provision

Description of the risk

The Local Government Finance Act 2012 makes councils responsible from 1 April 2013 for refunding ratepayers who have successfully appealed against the valuation of their business. The Council expects to make a material provision to cover this liability in the 2013-14 accounts. New provisions are inherently difficult to estimate and the level of NNDR refunds is volatile. In addition, DCLG indicated in 2013 that the cost of the provision could be spread over 5 years but are yet to finalise the requisite regulations and thus the accounting arrangements have not yet been defined.

How we addressed this risk

We addressed this risk through performing audit work on:

- the calculation of the provision and reasonableness of assumptions; and
- compliance with CIPFA guidance and DCLG directions.

Audit conclusion

We challenged management's judgements underpinning the estimation of the business rates appeals provision as at 31 March 2014 which are a cost to the Collection Fund. Management has estimated the probable cost of settling the appeals as £12.3m based on the level of appeals and experience of past outcomes. As the Collection Fund is an agent's account the Council has recognised its share (£6m) within provisions. We have no matters to bring to your attention.

Key areas of management judgement

Equal pay provision

Description of the area of management judgement

The Council has a long-term provision to cover the costs of equal pay claims, which they are yet to receive. The estimate is based primarily on historic claim patterns. Management have indicated that as claim rates have continued to decline they are considering reducing the provision.

How we addressed this area of management judgement

We examined the claims data to assess the reasonableness of the provision.

Audit conclusion

The rate of new claims has significantly reduced during 2013/14 compared to prior years. Management re-assessed the provision required to settle outstanding claims already received and the amounts probably required to settle estimated new claims. Management estimates allow for possible increases in claim rates.

Management has determined that the required provision at year end is £0.575m which has released £7.678m from the opening provision. This is credited to the Comprehensive Income and Expenditure Statement and is shown as an exceptional item on the face of the Statement.

There are no matters to bring to your attention taking account of the uncertainties inherent to any estimation.

Bad debt provisions

Description of the area of management judgement

The Council uses data on the age and recovery stage of different types of debt to decide how much to provide for bad debt. The Council needs to review the methods adopted to ensure they remain appropriate following welfare reform and the localisation of council tax and NNDR.

How we addressed this area of management judgement

We will examine the calculations of bad debt provisions for sundry debtors, council tax and NNDR and assess the reasonableness of the provisions.

Audit conclusion

The Council applies a consistent methodology to determining its bad debt provision. There are no matters to bring to your attention.

Support services recharges

Description of the area of management judgement

Significant judgement is required to apportion central services to the service headings required for the accounts. The Council needs to review the methods adopted to ensure they remain appropriate following the transfer of public health from the NHS to local government, departmental restructuring and office rationalisation.

How we addressed this area of management judgement

We will examine the reasonableness of the support service recharges.

Audit conclusion

There are no matters to bring to your attention.

Accounting policies and disclosures

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

The Council changed its accounting policy for heritage assets to only recognise heritage assets which have been individually valued or items whose historic cost is known. The change has been made to improve the reliability of carrying value of heritage assets as insurance values for collective assets were considered an insufficient basis for measurement on the balance sheet. As a result a prior period adjustment has been made to remove heritage assets not subject to individual valuation from the balance sheet.

The wording of the accounting policy on the measurement basis for community assets was amended to clarify that one asset is held at historical cost.

Significant matters discussed with management

The Code requires that land and buildings are measured at fair value in the balance sheet. The draft financial statements included assets totalling £68.955m that were measured at historical cost rather than fair value. Most of the value related to three schools which become operational during the year for which the planned revaluations were not completed in time for the preparation of the draft financial statements.

The impact of the revaluation of the schools was material and an adjustment of £14.9m has been made to the value of property, plant and equipment as set out in the 'adjusted misstatements' table in section 05.

There are 13 other assets classified as 'other land and buildings' which are carried at historical cost of £1.882m and are planned to be revalued during 2014/15. The residual amount carried at historical cost is non-material.

It is important that arrangements for complying with the valuation requirements of the Code are sufficiently resilient to avoid material misstatement in future.

Significant difficulties during the audit

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

04 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, in order to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We reported matters arising from our work to the Governance and Audit Committee on 20 June 2014 in our 'Interim audit report' together with recommendations for strengthening the control environment. None of the matters raised are considered to be of sufficient importance to repeat in this report. The matters we reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider merit reporting. 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.

05 Summary of misstatements

We set out below the adjusted misstatements identified during the course of the audit, more than the trivial level (£390,000). There are no unadjusted misstatements more than the trivial level.

Adjusted misstatements 2013/14

	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
	Debit	Credit	Debit	Credit
	£'000	£'000	£'000	£'000
1 Debit: Education & children's services gross expenditure	22,546	-	-	-
Credit: Property, plant & equipment	-	-	-	14,963
Credit: Revaluation reserve	-	-	-	7,583
Debit: Capital adjustment account	-	-	22,546	-
Credit: Adjustments between accounting and funding basis	-	22,546	-	-
<i>Being the revaluation of 3 schools carried at historical cost in the draft accounts. The revaluation loss charged to CIES is adjusted under Regulations so it does not impact on funding</i>				
2 Debit: Housing services gross expenditure	4,453	-	-	-
Debit: Environmental & regulatory gross income	1,608	-	-	-
Credit: Environmental & regulatory services gross expenditure	-	4,453	-	-
Credit: Housing services gross income	-	1,608	-	-
<i>Being re-classification of income and expenditure to comply with the requirements of the Service Reporting Code of Practice for Local Authorities 2013/14</i>				
3 Debit: Housing services gross income	391	-	-	-
Credit: Housing services gross expenditure	-	391	-	-
<i>Being correction of journal postings which credited income rather than expenditure codes</i>				
Total adjusted misstatements	28,998	28,998	22,546	22,546
	Collection Fund			
	Debit	Credit		
	£'000	£'000		
4 Debit: Income due from Council Tax payers	719	-		
Credit: Expenditure write-offs	-	719		
<i>Being correction of error in preparing the Collection Fund</i>				
Total adjusted misstatements	719	719		

Disclosures

Adjusted misstatements

Amounts reported for resource allocation (Note 20)

The public health grant of £31.5m was misclassified as 'fees, charges and other service income' rather than 'Government grants and contributions.' The error has no impact on the primary financial statements.

