

MEETING:	Audit Committee
DATE:	Friday, 23 September 2016
TIME:	2.00 pm
VENUE:	Reception Room, Barnsley Town Hall

AGENDA

Procedural/Administrative Items

1. Declarations of Pecuniary and Non-Pecuniary Interest
2. Minutes (*Pages 3 - 14*)

To receive the minutes of the meeting held on 20th July, 2016.

3. Actions Arising From the Previous Meetings (*Pages 15 - 16*)

The Committee will receive a report detailing action taken and arising from previous meetings of the Committee.

Items for Discussion/Decision

4. Report to those charged with Governance (ISA 260) 2015/16 (*Pages 17 - 44*)

The Council's External Auditor will submit a report summarising the key issues identified during the audit of the Financial Statements for the year ended 31st March, 2016 for the Authority and on the assessment of the Authority's arrangements to secure Value for Money.

5. Annual Governance Report 2015/16 (*Pages 45 - 62*)

The Chief Executive, Director of Finance, Assets and Information Services and Director of Legal and Governance will submit a joint report on the final Annual Governance Statement for 2015/16 and seeking approval to refer it to Council for consideration.

Items for Information

6. External Audit Report and Technical Update (*Pages 63 - 86*)

The Committee will receive the External Audit Progress Report and Technical Update.

7. Audit Committee Work Plan 2015/16 (*Pages 87 - 88*)

The Committee will receive the indicative Audit Committee Work Plan for 2016/17.

To: Chair and Members of Audit Committee:-

Councillors Richardson (Chair), Barnard, Clements and Lofts; together with

Independent members Ms K Armitage, Ms D Brown, Mr S Gill, Mr P Johnson and Mr M Marks

Diana Terris, Chief Executive

All Executive Directors

Andrew Frosdick, Director Legal and Governance

Frances Foster, Director Finance, Assets and Information Services

Rob Winter, Head of Internal Audit

Neil Copley, Service Director Finance

Ian Rooth, Head of Technical Services

Adrian Hunt, Risk Management Manager

Michael Potter, Service Director Organisation and Workforce Improvement

Julie Winham, Senior Audit Manager

Council Governance Unit – 3 copies

Please contact William Ward on 01226 773451 or email governance@barnsley.gov.uk

Thursday, 15 September 2016

MEETING:	Audit Committee
DATE:	Wednesday, 20 July 2016
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

Present Councillors Richardson (Chair), Barnard and Lofts together with Independent Members - Ms K Armitage, Ms D Brown, Mr S Gill, Mr P Johnson and Mr M Marks

11. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

There were no declarations of interest from Members in respect of items on the agenda.

12. MR J CONNEELY - AUDITOR

The Chair and Members of the Committee welcomed Mr Joshua Conneely (Auditor, Internal Audit) to this his first meeting of the Committee.

13. MINUTES

The minutes of the meeting held on the 15th June, 2016 were taken as read and signed by the Chair as a correct record.

14. ACTIONS ARISING FROM THE PREVIOUS MEETINGS

The Head of Internal Audit and Corporate Anti-Fraud submitted a report detailing actions taken and arising from previous meetings of the Committee.

It was noted that a report on the multi-agency approach to safeguarding the and creation by the Police of multi-agency hubs would be submitted to a meeting within the current financial year. Further details of the response date would be provided.

RESOLVED that the report be noted and that, where appropriate, future reports detail progress of actions required and timescales for submission of future reports.

15. INTERNAL AUDIT QUARTERLY REPORT 2016/17 - QUARTER ENDED 30TH JUNE, 2016

Mrs J Winham, Audit Manager, presented a report of the Head of Internal Audit and Corporate Anti-Fraud presenting a comprehensive overview of the key activities and findings of Internal Audit based based on the Division's work to the end of June, 2016 being the first quarter of the 2016/17 audit year.

The report covered:

- The issues arising from the completed Internal Audit work undertaken within the quarter
- Matters that had required investigation
- An opinion on the ongoing overall assurance Internal Audit was able to provide based on the work undertaken regarding the adequacy and effectiveness of the Authority's internal control environment

- Progress on the delivery of the Internal Audit Plan for the period to the end of the fourth quarter of 2016/17
- Details of Internal Audit's performance for the quarter utilising performance indicators

Reports issued and the Internal Audit work completed during the quarter had raised one fundamental recommendation relating to an information governance issue regarding the monitoring and control of system access.

Internal control assurance opinion overall remained adequate based upon the results of the work undertaken during the quarter.

Of the 6 recommendations followed up, 17% had been implemented by the original target date and a further 83% had not been implemented and had received a revised implementation date by management.

In relation to the Audit Plan, actual days delivered was broadly in line with the profiled days at the end of the first quarter.

Overall, Divisional performance remained satisfactory with only the chargeable time performance indicator being slightly less than target due to the profile of annual leave taken in the first quarter.

In the ensuing discussion, and in response to detailed questioning, the following matters were highlighted:

- There was a discussion of the savings target likely to be applied to the Internal Audit Function as part of the 2017/18 savings proposals and whether or not, in the light of any staffing reductions, the Internal Audit function could be maintained. Arising out of the discussion reference was also made to the recent recruitment exercise to fill the vacant positions (one of which had now been filled) and the decision to consider the vacant position within the context of the savings exercise for 2017/18. It was noted, however, that no firm proposals had yet been brought forward and an assurance was given that any restructure would still ensure that the Internal Audit function could be maintained and that appropriate assurance and coverage could be provided at all times
- Arising out of the above discussion and in response to detailed questioning, the Director of Finance, Assets and Information Services outlined the process that the Council followed when recruiting to vacant posts
- The rationale for the addition/removal of audits from the Audit plan and the discussions that were held with management in this respect were outlined
- Reference was made to the one fundamental recommendation relating to Information Governance and to the action being taken in this respect. Arising out of this discussion reference was made to the ongoing work being taken in relation to:
 - Access to the Council network/SAP

- the actions taken to ensure that access permissions were removed once an individual left the employment of the authority
- the facilitation of a Workshop of key stakeholders to identify key factors impacting on the delay incurred in the securing of legal agreements with M1 J36 business park developers. It was noted that a number of actions had been identified to take forward as key 'learning' points

RESOLVED:

- (i) that the issues arising from the completed Internal audit work for the first quarter along with the responses received from management be noted;
- (ii) that the assurance opinion on the adequacy and effectiveness of the Authority's Internal Control Framework based on the work of Internal Audit in the period to the end of June 2016 of the 2016/17 audit year be noted;
- (iii) that the progress against the Internal Audit Plan for 2016/17 for the period to the end of June 2016 be noted; and
- (iv) that the performance of the Internal Audit Division for the first quarter be noted.

16. RISK MANAGEMENT ANNUAL REPORT 2015/16

The Risk and Governance Manager presented, on behalf of the Service Director (Financial Services), his annual report outlining the progress made in 2015/16 towards the achievement of the goals set out in the Council's Risk Management Policy and signposting the further work to be undertaken in 2016/17.

The report provided assurances that the significant risks to the achievement of the corporate objectives had been identified and were being appropriately managed within a comprehensive Risk Management Framework.

