

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

Subject:

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External audit's Audit Completion Report for the 2012/13 audit of City of Bradford
Metropolitan District Council

Summary statement:

The report summarises the findings from the audit of City of Bradford MDC's
2012/13 financial statements.

Mark Kirkham
Director
Mazars LLP

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Suzan Hemingway, City Solicitor

1. SUMMARY

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

At the time of issuing this report we anticipate:

- issuing an unqualified opinion on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

2. BACKGROUND

➤ Not applicable.

3. OTHER CONSIDERATIONS

➤ None.

4. OPTIONS

➤ Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

➤ Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

➤ None.

7. LEGAL APPRAISAL

➤ Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

➤ Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

➤ Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

- Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

- Not applicable.

8.5 HUMAN RIGHTS ACT

- Not applicable.

8.6 TRADE UNION

- Not applicable.

8.7 WARD IMPLICATIONS

- Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

- None.

10. RECOMMENDATION

That the Governance and Audit Committee:

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

11. APPENDICES

- Audit Completion Report 2012/13

12. BACKGROUND DOCUMENTS

- None.

City of Bradford Metropolitan
District Council

Audit Completion Report
Year ended 31 March 2013

September 2013

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

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales
No further threats to our independence have been identified since we issued our Audit Strategy Memorandum.

1. Purpose of this document

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

Our communication with you is important to:

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

2. Independence

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

3. Our audit approach

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

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

4. Overall conclusion and opinion

At the time of issuing this report we anticipate:

- issuing an unqualified opinion on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

5. Limitations

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

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

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

6. Audit status

We have substantially completed our audit of the statement of accounts for the year ended 31 March 2013.

Alongside our audit of your statement of accounts we are required to review your Whole of Government Accounts submission and report to the National Audit Office in line with their group instructions and guidance produced by the Audit Commission. We anticipate completing this work by 30 September 2013.

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

- testing of disclosure of exit packages
- school bank reconciliations
- 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.

We expect to be able to certify the closure of the 2012/13 audit by 30 September 2013. We have not received any objections to the Council's 2012/13 statement of accounts from electors and have no outstanding matters or correspondence with electors.

7. Significant risks and key judgement areas identified during planning

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

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

Significant audit risks	How we addressed this risk	Audit conclusion
		manipulation.
<p>Pension liabilities</p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements. Small changes to underlying assumptions can result in material changes to the estimates. We consider there is a high degree of estimation uncertainty which represents a significant risk of material misstatement.</p> <p>The Council engages a firm of consulting actuaries to provide expert advice on the assumptions it applies.</p>	<p>We evaluated the management controls in place to assess the reasonableness of the figures provided by the consulting actuary and assess the controls over estimates.</p> <p>We used the work of our own expert to inform our assessment of the reasonableness of the figures provided by the consulting actuary.</p> <p>We also agreed the pension figures from the consulting actuary's report to the financial statements and checked the narrative disclosures are consistent with requirements.</p>	<p>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.</p> <p>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.</p>
<p>Capital accounting</p> <p>Last year the previous auditors identified a number of material and non-trivial amendments to the classification and valuation of property, plant and equipment which they reported in their Annual Governance Report (September 2012). Valuation, including impairment and depreciation of non current assets, is an area of management judgement to which we pay particular attention.</p> <p>This area continues to be a significant risk including communication between Legal Services, Strategic Asset Management and Financial Services, and the documentation of decisions made that impact on</p>	<p>We evaluated the design and implementation of controls which mitigate the risk. In addition we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> • reconciling the balance sheet figures for property, plant and equipment to information held by Asset Management; • testing that capitalisation criteria has been correctly applied; • verifying the existence of a sample of assets; and 	<p>We identified that the Balance Sheet included material assets relating to capital expenditure that had been incurred over several years on schools which were off-balance sheet. The details of this issue are described in our Audit Findings in section 9. Management agreed to amend the financial statements including a prior period adjustment as the error in opening balances was material.</p> <p>Excepting this issue, there are no other significant matters to bring to your attention.</p>

