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# Interim Audit Report 2014/15

Barnsley Metropolitan Borough Council

June 2015



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in connection with this  
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This document summarises the key findings arising from our work to date in relation to both the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

### Scope of this report

This report summarises the key findings arising from:

- our interim audit work at Barnsley Metropolitan Borough Council (the Authority) in relation to the 2014/15 financial statements; and
- our work to support our 2014/15 value for money (VFM) conclusion up to April 2015.

### Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.

During January to March 2015 we completed our planning and control evaluation work. This covered:

- review of the Authority's general control environment;
- testing of certain controls over the Authority's key financial systems; and
- review of the Authority's accounts production process, including work to address the specific risk areas we have identified for this year.

### VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission, and detailed our initial risk assessment.

We have completed some initial work in response to the risk identified (relating to financial resilience) during our interim visit.

### Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages;
- Section 3 sets out our key findings from our interim audit work in relation to the 2014/15 financial statements; and
- Section 4 outlines our key findings from our work on the VFM conclusion.

No recommendations have been made as a result of our interim audit work.

### Acknowledgements

We would like to take this opportunity to thank officers and members for their continued help and co-operation throughout our audit work.



Section two  
**Headline messages**

Organisational control environment	We have identified no issues in relation to the organisational control environment.
Controls over key financial systems	We have identified no issues in relation to the controls over key financial systems.
Accounts production	We have identified no issues in relation to the accounts production process.
VFM risks	We have identified no issues in relation to our initial VFM risk.

# Organisational control environment, controls over key financial systems and accounts production process

**Your organisational control environment, controls over key financial systems and accounts production process are all effective. We noted no areas for further improvement.**

## Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

We consider that your organisational are effective overall. We noted no areas for further improvement.

## Controls over key financial systems

We considered the reports produced by internal audit in relation to financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy. We did not identify any areas of concern which required us to do additional testing over and above that which we had already planned.

We reviewed controls over journals, bank reconciliations, and budget monitoring. We have concluded that these controls are sound and we have raised no recommendations in relation to the key financial systems.

## Accounts production process

We issued our Accounts Audit Protocol to the Service Director – Finance and the Principal Financial Advisor in March 2015. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work.

We continued to meet with the finance team on a regular basis to support them during the financial year end closedown and accounts preparation.

We consider that the overall process for the preparation of your financial statements is good. There are no concerns around working papers or adherence to the closedown timetable.

Aspect	Assessment
<b>Organisational controls:</b>	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3

**Key:**

- 1 Significant gaps in the control environment.
- 2 Deficiencies in respect of individual controls.
- 3 Generally sound control environment

## Section four – VFM conclusion

### VFM audit approach

**Our VFM conclusion** considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

**We follow a risk based approach to target audit effort on the areas of greatest audit risk.**

**Our External Audit Plan 2014/15 describes in more detail how the VFM audit approach operates.**

#### Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

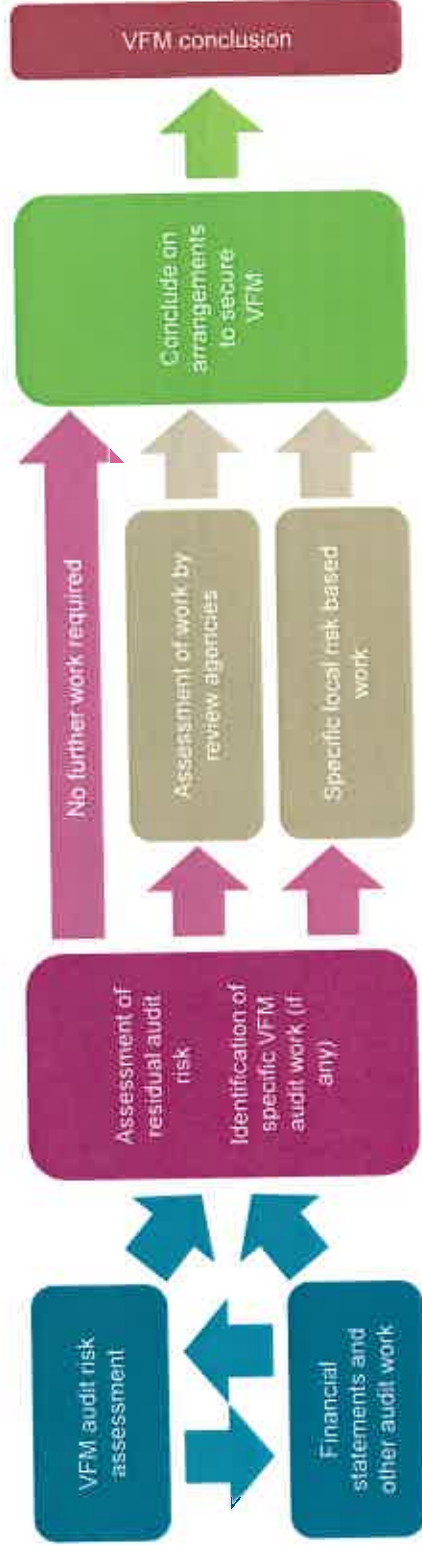
- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit. We then assess if more detailed audit work is required in specific areas.

#### Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



**We identified one specific VFM risk at planning.**  
**In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.**  
**We have undertaken some work to date in response to these risks**


**Work completed**

We identified a number of risks to our VFM conclusion at the planning stage and have undertaken some work to date to assess the Authority's approach to managing these risks.

**Key findings**

Below we set out our interim assessment of the response to these risks.

We will report our final conclusions in our *ISA 260 Report 2014/15*.

Key VFM risk	Risk description and link to VFM conclusion	Work undertaken to date and interim assessment
	<p>The Authority currently estimates that by 2017 they will need to have saved a further £28 million, on top of the £59 million they have saved over the past four years. The Authority has already identified a number of areas where savings can be made, such as reducing printing, and making it easier for members of the public to complete things online. However, it is likely further savings are likely to have to be made in future years.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>Our work in this area is still ongoing, and we will report in full in our ISA 260 Report in September. However, from our initial assessments of value for money arrangements, we have not identified any areas of concern.</p>



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