It was noted that:

- The Risk Management Framework had been reviewed in 2016 and had been considered by this Committee at its meeting on the 22nd April, 2016
- The Corporate Assurance Group had subsumed the Risk Champion Group Terms of Reference and were now leading on the provision of assurance information that underpinned the Annual Governance Review. It was noted that two meetings had now been held and the new arrangements were working well
- The Risk Management Section now led on the provision of Insurance and Corporate Governance activities within the Council and benefited from an annual workplan
- All Risk Registers, both Operational and Strategic, had been revised during 2015/16
- The Councils Risk Profile had slightly increased and would be mitigated by direct liaison between Executive Directors and the Risk and Governance Manager

- Options were being considered in 2016/17, as part of wider financial savings initiatives for the replacement of or alternative to the current Risk Management Database
- The revised Annual Governance Review for 2014/15 had been completed and the subsequent Annual Governance Statement had been signed by the Leader and Chief Executive in 2015

Specific reference was made to the following:

- In response to detailed questioning, the Risk and Governance Manager outlined the issues that had led to the Risk Champion Group not meeting during 2015/16 and to the rationale for the revision of the Terms of Reference for the refreshed Corporate Assurance Group which now included the terms of reference of the Risk Champion Group
- It was noted that new performance indicators were being developed for 2016/17 following the decision not to participate in the Association of Local Authority Risk Management and CIPFA Benchmarking Club for Risk Management. The implications of this and the potential risks involved were discussed within the context of the Local Audit and Accountability Act 2014 and the need to appoint an external auditor for 2018/19 and beyond. The Risk and Governance Manager commented that Risk Management did not lend itself to quantitate benchmarking as, because of the differing nature of Local Authorities, it was difficult to compare to other public sector organisations. The Local Authority would, however, ensure that there was no impact on the ability to measure performance
- It was noted that the External Auditors (KPMG) had submitted a report to the Authority indicating that Risk Management procedures and processes in place gave the Authority appropriate assurance. A copy of this report could be provided for members of the Committee
- The Risk and Governance Manager responded to queries with regard to the loss of the Risk Improvement Fund and to other initiatives explored by the Service to investigate alternative funding streams to fund risk improvement opportunities/initiatives

RESOLVED:

- (i) That the Risk Management Annual Report for 2015/16 and the assurances contained therein be received and noted as part of the overall consideration of the control framework for the purposes of the Annual Governance Statement; and
- (ii) That periodic reports be presented to the Committee during the year to monitor the progress in achieving the actions identified for 2016/17.

17. EXTERNAL AUDIT REPORT - PROGRESS REPORT AND TECHNICAL UPDATE

The Committee received the External Audit progress report and technical update for July, 2016, giving a high level overview of progress in the delivery of the External

Auditor's responsibilities. The report set out in the appendix a summary of the main deliverables including reports and opinions given and Members noted progress against those issues.

The following matters were highlighted:

- It was noted that no areas of concern had been identified
- The audit of the draft financial statements was on track with the intention of the issuing of the opinion before the deadline on the 30th September, 2016
- Reference was made to the results of the KPMG Local Government Budget Survey and in this respect particular reference was made to the potential implications of recent changes to pensions taxation in relation to Senior staff.
Arising out of this discussion
 - the Director of Finance, Assets and Information Services commented on the current position with regard to proposals contained with the Enterprise Bill
 - Reference was made to the potential staff retention issues, to 'packages' that could be offered and to the potential implications for the Future Council in relation to the downsizing of the workforce
- There was a discussion of the changes introduced following the publication of the 2016/17 Better Care Fund planning guidance. It was noted that proposals were in place and discussions had taken place with both the CCG and the Health and Well Being Board

RESOLVED that the External Audit progress report and technical update for July 2016/17 be noted.

18. CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

The Head of Internal Audit and Corporate Anti-Fraud submitted a report providing an overview of the work of the Corporate Anti-Fraud Team for the period 1st April to 30th June, 2016.

The report provided details of the following activities in which the Team were currently involved:

- Council Tax Support investigations
- Council Tax fraudulent liability claims – including the review of Single Person Discount
- Right to Buy investigations
- Corporate Investigations
- National Fraud Initiative involvement
- Tenancy Fraud
- Proactive work to review and revise fraud related policies and the development of E-Learning fraud awareness material

The report also gave details of the positive impact the Team was having in tackling fraud which was very much welcomed. It was noted that the Team's work was now

having significant results as initiatives were rolled out and became fully embedded within the Council's processes and procedures.

In the ensuing discussion, particular reference was made to the following:

- Information was provided on the number of cases, workload and agencies in which the Team was involved
- Work was still progressing in relation to Single Person Discounts to identify council tax payers fraudulently claiming. To date, cancellations had resulted in an additional £321,947 Council Tax income being raised across the identified accounts. A further update would be provided for the September meeting of the Committee.
- Arising out of the above discussion, reference was made to discounts available for people living part of the year abroad. It was noted that the discount requirements were listed within statute
- Right to Buy applications were continuing to rise and in response to questioning, information was provided on
 - the eligibility criteria and discounts available
 - the liaison arrangements with other departments and agencies to identify potential fraud
- the work undertaken in relation to the National Fraud Initiative and the provision of information by the Council in relation to the 12 mandatory sets of data
- work was continuing with Berneslai Homes in relation to Tenancy Fraud and preparations were being made to process the first batch of cases for prosecution
- information on the E-Learning fraud awareness material could be provided for the November 'workshop' meeting

RESOLVED:-

- (i) that the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption be noted; and
- (ii) that the Committee receive six monthly progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.

19. INTERNAL AUDIT REPORT ANNUAL REPORT 2015/16

Mrs J Winham, Audit Manager, presented a report of the Head of Internal Audit and Corporate Anti-Fraud on the adequacy and effectiveness of the Authority's framework of governance, risk management and control (the internal control arrangements) based on the work of Internal Audit during 2015/16 which had been prepared in accordance with recommended practice contained within the Public Sector Internal Audit Standards.

The report contained:

- (i) An opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control
- (ii) A summary of the audit work undertaken to formulate the opinion
- (iii) Details of key control issues identified, particularly in the context of the Annual Governance Statement
- (iv) The extent to which the work of other review or audit bodies had been relied upon

The meeting noted that the Head of Internal Audit and Corporate Anti-Fraud was able to provide an adequate assurance opinion. This opinion was based upon the completion of the annual programme of risk based audit coverage.

Key issues arising from all completed audits had been reported throughout the year within the quarterly Internal Audit reports and whilst overall opinion was positive, some issues arising from the Internal Audit work in the year required Senior Management consideration. In general terms these related to the impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers which had impacted upon their ability to maintain reasonable and effective controls in some areas of activity. It had been accepted, and previously reported to Committee, that there had to be a change in risk appetite and it was important that senior managers remained alert to and focussed on maintaining appropriate risk based and effective framework of controls.

The implementation of audit report recommendations remained an issue as only 35% of recommendations had been implemented by the date agreed by management. In many instances this was largely as a result of the implications of embedding new operational and/or structural arrangements as part of Future Council. The monitoring of report recommendations would continue to be a priority for the Service.

In the ensuing discussion, and in response to detailed questioning, the following matters were highlighted:

- Information was provided on the major issues that had been identified throughout the year which had resulted in fundamental recommendations and the action which had been taken to address the issues raised
- Members again raised their concerns at the number of report recommendations which were not being addressed within the agreed timescales. In response, the Director of Finance, Assets and Information Services outlined the ways in which these concerns were being addressed via the Senior Management Team by the raising of the profile of audit report recommendations and by ensuring that Executive Directors were made aware of the due dates. Arising out of this discussion, it was suggested that such information should be included within future reports. It was also suggested that further consideration be given to 'overdue' responses at the next meeting and that, if required, Executive Directors be invited to future meetings to explain the action to be taken by their Service
- In response to questioning, it was explained that appropriate press releases were issued to highlight successful prosecutions for fraud and indeed one individual

employed by a public organisation had lost their job as a result of one such prosecution

RESOLVED:-

- (i) that the assurance opinion provided by the Head of Internal Audit and Corporate Anti-Fraud on the adequacy and effectiveness of the Authority's framework of governance, risk management and control be noted;
- (ii) that the key issues arising from the work of Internal Audit on the context of the Annual Governance Statement be noted; and
- (iii) that the satisfactory performance of the Internal Audit functions for 2015/16 be noted.