Significant audit risks	How we addressed this risk	Audit conclusion
the valuation of assets.	<ul style="list-style-type: none"> checking a sample of disposals. 	
<p>Schools</p> <p>Schools are managed through a variety of governance arrangements which may be subject to change (e.g. schools achieving academy status). The differences in those arrangements have implications for the accounting treatment. There may be risk that the Council's balance sheet is materially misstated as a consequence of the incorrect inclusion or omission of schools in its balance sheet.</p>	<p>We evaluated the design and implementation of any controls which mitigate the risk.</p> <p>We tested the accounting treatment of a sample of schools held on the balance sheet and a sample of schools not recognised on the balance sheet against the IAS 16 recognition criteria.</p>	<p>We evaluated and tested the revised control arrangements implemented by management during 2012/13 to ensure that change of school status is identified on a timely basis and consider the arrangements to be appropriate.</p> <p>The circumstances that led to the prior period adjustment for Parkside School (see Audit Findings in section 9) predated the revised arrangements implemented by management.</p> <p>There are no other significant matters to bring to your attention.</p>
<p>Estimation of equal pay liabilities</p> <p>The Council has an existing provision of £12.4 million (as at 31 March 2012) for the settlement of claims for back pay arising from the Equal Pay initiative. The impact of the Court of Appeal ruling opens the way for potential claimants who thought their claims were outside tribunal limits to pursue actions for compensation.</p> <p>We consider there is high uncertainty about the estimation of the liability.</p>	<p>We evaluated the design and implementation of any controls which mitigate the risk. In addition we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> evaluating whether the judgement and estimate is reasonable in the light of all available evidence; reviewing management's assumptions underpinning the judgement and estimate and whether alternative assumptions have been considered; and considering the impact of evidence emerging to the date of the auditor's 	<p>We challenged management's judgements underpinning the estimation of the provision for equal pay liabilities as at 31 March 2013.</p> <p>Management's estimate takes account of the impact of the Court of Appeal ruling.</p> <p>Settlements during the year of £3.3 million have reduced the provision to £9.1 million at year end. There has been no significant change in the number of claims received since the Court of Appeal ruling.</p> <p>There are no significant matters to bring to your attention.</p>

Significant audit risks	How we addressed this risk	Audit conclusion
	report. We engaged with management before the preparation of the financial statements to understand and evaluate the reasonableness of management's proposed approach.	

8. Additional significant risk identified during the audit

Since we submitted our Audit Strategy Memorandum in February 2013 we have identified one additional significant risk which we reported to the Governance and Audit Committee in our Audit Progress Report on 12 July 2013. This reflects the firm’s approach to compliance with International Auditing Standards and is not a consequence of the identification of weaknesses in the framework of internal control. We set out the significant risk below along with how the risk was addressed and our conclusion.

Areas of risk	How we addressed this [risk/judgement]	Audit conclusion
<p>Income recognition</p> <p>Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of income recognition and in relation to judgements made by management as to when income has been earned.</p> <p>In an update to our Audit Manual the firm has made it clear that the scope to apply such a rebuttal is limited. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.</p>	<p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, and as originally planned, we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing receipts in March and April 2013 to ensure they have been recognised in the right year; • testing adjustment journals; and • obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger. 	<p>We found no evidence of fraud in income recognition based on our audit procedures.</p> <p>We also evaluated the impact of the errors we identified during the audit and concluded there was no pattern to the errors that might indicate manipulation.</p>

9. Audit findings

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

Significant qualitative aspects of accounting practices

Prior period adjustment relating to capital expenditure on off-balance sheet schools

We challenged management about the accounting treatment of capital expenditure on off-balance sheet schools as the Council recognised an asset on the grounds that the expenditure might be recoverable in the future if the school buildings were sold. We consider this is inconsistent with the requirements of the Code of Practice on Local Authority Accounting as this type of expenditure should be treated as 'revenue expenditure funded from capital under statute' and charged to the Comprehensive Income and Expenditure Statement. The expenditure is not chargeable to Council Tax so is reversed and debited to the Capital Adjustment Account.