Heritage assets (Note 9)

The narrative disclosure of the insurance value of overall collections was shown as £49m rather than £46m. The error has no impact on any other part of the financial statements.

Employees' remuneration (Note 30)

The disclosure of the number of employees whose remuneration exceeds £50,000 was amended to exclude senior officers whose remuneration details are separately disclosed as required by the Code.

Related party transactions (Note 38)

The disclosure of transactions with related parties was overstated by £0.4m. The disclosure is stand-alone so there is no impact on any other part of the financial statements.

External audit fees (Note 39)

The disclosure of fees payable to the external auditor excluded fees of £5,000 for certification of grants outside the Audit Commission's regime. The figure for certification of grants within the Audit Commission regime was amended to £22,000.

Other minor presentational changes

We also agreed a number of minor changes to improve clarity and presentation for readers of the financial statements.

06 Value for money

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do this by considering the Council's arrangements against two criteria specified by the Audit Commission.

In the Audit Strategy Memorandum we identified significant risks relevant to the value for money conclusion. We detail below how we have addressed these risks and our conclusions.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

Significant Value for Money risks

Management of savings plans

Description of the risk

The Council's two year budget (February 2014) sets out the need to deliver savings of £31 million in 2014-15 and further savings of £23 million in 2015-16. However, this still leaves a gap of £15 million in 2015-16 and the intention is to use corporate reserves to bridge the gap and manage the transition to a lower cost base. Reserves available to support the budget position are forecast to be £30 million at 31/3/14 after transferring £9 million from earmarked reserves but using these reserves would not provide a sustainable long term solution. There is little room for any shortfall in the proposed savings plans and the scale of savings needed together with the number of different schemes involved, represent significant management challenges.

How we addressed this risk

We addressed this risk by assessing the Council's processes for managing the savings programme and then selecting a sample of four savings projects for further review. This involved reviewing project plans, savings projections and the arrangements in place for delivery.

Conclusion

The Council has made arrangements for managing its savings programme to deliver the two year budget for 2014-15 and 2015-16.

The downgrading of initial assumptions about the amount of funding that would flow to the Council from the Better Care Fund has given rise to a funding gap of £13.8m for 2015/16. The Council has responded by refreshing its rigorous process for identifying savings to bridge the gap for next year.

In addition the Council has revised its medium term financial strategy for 2015/16 to 2017/18 extending the planning horizon to 2020/21 to provide a much longer term view of the significant financial challenge it faces. The scale of the challenge is so significant that fundamental changes to the level and scope of service provision are envisaged to ensure the Council manages within its available resources.

Better Care Fund and other NHS funding

Description of the risk

The Department of Health has allocated £37 million to a new pooled budget for NHS and Social Care in Bradford for 2015-16. The Council's budget assumes that £15 million of the Better Care Fund will be used to protect council services and so halve the remaining gap between funding and expenditure for that year. The guidance about the utilisation of the Better Care Fund states that the definition of protecting services is to be agreed locally and an agreed plan sent to NHS England by 4 April 2014.

Some of the savings assumed in the budget depend on NHS funding, which is yet to be agreed. For example, £2.7 million of savings from mental health pooled budgets (over 3 years) and £1.5 million savings from domiciliary care are assumed.

How we addressed this risk

We reviewed the draft Better Care Fund plan and considered the progress of negotiations with the NHS leading to the submission of the final plan in April 2014.

We also considered the Council's arrangements for dealing with the new pooled budget in the light of new guidance from NHS England.

Conclusion

The Council submitted a Better Care Fund plan on time and is establishing governance arrangements for the new pooled budget.

Appendix A – Draft management representation letter

To:

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

City of Bradford Metropolitan District Council - audit for year ended 31 March 2014

This representation letter is provided in connection with your audit of the financial statements of City of Bradford Metropolitan District Council (the Council) for the year ended 31 March 2014 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 2013/14 (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 Council's financial position, financial performance and cash flows

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable. 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 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 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 Council 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 Council'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 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 relevant legislation and International Financial Reporting Standards.

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

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.

Going concern

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

Specific representation on equal pay provision

Given the ongoing uncertainty regarding the potential number of claims which cannot be quantified with absolute certainty, I am satisfied with the current level of provision in the financial statements. This will continue to be reviewed in the light of emerging claims and their settlement.

Signed

For and on behalf of City of Bradford Metropolitan District Council.

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Appendix B – Draft audit report

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

Opinion on the Council's financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2014 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 2013/14.

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 2014 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 2013/14.

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 2014 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 2013/14.

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 Pension Fund financial statements

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Conclusion on the 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, 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 2014.

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, 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 2014.

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.

[Signature]

Mark Kirkham
For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

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 reported to you on 25 April 2014 the following issue which arose since the issue of our Audit Strategy Memorandum and which could be perceived as a threat to our independence. The table below details the potential threat and the safeguard put in place to mitigate the risk.

Issue	Perceived threat	Safeguard
A new member of staff joined the audit team in March 2014 who has a close relation working as a senior manager in the Corporate Fraud Unit.	The close family relationship might be perceived as a threat to our independence.	The member of staff is not involved in audit work relating to fraud or benefits.