20. DRAFT STATEMENT OF ACCOUNTS 2015/16

The Director of Finance, Assets and Information Services submitted a report on the 2015/16 Statement of Accounts, the Council's sixth set of accounts prepared in accordance with International Financial Reporting Standards (IFRS).

The report indicated that the accounts had been submitted to the External Auditor (KPMG) on the afternoon of 30th June, 2016 in accordance with the statutory deadline. In addition, it was noted that there was no longer a requirement to submit them for approval to the Council prior to that deadline. This was primarily to enable additional time to prepare the accounts under the more complex and time consuming IFRS and to place public bodies on a similar reporting footing with the private sector.

The Council would receive the External Auditor's report on the accounts prior to the statutory deadline of 30th September, 2016.

The Summary of Accounts together with the Draft Statement of Accounts 2015/16 were appended to the Director's report. The report also outlined the main elements of the requirements of the International Financial Reporting Standards.

The Committee noted the significant work undertaken by the Service Director Finance's Team in relation to the preparation of the Statement of Accounts which was commendable given the restrictions on staffing within the Service.

Reference was then made to the following matters:

- It was noted that the format of the information provided was prescribed and based on the International Financial Reporting Standards as interpreted by the Code of Practice on Local Authority Accounting as this allowed comparisons to be made between differing local authorities and other bodies. This was different to the Local Authority's service and management structures (the management accounts) and the rationale for this was explained. These could be made available to Members of the Committee if required. Arising out of the discussion, reference

was made, particularly by the Independent Members, to the need for specific training on financial accounting so that Members had a better understanding on how the Statement was prepared and could question and scrutinise better any issues identified. It was suggested that an awareness/training session be held immediately prior to the December meeting

- In response to detailed questioning, the Director of Finance, Assets and Information Services explained the rationale behind the 'carry forward' figure. It was noted that the 'surplus' did not represent spare cash as the majority of in year surplus was as a result of one-off events during the year as well as scheme and project slippage
- There was a general discussion of the potential impact of Brexit which was still largely unknown
- Reference was made to the changes in debt recovery processes
- The Service Director Finance, in response to specific questioning made reference to the Trading Operations and particularly to those units with a greater turnover than £4m or a surplus/deficit greater than £1m. It was accepted that the report had been prepared in the required format but this was not particularly helpful and it was suggested, therefore, that they be accompanied by an explanatory note in future accounts
- Ms Wild explained the role of the External Auditor in the Statement of Accounts process
- Reference was made to the need for the Committee to be able to assure itself that the information presented was accurate. In response, the Service Director Finance stated that this information would be addressed within the forthcoming awareness/training session where an detailed explanation would be given on the different stages of the process and the gateways where integrity checks were made. The representative of the External Auditor then explained that the Finance Team regularly consulted on the preparation of the accounts and in such circumstances any inaccuracies would be identified as part of that process
- There was a discussion of the way in which the pension fund liabilities were calculated, managed and dealt with. A re-evaluation was being undertaken and discussions were continuing with the actuary. There were currently no issues of major concern
- It was noted that an update of the reserves position was being undertaken and a report on this would be provided for a future meeting

RESOLVED:-

- (i) that the Director of Finance, Assets and Information Services and Service Director Finance and their respective Teams be thanked for their hard work and dedication in producing the accounts on time and with reduced resources; and
- (ii) that the work that has taken place to prepare the Authority's Draft 2015/16 Statement of Accounts on an International Financial Reporting Standards basis be noted.

21. DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16

The Chief Executive, Director of Finance, Assets and Information Services submitted a joint report on the Draft Annual Governance Statement 2015/16.

The Statement gave details of:

- The purpose of the Governance Framework
- The Governance and Internal Control Framework
- The process of annually reviewing the effectiveness of the Governance and Internal Control Framework
- The development and improvement issues arising from the Annual Governance Review to be addressed during 2016/17

The Draft Annual Governance Statement was appended at Appendix 1 and the 2016/17 Action Plan, which had been sent out as a supplementary agenda, was detailed as Appendix 2.

The Committee was given a brief resume of the key issues highlighted.

The review of the Authority's governance, risk and control arrangements in 2015/16 had not identified any fundamental issues and had confirmed the general level of compliance with the Council's Governance and Internal Control Framework remained good. The review process had taken into account the action taken against the control issues raised in the 2014/15. As the nature of some of the issues were of a longer-term nature, these remained in progress and had been carried forward into the 2016/17 list of issues. These related to:

- a) To further develop and embed a practical framework to assist in the effective governance and control of the Council's partnerships, contracts and general relationships with external organisations; and
- b) Improving the Council's Business Continuity Planning arrangements to ensure the Council and its key partners were able to coordinate a proportionate response in the event of a business continuity threat or emergency situation.

The whole process was underpinned by the context within which the Council was currently working, the financial and operational environment and the move to a new and improved organisational model which, in addition to creating new directorates and business unity in 2015 had been undertaken within the context of a challenging budget reduction of £28m.

The report went on to give details of the risk mitigations in relation to the successful delivery and embedding of the Future Council operating model and indicated that the risks to the successful delivery of this programme appeared to be in tolerance. It was important, however, to acknowledge the uncertainty regarding the need to allow the Council's new operating model to 'bed-down'.

It was noted that the Annual Governance Statement was one of the ways in which assurance was provided to residents and other stakeholders (including Partners) that the decision making processes of the Council had integrity. The process was supported by the provision of assurance information to all Service Directors details of which were outlined. Those Service Directors were then asked to confirm the receipt of this information, confirm the assurance information and agree to implement any identified recommendations with the published timescales. The Action Plan then produced captured all the issues raised through the review process and formed the basis for Audit Committee monitoring throughout the year.

The final Statement would be prepared for consideration by this Committee in September prior to the submission to the Council on the 29th September, 2016.

In the ensuing discussion, and in response to detailed questioning, the following matters were highlighted:

- The Risk Management Manager briefly ran through the actions contained within the Action Plan and in response to specific questioning referred to a meeting to be held with the Head of Strategic Procurement to discuss a corporate issue relating to non-compliance with Contract Procedure Rules and the overall adequacy of Contract Management Arrangements. Following that meeting, the Action Plan would be updated to reflect the agreed timescales to address issues identified.
- Reference was made to the role of this Committee in taking the lead in overseeing the Council's Risk Management framework arrangements and of receiving report of action taken and progress made. In this context comments were made particularly in relation to the completion of audit report recommendations by the agreed deadline which was not particularly good. The Director of Finance, Assets and Information Services confirmed, as previously reported, that steps were in hand to make the necessary changes to address these issues.

RESOLVED that the Draft Annual Governance Statement 2015/16 be noted.

22. AUDIT COMMITTEE WORK PLAN 2016/17

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2016/17 municipal year.

In view of the next meeting being held on a Friday, it was suggested that the next training/awareness session be deferred from that meeting to the December meeting.

RESOLVED:-

- (i) that the core work plan for 2016/17 meetings of the Audit Committee be approved and reviewed on a regular basis; and

- (ii) that the training/awareness session planned for immediately prior to the September meeting be deferred to December.

.....
Chair

AUDIT COMMITTEE – 23rd September, 2016

ACTIONS ARISING FROM MEETINGS OF THE AUDIT COMMITTEE

Date of Meeting	Agenda Ref	Subject	Details of Actions Arising	Person Responsible	Status / Response
22 nd July, 2015	6	Draft Annual Governance Statement 2014/15	To receive a report on the multi agency approach to safeguarding and the creation by the Police of multi-agency hubs	Chief Executive, Director of Legal and Governance, Director of Finance, Assets and Information Services	To be built into the Future Work Plan when invitations are sent to ‘external witnesses/speakers’ (possibly programmed for December, 2016)

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External Audit Report 2015/16

Barnsley Metropolitan Borough Council

September 2016



Contents

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.