This is a complex area of accounting and the error has occurred over several years. As the error has a material impact on opening balances the amendment includes a prior period adjustment (£18.8 million) as well as an adjustment for the current period of £2.9 million. Management has made the requested amendment to the financial statements.

Prior period adjustments as included in the draft financial statements

Omitted school conversion

Management identified that it had not taken account of the conversion of Parkside School to Trust status during 2011/12 in preparing your financial statements for 2011/12. As the impact of this omission was material to opening balances, the error was corrected as a prior period adjustment in the 2012/13 financial statements. This is the second year that prior period adjustment has been necessary as a result of schools changing status and passing outside of the Council's control.

Management have strengthened control arrangements during 2012/13 to ensure that changes of status are identified on a timely basis so they can be correctly accounted for in preparing the financial statements.

Significant qualitative aspects of accounting practices

Debtors and creditors

Management have made a prior period adjustment to both debtors and creditors (£8.5 million) to correct a mutual overstatement arising from a 2011/12 error in year end journal posting.

Change of disclosure requirement

Management have made a prior period adjustment to restate the disclosure note relating to receipt and application of Dedicated Schools Grant to take account of changed disclosure requirements.

10. Internal control

The purpose of our audit was to express an opinion on the statement of accounts. As part of our audit we have considered the internal controls in place relevant to the preparation of the statement of accounts, in order to design audit procedures to allow us to express an opinion on the statement of accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control.

We reported matters arising from our work on internal controls to the Governance and Audit Committee on 28 June 2013 in our report 'Review of material financial systems 2012/13' together with recommendations for strengthening the control environment. None of the matters raised in the report are considered to be of sufficient importance to merit repetition in this report. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported.

11. Unadjusted misstatements

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

Unadjusted misstatements					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
1	Debit: Unusable reserves	-	-	1,278	-
	Credit: Investment properties	-	-	-	1,278
	<i>Being the inclusion of investment properties in the Balance Sheet with net book value below the de minimis level set out in the Council's accounting policies</i>				
2	Debit: Financing and investment income and expenditure	886	-	-	-
	Credit: Gross cost of services	-	886	-	-
	<i>Being the incorrect split of the unitary payment for PFI schemes due to an error in accounting for 'pass through costs.' This only impacts presentation within the Comprehensive Income and Expenditure Statement.</i>				
3	Debit: Cash and cash equivalents	-	-	839	-
	Credit: Property, plant and equipment	-	-	-	839
	<i>Being the incorrect exclusion of an asset relating to a community school within the Council's control.</i>				

Unadjusted misstatements					
4	Debit: Cash and cash equivalents (opening balance)	-	-	1,685	-
	Credit: Unusable reserves (opening balances)	-	-	-	1,685
	Debit: Gross cost of services	1,685	-	-	-
	Credit: Unusable reserves	-	-	1,685	-
	<i>Being the current period impact of an unadjusted misstatement reported by the previous auditor in their Annual Governance Report (September 2012).</i>				

Adjustment 1:

Investment properties include assets with a net book value below the de minimis level of £10,000 which is inconsistent with the Council's accounting policies as described in the Statement of Significant Accounting Policies. Management has declined to make amendment.

Adjustment 2:

We identified an error in accounting for 'pass through costs' relating to the PFI schemes which has a non-material impact on the split of unitary payment for the year. This effects the presentation of charges to the Comprehensive Income and Expenditure Statement but does not change the bottom line. Management has declined to make an amendment for this aspect of the error although the disclosure notes analysing the component elements of the unitary charge over future periods has been amended (Note 33).