Section one: Introduction



This document summarises:

- The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for the Authority; and
- Our assessment of the Authority’s arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- Our audit work at Barnsley Metropolitan Borough Council (‘the Authority’) in relation to the Authority’s 2015/16 financial statements; and
- The work to support our 2015/16 conclusion on the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources (‘VFM conclusion’).

Financial statements

Our *External Audit Plan 2015/16*, presented to you in January 2016, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2016.

It also includes any additional findings in respect of our control evaluation which we have identified.

We have substantially completed the work, with exception of the clearance of a small number of review points including Creditors and Journal Entries, and the final Director review.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM Conclusion

Our External Audit Plan 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- Considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

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 audit work in relation to the 2015/16 financial statements of the Authority and the fund; and
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

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



Section two: Headlines



This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority’s financial statements by 30 September 2016. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	<p>Our audit identified a total of one material audit adjustment with a total value of £13.3 million. However, whilst there is an impact on the net worth in year, there is no overall impact on the Authority’s medium term financial plan as this is simply a reallocation of costs over a longer period. This has no impact on the Council Tax requirements for the Council.</p> <p>The adjustment is due to the repayments for the PFI contracts made by the Council being put into a prepayment account to match the revised MRP policy –this is not in accordance with accounting standards (IAS19) which requires the accounting entries to reflect the transactions per the PFI contract over the 25 years. The Authority had accounted for the difference between the actual payment and the previous repayment model and the revised MRP model over 60 years. Several adjustments were required to the draft statement of accounts to rectify this and the impact of these adjustments is as follows:</p> <ul style="list-style-type: none"> —decrease the balance on the general fund –earmarked reserves as at 31 March 2016 by £13.3 million; —increase the cost on provision of services for the year by £13.3 million; and —decrease the net worth of the Authority as at 31 March 2016 by £13.3 million. <p>We have included a full list of significant audit adjustments at Appendix two. All of these adjustments have been made by the Authority.</p>
Key financial statements audit risks	<p>We review risks to the financial statements on an ongoing basis. We identified the following key financial statements audit risks in our 2015/16 External audit plan issued in January 2016:</p> <ul style="list-style-type: none"> — Consolidation of subsidiary companies; and — Minimum Revenue Provision. <p>We have worked with officers throughout the year to discuss these key risks and our detail findings are reported in section three of this report. There are no matters of any significance arising as a result of our audit work in the Consolidation of Subsidiary Companies. However, as mentioned above, the Authority had made an error in the draft statements by extending the Private Finance Initiative (PFI) repayment terms which was not in line with the PFI contract. (Section three provides the detailed findings.)</p>



This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

This table summarises the headline messages. The remainder of this report provides further details on each area.

<p>Accounts production and audit process</p>	<p>We received complete draft accounts by 30 June 2016 in accordance with the DCLG deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code.</p> <p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>As in previous years, we will debrief with the finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2016/17 audit process. In particular we would like to thank Authority Officers who were available throughout the audit visit to answer our queries.</p>
<p>VFM conclusion and risk areas</p>	<p>We did not identify any specific VFM risks in our Audit Plan 2015/16.</p> <p>There are no matters of any significance arising as a result of our risk assessment work on VFM. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2016.</p>
<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> — Creditors; — Journal Entries; — Whole of Government Accounts; and — Completion of final review. <p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Section 151 Officer on 14 September 2016. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>



Section three: Financial Statements

Proposed opinion and audit differences



We have identified one issue in the course of the audit that is considered to be material.

The Authority has adjusted its Statement of Accounts for this issue.

The impact of the adjustments is to:

- decrease the balance on the general fund and HRA earmarked reserves account as at 31 March 2016 by £13.3million;
- Increase the cost on the provision of services for the year by £13.3million; and
- decrease the net worth of the Authority as at 31 March 2016 by £13.3million.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 23 September 2016.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix two for more information on materiality) level for this year's audit was set at £11 million. Audit differences below £0.55 million are not considered significant.

Our audit identified one significant audit difference but that affected several areas of the accounts. The adjustments are set out in Appendix two. It is our understanding that these will be adjusted in the final version of the financial statements.

The tables on the right illustrate the audit differences on the Authority's Comprehensive Income and Expenditure Statement and Movement in Reserves Statement for the year, and the impact on the Balance Sheet as at 31 March 2016.

The net impact on the General Fund and HRA – earmarked reserves, as a result of audit adjustments, is to decrease the balance as at 31 March 2016 by £13.3 million. This is the result of the following amendment:

- Correcting the accounting treatment of the PFI payments in the 2015/16 pre-audit Financial Statements.

Comprehensive Income and Expenditure Statement 2015/16			
£million	Pre-audit	Post-audit	Ref (App.2)
Interest payable on PFI unitary payments	9,010	22,729	1.
Surplus/(deficit) on provision of services	31	-13,238	1.
Total comprehensive income & expenditure for the year	-66,213	-52,944	1.

Movements in Reserves Statement 2015/16			
£million	Pre-audit	Post-audit	Ref (App.2)
Surplus/(deficit) on provision of services (general fund)	-20,906	-34,175	1.
Other comprehensive expenditure & income (general fund)	-20,906	-34,175	1.
Net increase/(decrease) before transfer to earmarked reserves (general fund)	36,424	23,155	1.
Transfers to/(from) earmarked reserves (general fund)	-31,424	-18,555	1.
Transfers to/(from) earmarked reserves (earmarked reserves)	31,424	18,155	1.
Increase/(decrease) in 2015/16 (earmarked reserves)	31,424	18,155	1.
Balance of reserves as at 31 Mar 2016	-147	-13,416	1.

Balance Sheet as at 31 March 2016			
£million	Pre-audit	Post-audit	Ref (App.2)
Property, plant and equipment	1,056,683	1,056,683	
Other long term assets	48,672	29,981	1.
Current assets	60,510	60,510	
Current liabilities	-91,804	-97,786	1.
Long term liabilities	-1,074,208	-1,062,824	1.
Net worth	-147	-13,416	
General Fund + HRA	18,598	18,598	
General Fund + HRA earmarked reserves	152,131	138,862	1.
Other usable reserves	19,553	19,553	
Unusable reserves	-190,429	-190,429	
Total reserves as at 31 Mar 2016	-147	-13,416	1.

Proposed opinion and audit differences (cont.)



We anticipate issuing an unqualified audit opinion in relation to the Authority's Statement of Accounts by 30 September 2016.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

Of the other disclosure adjustments we have identified, the only significant in monetary value is as follows:

- Updating the note on the payments due on PFI deals in the future.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code'). We understand that the Authority will be addressing these where significant.

Annual governance statement

We have reviewed the Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Significant audit risks



We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our *External Audit Plan 2015/16*, presented to you in January 2016, we identified the significant risks affecting the Authority's 2015/16 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant Risk 1

Consolidation of subsidiary companies.

The Authority is the parent company for a number of subsidiary companies, some of which are new and came into operation during 2015/16. The Authority has not produced group accounts for the last few years and it is not clear at this stage whether group accounts will be required in 2015/16 as a result of the creation of the new subsidiary companies.

Findings

We have reviewed the Authority's assessment of whether the creation of the new subsidiaries would mean that the Authority would be required to prepare group accounts. This assessment currently states that the subsidiaries are not material in the context of the reader of group accounts. For 2015/16 we agree with this view and that group accounts are not required.

Significant Risk 2

Minimum Revenue Provision (MRP)

For 2015/16 the Authority agreed a change in the methodology used to calculate their Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which is financed by borrowing or credit arrangements is paid for by council tax payers. Local Authorities are required to set aside some of their revenues each year as a provision for this debt.

Findings

We have reviewed the revised methodology used to calculate the MRP and this will increase the period of the repayment in line with the Authority's estimate of the lives of the assets purchased. The Authority is moving to calculating the MRP using the annuity method which is in line with current guidance. There are no issues arising in this respect.

However, linked to the increase in the MRP, using the annuity method of the asset lives, the Authority incorrectly accounted for the contractual PFI payments in 2015/16 by initially putting these in a prepayment account to match the increased asset lives. This is not in accordance with accounting standards (IAS19). These errors have been corrected in the revised Financial Statements.

Significant audit risks



We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2015/16* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Section three – Financial statements

Judgements



We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas				
Asset/liability class	15/16	14/15	Balance (£m)	KPMG comment
Short Term Creditors	3	3	£33 million <i>(PY: £43 million)</i>	The Authority has used the same techniques for accruing creditors in 2015/16 as in previous year. The level of accruals are assessed as being balanced.
Impairment of Short term Debtors	3	3	£15 million <i>(PY: £11 million)</i>	The Authority has prepared its impairment provision on the same grounds as previous years, however the levels of debts has increased during 2015/16.
Property, Plant and Equipment (valuations / asset lives)	3	3	£1.056 billion <i>(PY: £1.028 billion)</i>	PPE has been valued by qualified valuers on a 5 yearly rolling programme. There has been no significant changes in the estimation techniques in 2015/16. The most significant addition in year is the Waste Management PFI asset which accounted for nearly £13m of this year's additions. The Authority has recognised the Waste Management PFI asset on the Balance Sheet as it came into use during 2015/16. The value of this has been based on the original PFI model with no up to date valuation completed as it came onto the Balance Sheet. This does not meet the requirements of the Code. Management has completed a valuation of the asset and we have assurance that the asset value is not materially misstated, however, we recommend that assets are valued at the earliest opportunity when they come into use (see Appendix 1).
Pensions	4	3	£341 million <i>(PY: £385 million)</i>	The Authority has used the data supplied by the Pension Fund and the Actuary (Mercers) to assess the long term liability for pensions. With the pension fund auditor we have assessed the reasonableness of the assumptions made and are satisfied with the items included in the Authority's financial statements. Whilst in line with actuary figures, the rating reflects the current thinking that the liability is likely to increase following the 2017 triennial review which will increase the funding costs in the future.
Usable Reserves	2	2	£177 million <i>(PY: £160 million)</i>	The Authority continues to hold a healthy useable reserves balance and has added to it in 2015/16. In particular, the Council has amounts set aside to manage future Council Priorities and Town Centre Development. There should be sufficient headroom available within reserves to meet some unforeseen demands or contribute partially towards medium term financial pressures.

Accounts production and audit process



The Authority has good processes in place for the production of the accounts and good quality working papers.

Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority’s accounting practices and financial reporting. We also assessed the Authority’s process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>There is scope to improve this further by streamlining the numbers and detail of the working papers produced. We will work with the finance team to identify any areas where efficiencies can be made.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts by the deadline 30 June 2016.</p>
Quality of supporting working papers	<p>Our <i>Accounts Audit Protocol</i>, which we issued in June 2016 and discussed with the Acting Finance Manager, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
Response to audit queries	<p>Officers resolved audit queries in a reasonable time.</p>

Findings in respect of the control environment for key financial systems

Our audit of journal entries identified that the written procedure notes were not fully in line with the processes and controls actually in practice. The current practice does not give rise to a risk and we did not identify any incorrect or unsupported journals entries, however, we recommend that the written procedures are updated to reflect the current practice. (See Recommendation 1 at Appendix 1.)

Prior year recommendations.

The Authority had no recommendation to implement from our *ISA 260 Report 2014/15*.



We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Barnsley Metropolitan District Council for the year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and Barnsley Metropolitan District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix four in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Director of Finance, Assets and IT for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.



Section four: Value for Money



Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Background

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

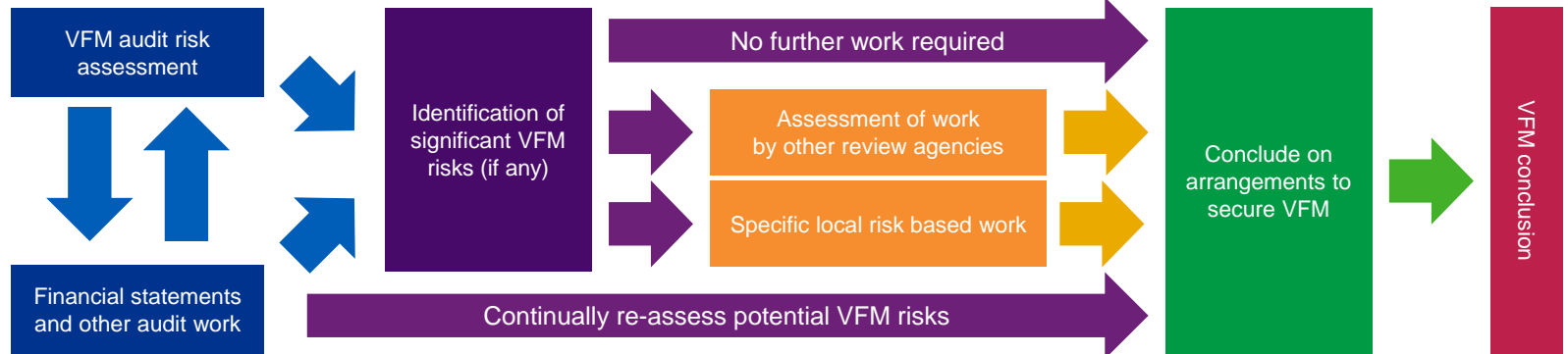
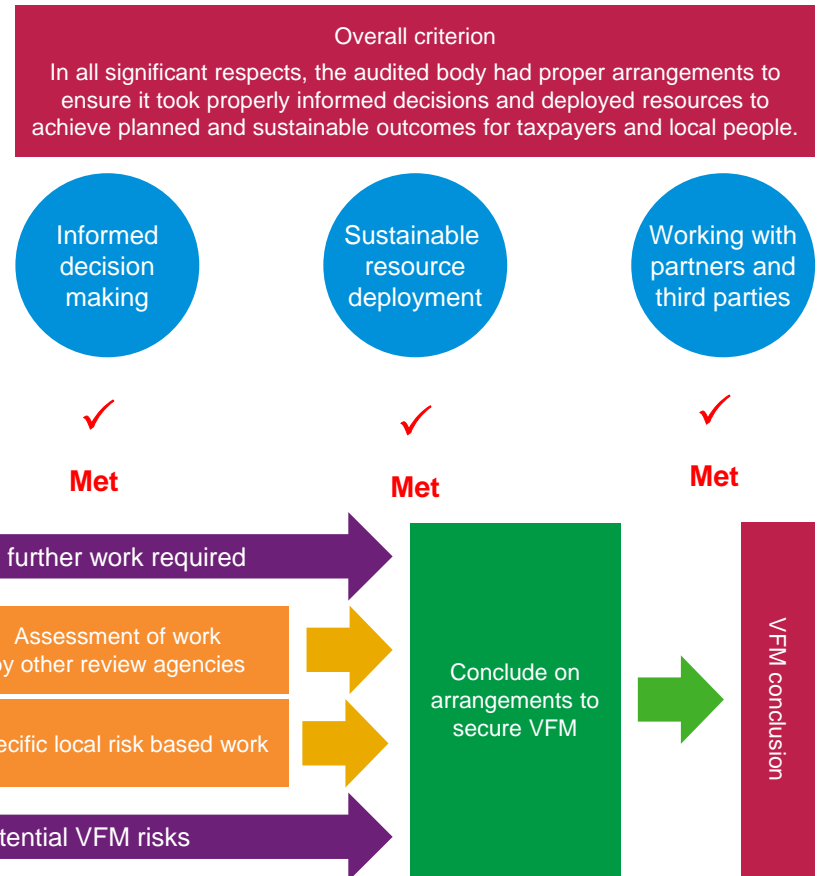
This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

These sub-criteria provide a focus to our VFM work at the Authority.