Adjustment 3:

We identified a non-material error in adjustments made to cash balances relating to capital grants for off balance sheet schools as these balances are not the Council's assets. The adjustment included one community school which is within the Council's control so the adjustment was incorrect for this item. Management has declined to make amendment.

Adjustment 4:

The previous auditors (the Audit Commission's Audit Practice) reported an unadjusted misstatement for 2011/12 in their Annual Governance Report (September 2012). The error related to expenditure for 2012/13 being incorrectly included in the 2011/12 financial statements. As the error has not been amended it also has a non-material impact on the 2012/13 financial statements although there is now no residual impact on year end balances.

12. Adjusted misstatements

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

Adjusted misstatements 2012/13					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
1	Debit: Unusable reserves (opening balances)	-	-	18,880	-
	Credit: Property, plant and equipment (opening balances)	-	-	-	18,880
	<i>Being correction of error in opening balances relating to the treatment of capital expenditure on off-balance sheet schools as an asset rather than accounting for the expenditure as 'revenue expenditure funded from capital under statute' as required by the Code of Practice on Local Authority Accounting</i>				
2	Debit: Unusable reserves	-	-	2,868	-
	Credit: Property, plant and equipment	-	-	-	2,868
	<i>Being correction of error in the current period relating to the treatment of capital expenditure on off-balance sheet schools as an asset rather than accounting for the expenditure as 'revenue expenditure funded from capital under statute' as required by the Code of Practice on Local Authority Accounting</i>				
3	Debit: Unusable reserves	-	-	6,271	-
	Credit: Investment properties	-	-	-	6,271

Adjusted misstatements 2012/13					
	<i>Being an adjustment for the revaluation of investment properties originally omitted from the annual revaluation which is required by the Code of Practice on Local Authority Accounting.</i>				
4	Debit: Housing services (gross expenditure)	3,968	-	-	-
	Credit: Environmental and regulatory services (gross expenditure)	-	3,968	-	-
	<i>Being re-classification of expenditure to comply with the requirements of the Service Reporting Code of Practice for Local Authorities 2012/13</i>				
5	Debit: Environmental and regulatory services (gross income)	1,975	-	-	-
	Credit: Housing services (gross income)	-	1,975	-	-
	<i>Being re-classification of income to comply with the requirements of the Service Reporting Code of Practice for Local Authorities 2012/13</i>				
6	Debit: Unusable reserves	-	-	750	-
	Credit: Heritage assets	-	-	-	750
	<i>Being downward revaluation of two paintings reflecting expert re-appraisal of authenticity</i>				

The supporting notes to the accounts were also amended as a consequence of the changes set out in the table above.

Disclosure amendments

We agreed with management some amendments to the disclosures in the financial statements including the tables analysing the components of the unitary payments due in future years under PFI schemes and the disclosure of exit packages. We also agreed some changes to improve the clarity and presentation of disclosures for readers.

13. 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 assess your arrangements against the two criteria specified by the Audit Commission. Our Audit Strategy Memorandum, issued on 22 February 2013 reported to you the significant risks that were relevant to our Value for Money conclusion. We have set out below our conclusion on the two criteria, including the findings of our work addressing each of the risks we identified.

We intend to issue an unqualified conclusion stating the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. Our draft conclusion is included in Appendix 2.