Conclusion

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.





We have identified a number of specific VFM risks.

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.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

Key findings

Below we set out the findings from our work on the VFM conclusion. We did not identify any areas of residual audit risk needing us to carry out additional work. We found that sufficient relevant work had been completed by the Authority, inspectorates and review agencies in relation to potential risk areas.

The Authority is a confident well managed organisation with a good history of sound financial management. Processes and plans are in place to manage the challenges faced by the Authority over the medium term. Financial health is underpinned by a comfortable level of general fund and earmarked reserves that have been properly constituted and managed, although further significant savings will still be required to achieve annual budgets over the coming years to 2019/20.

The Authority has proposed a balanced budget for 2016/17. It has used earmarked reserves to fund some specific investment decisions. The Authority is also making progress in reducing the funding gap over the four years 2016/17 to 2019/20, however it recognises there is still some work to be done in this area.

The Authority is currently forecasting budget gaps in 2017/18, 2018/19 and 2019/20 and is working on a range of options to reduce these gaps and reduce further risks in these areas.

The Authority's effective monitoring of its MTFP position and related assumptions will be key to ensuring continued delivery of its objectives.



Appendices

Appendix 1: Key issues and recommendations

Appendix 2: Audit differences

Appendix 3: Materiality

Appendix 4: Independence and objectivity

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2
		3
	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	
		Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	2	<p>Journal authorisation</p> <p>Our audit of journal entries identified that the written procedure notes were not fully in line with the processes and controls actually in practice. The current practice does not give rise to a risk and we did not identify any incorrect or unsupported journals entries but should be a reflection of written procedures.</p> <p>Recommendation</p> <p>The Authority should review the written procedure notes for the posting and authorisation of journal entries and ensure that these reflect the procedures that are both required and are currently in practice.</p>	<p>Management response</p> <p>The written procedures in relation to journal control & authorisation will be refreshed to reflect the current Business Unit operating model and staffing structure.</p> <p>Responsible Officer</p> <p>Service Director – Finance</p> <p>Due date</p> <p>31 October 2016</p>

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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Priority rating for recommendations					
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
2	2	<p>Valuation of Waste Management Asset</p> <p>The Waste Management PFI came into use during the year. Once assets have been recognised, under section 4.3 of the Code, an assessment needs to be made as to whether the asset value needs to be re-measured. No such revaluation took place at the time the asset came into use and therefore there is a risk that the value of the asset may be misstated.</p> <p>Subsequent to our onsite audit work we have now obtained a formal valuation of the asset from the Authority's valuer. We have discussed this with our technical expert and have not identified any issues with the process used to value this asset. We have therefore gained assurance, for the current year audit, that the value of the asset has not been materially misstated.</p> <p>Recommendation</p> <p>The latest valuation of the asset should be reflected in the 2016/17 statement of accounts and that all new assets are valued when they come into use in line with the requirements of the code.</p>	<p>Management response</p> <p>An adjustment will be made to the carrying value of the Council's share of the waste PFI facility in the 2016/17 accounts. Procedures will be refreshed to ensure that all new material assets are revalued on acquisition.</p> <p>Responsible Officer</p> <p>Service Director – Finance and Service Director – Assets</p> <p>Due date</p> <p>31 March 2017</p>

Appendix two

Audit differences

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2016.

We are reporting all audit differences over £550k.

It is our understanding that all of these will be adjusted.

The overall impact of the Audit adjustment is to reduce the General Fund – Earmarked Reserves by £13,269k.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the full Council). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of the Authority's financial statements for the year ended 31 March 2016. These have been adjusted in the revised set of financial statements.

Impact						
No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1	Dr Financing and Investment Income and Expenditure Account £13,269k	Cr General Fund Balance – Transfer to Earmarked Reserves Account (£13,269k)	Cr Long Term Debtors (£18,691k)	Cr Other Short Term Liabilities (£5,962k) Dr Other Long Term Liabilities £11,384k	Dr General Fund - Earmarked Reserves £13,269k	To correct the errors in the accounting for the PFI transactions in 2015/16 to ensure that they reflect the contractual arrangements.
	Dr £13,269k	Cr (£13,269k)	Cr (£18,691k)	Dr £5,422k	Dr £13,269k	Total impact of adjustments

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

A number of minor amendments focused on presentational improvements have also been made to the draft financial statements. The Finance Department is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Materiality and reporting of audit differences

For 2015/16 our materiality is £11 million for the Authority's accounts.

We have reported all audit differences over £0.55 million for the Authority's accounts.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We reassessed materiality for the Authority at the start of the final accounts audit. The re-assessment was made due to a significant fall in the Gross Expenditure of the Authority as compared to 2014/15.

Materiality for the Authority's accounts was set at £11 million which equates to around 1.7 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.55 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence;
- The related safeguards that are in place; and
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

Declaration of independence and objectivity (cont.)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Barnsley Metropolitan Borough Council for the financial year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and Barnsley Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix four

Audit Independence

Audit Fees

Our scale fee for the audit was £135,988 plus VAT in 2015/16. This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in January 2016. Our scale fee for certification for the HBCOUNT was £15,236 plus VAT, and fees for other grants and claims (Teachers Pensions Agency Return, and Pooling Capital Receipts Return) was £7,750 plus VAT in 2015/16.

Non-audit services

We have not been engaged to provide any other non-audit services during the year.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Item 5

Joint Report of the Chief Executive,
Director of Finance, Assets and Information Services and
Director of Legal and Governance

AUDIT COMMITTEE – 23rd September 2016

ANNUAL GOVERNANCE STATEMENT 2015/16

1. Purpose of the Report

- 1.1 To consider the final Annual Governance Statement for 2015/16, attached as Appendix One to this report.

2. Recommendations

- 2.1 **The Committee is asked to approve the Draft Annual Governance Statement for 2015/16, and refer it to Full Council for their approval and adoption.**

3. Background

- 3.1 The proposed process and guidance on developing the Annual Governance Review (AGR) for 2015/16 was considered by the Committee on 23rd March 2016, and members were given the opportunity to comment on these arrangements prior to the AGR commencing with officers.
- 3.2 The Audit Committee considered the draft Annual Governance Statement (AGS) on 20th July 2016.

4. The Final Annual Governance Statement 2015/16

- 4.1 The final AGS is attached as Appendix One to this report. The statement outlines the following:
- i. The purpose of the Governance Framework;
 - ii. The Governance and Internal Control Framework;
 - iii. The process of annually reviewing the effectiveness of the Governance and Internal Control Framework; and,
 - iv. Identifying development and improvement opportunities arising from the Annual Governance Review, to be addressed in 2016/17.

5. Review Process

- 5.1 The AGS is an important document as it is one form of providing assurances to residents and other stakeholders, including the Council's partners, that its decision making processes and procedures have integrity.
- 5.2 An action plan has been prepared to capture the issues raised throughout the review process. This document will form the basis for Audit Committee monitoring throughout the year. The action plan is provided to the Audit Committee as Appendix Two to this report. An update of the action plan will be reported to the Audit Committee in December 2016.

6. Financial Implications

- 6.1 There are no direct financial implications arising through the preparation and publication of the Council's Annual Governance Statement.

6.2 However, the draft statement includes an assessment as to the extent to which the Council's financial and other internal control related procedures are being complied with.

7. Risk Management Considerations

7.1 The Council's Risk Management Strategy forms one of the key elements of the Council's Internal Control Framework.

8. Consultations

8.1 The draft statement was developed through a comprehensive evaluation process which has included formal input from the Council's Corporate Assurance Group and the Council's Senior Management Team (SMT).

9. List of Appendices

9.1 Appendix One: Draft Annual Governance Statement 2015/16
Appendix Two: Draft Annual Governance Statement Action Plan 2015/16

11. Background Papers

11.1 Previous Audit Committee reports covering the monitoring of the 2014/15 AGS Action Plan, the Council's Local Code of Corporate Governance and the Council's Annual Governance Review Process 2015/16.

Contact Officer: Risk and Governance Manager
Telephone: 01226 77 3119
Date: 31st August 2016

BARNSELY METROPOLITAN BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015 / 2016

1. Scope of Responsibility

- 1.1 Barnsley Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and all relevant standards, and that public money is safeguarded and properly accounted for.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, effectiveness and efficiency.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework detailed in their report 'Delivering Good Governance in Local Government', in so far as the Council will:
- Focus on the purpose of the Council and on outcomes for the community and create and implement a vision for the local area;
 - Ensure Elected Members and officers work together to achieve a common purpose with clearly defined functions and roles;
 - Promote values for the Council and demonstrate the values of good governance through upholding high standards of conduct and behaviour;
 - Take informed and transparent decisions which are subject to effective scrutiny and consideration of risk;
 - Develop the capacity and capability of Elected Members and officers to be effective; and,
 - Engage with local people and other stakeholders to ensure robust public accountability.
- 1.5 A copy of the Council's recently revised Local Code of Corporate Governance can be found on the Council's [Risk Management intranet site](#). This document was considered, and approved by the Council's Audit Committee on 20th April 2016.

2. Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of governance and internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurances regarding overall effectiveness. The system of governance and internal control is based on an ongoing process of risk review, designed to identify and prioritise risks to the achievement of

the Council's policies, aims and objectives and to evaluate the likelihood and potential impact of those risks being realised. It is then a case of managing and mitigating them to reasonable levels in an efficient, effective and economic manner.

3. The Governance Framework

3.1 The scope of the governance and internal control framework spans the whole range of the Council's activities. The following sections consider the various main components of the Council's governance framework and the activities within each of them.

3.2 Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.

The Council's vision is contained within the Future Council Change Programme which was originally approved by Cabinet in June 2014. This also includes the Council's three corporate Priorities, four Values, and a number of Future Council characteristics.

This report was complemented by a further report, also approved by Cabinet in June 2014 which provided the detail of the business model for Directorates and Business Units in terms of how the units would be achieved and the framework for their delivery.

A further report was considered and approved by Cabinet in December 2015 which provided an opportunity to reflect on the outcomes of the Future Council, and provide assurances that changes had started to take effect.

The Council's Corporate Plan 2015 – 18 sets out these priorities, values and characteristics, which was approved by Cabinet in June 2015.

To deliver improved outcomes in terms of the overall quality of life and services that meet local needs, the Council works with a range of partners both within the Local Strategic Partnership (LSP) 'One Barnsley' as well as other organisations, including local businesses, South Yorkshire Police, voluntary and community groups and the National Health Service.

3.3 Arrangements for reviewing the Council's vision and its implications for the Council's governance arrangements and translating the vision into objectives for the Council and its partners.

The Council's Corporate Plan underpins the priorities and outcomes for 2015 to 2018, and makes clear links between the published outcomes and the Councils' own performance management arrangements.

3.4 Arrangements for measuring the quality of services for service users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money.

Key metrics, signposted in the One Council element of the Corporate Plan will tell us about our 'organisational health' covering both our financial resources and our workforce, our social responsibility such as local spend, volunteering and apprenticeships and our ongoing progress against the ten Future Council outcomes. The supporting performance management framework, included as part of the new Corporate Plan has been designed to ensure the effective management of these outcomes.

3.5 Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements.

The Council's Constitution sets out how the Council operates regarding how decisions are made and the procedures that are followed to ensure that these rules are efficient, transparent and accountable to local people. The constitution sets out rules governing the manner in which the Council conducts its business.

The Constitution includes the Scheme of Delegation whereby functions and decision making responsibilities are allocated between the full Council, the Cabinet, individual Cabinet Members, regulatory boards, committees and officers.

The Council's Officer Code of Conduct and Member Code of Conduct encourages the effective transaction of business by setting out the respective roles of Members and officers and provides guidelines for good working relationships between them. The Elected Members Code of Conduct was updated and approved by Cabinet in May 2015 to ensure they reflected the Future Council's vision, values and behaviours.

A limited number of items of business, such as approving the level of Council Tax must be considered by the Full Council. For other decisions, the Leader and Cabinet Members hold decision making powers through the Cabinet – each member of the Cabinet holds a portfolio which supports the priorities and structures of the Future Council.

The role of each Portfolio Holder is defined in terms of both general and specific responsibilities. Councillors who are not members of the Cabinet are appointed as members of regulatory committees or undertake scrutiny activities. Detailed terms of reference are in place for regulatory boards such as the Council's Audit Committee, as well as the Overview and Scrutiny Committee and Safeguarding Scrutiny Committee.

There is a clear distinction between the Executive and non-Executive functions within the Council and clearly defined roles for these functions exist, which are understood by both parties. The Council's Monitoring Officer (MO) is responsible for determining any issues of uncertainty as to whether a function is of an Executive or non-Executive nature.

Specific governance arrangements regarding the establishment and management of Area Councils (which have a formal status as Committees of the Executive, with delegated authority to incur expenditure within an allocated budget) have now have been in place for a number of years. These are also complemented by Ward Alliances which focus on direct community engagement.

Similarly, revised arrangements regarding the structure of the Council's Scrutiny function provide an emphasis on performance management and the delivery of outcomes. The rationalisation of Scrutiny Committees has resulted in the development of an overarching Overview and Scrutiny Committee, with three 'task and finish' groups designed to undertake deep-dives of specific Scrutiny areas.

Furthermore, the Council's LSP Board consists of senior partner representatives and agrees the overall strategic direction for the partnership. It considers performance against the Council's Jobs and Business Plan 2014-17 and Health and Wellbeing Strategy 2014-19. However, the primary responsibility for overseeing the delivery of these strategies rests with the Barnsley Economic Partnership and the Health and Wellbeing Board respectively. The LSP Board provides overall coherence and coordination across principal partnership arrangements to ensure that delivery is

effective. The Board has three specific sub-groups each with a key focus including Communications, European Funding and Shared Assets.

3.6 Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and officers.

The Council has established a Member Panel to consider any allegations of misconduct, where the MO determines the need to undertake formal investigation. The MO exercises their judgement in consultation with three designated Independent Persons who have been appointed as a requirement of the Localism Act. This panel comprises three Elected Members chosen from those members comprising the Appeals Awards and Standards Panel by the Monitoring Officer in consultation with the Chairperson of the Panel. A majority of the members are selected from members of a political group different to that of the member who is the subject of the complaint.

The Council has developed and adopted formal Codes of Conduct which define standards for both personal and professional behaviour for Elected Members and officers. Formal induction training packages have been developed for Members and officers that include mandatory training regarding information governance, financial and procurement responsibilities and anti-fraud and corruption arrangements. Both Elected Members and officers are required to register relevant interests as required by law, and by the relevant Code of Conduct. The Council maintains a register of Councillors Interests, as Councillors are obliged by law to keep their registration up to date and inform the MO of any changes within 28 days of the relevant event. The need for disclosure of any conflicts of interest is a standard agenda item at all Council meetings. Standing Orders have been amended to require a member to withdraw where they have a Disclosable Pecuniary Interest, as defined by law.

3.7 Arrangements for the review of the effectiveness of the Council's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.

The Council has in place a Constitution which is reviewed on a regular basis by the Constitution Review Group. This also ensures that the Cabinet Report Writing Guidelines are up to date and reflect current legislation and best practice. Within the Constitution review process delegations to members and officers are considered and refreshed as appropriate.

Cabinet decisions, including those relating to partnership activities are subject to oversight by the Overview and Scrutiny Committee. The robustness of data quality is challenged through the annual governance review process, and is also subject to periodic audit and review.