Criteria	Identified Risk	Audit conclusion
<p>Financial Resilience</p>	<p>Financial resilience</p> <p>The Council faces continuing decreases in funding and significant pressures on budgets especially around social care spending. There are also changes to introduce local arrangements for council tax support and business rates retention scheme.</p>	<p>The Council set its 2012-13 budget to:</p> <ul style="list-style-type: none"> • reduce the recurrent cost base by £28 million, reflecting continued decline in funding; • achieve a stretching set of performance improvements; and • maintain financial resilience. <p>The Council's net revenue expenditure was £423.1 million, which was £2.8 million lower than budgeted.</p> <p>The Council was unable to achieve the £28 million savings in the way it planned but the shortfall of £2.2 million was covered by savings from compensating actions taken by Strategic Directors.</p> <p>The Council has set a balanced budget for 2013/14. The Medium Term Financial Plan identified a gap of</p>

Criteria	Identified Risk	Audit conclusion
		<p>£115 million (updated following technical consultation) between resources and projected expenditure for 2014/15 to 2016/17. The Council is currently consulting on bridging this gap and developing proposals through the Finance Reference Group.</p>
<p>Securing economy, efficiency and effectiveness</p>	<p>Maintaining good financial governance</p> <p>The Council continues to face a period of significant change. Recent changes have included:</p> <ul style="list-style-type: none"> • management restructuring; • structural reform creating the Strategic Support Hub, Transactional Support Centre and the Commissioning Hub; and • devolution of some service budgets and responsibilities to Area Committees. <p>There is a risk that the extent of change may adversely affect good financial governance.</p>	<p>The Council continues to respond to the challenges to achieve value for money. The Council finalised implementation of its major change programme contributing full year recurrent savings of £21.4m.</p> <p>The financial challenge facing the Council continues and Council implemented a revised top management structure in April 2013 to improve efficiency and to develop new models of service delivery based on local partnerships.</p> <p>Our review of the Council’s arrangements to take account of devolution of some service budgets to Area Committees our work did not identify any matters to bring to your attention.</p>

Appendices

Appendix 1 – Management representations

To:

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

City of Bradford Metropolitan District Council - audit for year ended 31 March 2013

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 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

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

Accounting policies

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

Unadjusted misstatements

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

Going concern

To the best of my knowledge there is nothing to indicate that the 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.

Appendix 2 – Draft audit report

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

Opinion on the Council financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance’s Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford Metropolitan District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Council's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

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

Respective responsibilities of the Council and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in February 2013, we are satisfied that, in all significant respects, City of Bradford Metropolitan District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit

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

Mark Kirkham

For and on behalf of Mazars LLP, Appointed Auditors

The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

September 2013

Appendix 3 – Required communication

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

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

Required communication	When and how we will communicate
<p>Our views on significant qualitative aspect of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</p> <p>When applicable, why we consider a significant accounting practice not to be appropriate to the entity.</p>	<p>Section 9 of this report.</p>
<p>Significant difficulties, if any, encountered during the audit.</p> <p>Significant difficulties encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> ▪ significant delays in management providing required information; ▪ an unnecessarily brief time within which to complete the audit; ▪ extensive unexpected effort required to obtain sufficient appropriate audit evidence; ▪ the unavailability of expected information; ▪ restrictions imposed on the auditor by management; and ▪ management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern. 	<p>No significant difficulties were encountered.</p>
<p>Details of significant matters discussed with, or subject to correspondence with management.</p>	<p>Not applicable.</p>
<p>Details of written representations we require for our audit.</p>	<p>Appendix 1 to this report.</p>
<p>Any other matters which we consider to be significant to the oversight of the financial reporting process.</p>	<p>Section 9 of this report.</p>
<p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p>	<p>The Audit Strategy Memorandum and section 2 of this report.</p>

Required communication	When and how we will communicate
Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.	
Form, timing and general content of communications.	We issue our Audit Completion Report. Should you require us to communicate in a different way please let us know.
Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on appropriateness and timing of action taken by you in response to matters we have raised, the openness of your communication with us, your willingness and capacity to meet with us without management being present, your opportunity to fully comprehend matters we have raised, the extent to which you probe issues raised and our recommendations, any communication we have had in establishing with you the form, timing and general content of communications, your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.	We have evaluated the communication process between ourselves and those charged with governance and concluded that the communication has been sufficiently open and timely to meet our needs and applicable regulatory requirements.
Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.	Section 10 of this report.