3.8 Arrangements for the review of the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.

The Council has in place a comprehensive Risk Management framework which is reviewed on an annual basis. Compliance with this framework is monitored, and specifically audited on an annual basis. The Risk Management framework has also benchmarked against other local authorities through the Association of Local Authority Risk Managers (ALARM) and Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Benchmarking Club, and improvement actions identified by this process are included in subsequent Risk Management Section work-plans. Furthermore, the Council's External Auditors have considered and compared the Council's Strategic Risk Management arrangements with other similar constituted Authorities, and provided positive assurances in this regard.

The Council's Audit Committee takes the lead in overseeing the Council's Risk Management framework arrangements and receives regular reports regarding compliance with the framework, across all Council services and functions. The Committee also receives reports regarding the Council's Strategic Risk Register (SRR), which is reviewed on a bi-annual basis.

The Council's decision making processes require the identification of risks and how they are being managed as a standard element of all decision making reports.

Training and awareness sessions are provided on a regular basis for Elected Members and officers. This is complemented by on-line training modules for Elected Members and officers.

3.9 Arrangements to ensure that effective counter-fraud, anti-corruption and whistleblowing controls and processes for receiving and investigating complaints from the public are developed and maintained.

The Council has in place a Corporate Anti-Fraud, Corruption and Bribery Policy and a suite of supporting policies and guidance, which are reviewed on an annual basis.

Training and awareness continues to be provided both specifically to groups of employees but also via on-line training modules for employees.

The Council has in place a Whistleblowing Policy, supported by two senior managers as designated contact officers. The Audit Committee oversees the effectiveness of the Whistleblowing arrangements on an annual basis. Internal Audit, as well as having a role in investigating matters brought to its attention, but it also takes the lead in promoting preventative measures. This is inherent in all audit work but also through specific fraud detection work to identify areas where fraud prevention controls can be improved.

As part of the Future Council arrangements, the Corporate Anti-Fraud Team (CAFT) has been formed within Internal Audit, and became fully effective from 1st April 2015. A number of reports to the Audit Committee during 2015 provided positive assurances regarding the activities being undertaken by the CAFT.

3.10 Arrangements to ensure the effective management of change and transformation.

A robust approach has been taken regarding the management of change, with the project management computer system P2.net utilised to assist in the tracking and delivery of budget saving proposals. This process is complemented by the Programme Office approach detailed in the Council's Future Council Strategy 2014 – 2017. In order to ensure the delivery of the Future Council, the Future Council 2020 Improvement and Growth Board has been established, and is chaired by the Chief Executive and consists of Executive and Service Directors. The primary purpose of this Board is to driver the overall Future Council programme forward to deliver the expected outcomes and benefits.

Furthermore, a £3M 'Improvement and Growth' Fund has been set up to stimulate and support innovation, managed risk taking and commercial and business thinking. It is expected that Service Directors will submit brief, high level business cases which will demonstrate alignment with the Council's corporate priorities. Applications to the fund must demonstrate that they are not delivering business as usual activities and how cashable and non-cashable efficiencies will be driven and supported by a clear return on investment.

3.11 Arrangements to ensure that the Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*.

The Council's Chief Financial Officer (CFO) is a key member of the Senior Management Team (SMT) for the Council, helping it to develop and implement strategy and resources to help deliver the Council's strategic objectives in a way that is sustainable and in the public interest. They are also actively involved in, and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risks are fully considered, and where appropriate, aligned to the Council's overall financial strategy (the Medium Term Financial Strategy (MTFS)). The CFO leads on the promotion and delivery by the entire Council on good financial management, which aims to ensure that public money is safeguarded at all times, and used in an appropriate, economic efficient and effective manner.

To deliver these responsibilities, the CFO leads and directs the Finance function within the Council to ensure it is resourced in such a way as to be fit for purpose, and they are also professionally qualified and suitably experienced.

An assessment has been undertaken as part of the Annual Governance Review process against the CIPFA Statement on the role of the Chief Financial Officer in Local Government. This assessment has confirmed that in all respects the Council's arrangements comply with the five principles set out in the framework.

3.12 Arrangements to ensure that the Council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit*.

The Head of Internal Audit (HoIA) in a local authority plays a critical role in delivering the Council's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role, the HoIA is a senior officer with regular and open engagement across the Council, particularly with Executive Directors and Service Directors and the Audit Committee. The HoIA leads and directs an internal audit service that is resourced to be fit for purpose and is professionally qualified and suitably experienced. Following an independent external assessment as to conformance with the Public Sector Internal Audit Standards, the Internal Audit function was deemed to be fully compliant.

An assessment has been undertaken as part of the Annual Governance Review process against the CIPFA Statement of the Role of the HoIA in Local Government. This assessment has confirmed that in all respects, the Council's arrangements comply with the five principles set out in the framework.

3.13 Arrangements to ensure that effective arrangements are in place for the discharge of the Monitoring Officer function and the Head of Paid Service function.

The broader context for the Council's governance and internal control environment is provided by the Council's Constitution which gives comprehensive information on how the Council is organised, its decision making processes and how probity and due process are promoted. This includes the work of the statutory officers, namely the Head of Paid Service (the Chief Executive), the MO (the Executive Director, Legal and Governance) and the Section 151 Officer (Executive Director, Finance, Assets and Information Services).

All three of the statutory officers are members of the Council's SMT. Statutory officer meetings are held periodically to focus on the specific statutory nature of their roles. The MO and the Section 151 Officer have direct access to the Chief Executive with reference to their core statutory and professional roles.

3.14 Arrangements to undertake the core functions of the Audit Committee, as defined by CIPFA's *Audit Committee Practical Guidance for Local Authorities*.

The Council's Audit Committee comprising of four senior Elected Members, and five co-opted members is responsible for providing independent assurance to the Council on the adequacy and effectiveness of the governance and internal control framework, which incorporates the arrangements relating to financial, risk and performance management. The Committee undertakes an annual review to ensure it remains compliant with the CIPFA 'Audit Committee Practical Guidance for Local Authorities' document.

The Committee receives regular reports relating to its remit, covering issues arising from the work of Internal Audit, updates on the risk management process, anti-fraud and corruption work and financial management reports, plus reports from the Council's external auditors which includes updates on the progress of implementing recommendations that have been made. The Committee itself produces an annual report highlighting their key areas of activity during the year.

As part of its governance remit, the Audit Committee will consider this Statement and, as necessary provide comments to full Council. In addition, the Committee will monitor the implementation of any emerging developments or improvements, recommended through the Annual Governance Review process.

An Audit Committee Workshop event was held in November 2015, which was designed to consider if the effectiveness and efficiency of the Committee can be improved to ensure it supports the Future Council Programme. The Workshop also included comparing the current Audit Committee arrangements with the CIPFA 'Audit Committee – Practical Guidance for Local Authorities and Police 2013' Guidance.

3.15 Arrangements to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

The Council has designated the Executive Director, Legal and Governance as MO. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations and to oversee its arrangements in relation to ethical standards complaints.

The Executive Director, Legal and Governance attends, or is represented by a senior lawyer at all meetings of the Cabinet and Council. A senior lawyer is always in attendance at meetings of the Planning Regulatory Board and the Licensing Regulatory Board and as clerk to any Appeals panels.

All decision making reports take account of a range of control factors, including risks, legal and financial implications and policy or performance implications. The Council's SMT reviews all significant reports prior to them being included on the Cabinet agenda and discusses forthcoming Cabinet agendas a week prior to the meeting to address any particular issues arising or outstanding in respect of the specific report on the agenda. Any decisions taken by Cabinet members under their delegated powers are subject to prior scrutiny by SMT.

All Cabinet decisions are subject to oversight by the Overview and Scrutiny Committee.

All documents that require execution by the Executive Director, Legal and Governance require evidence of Member or delegated officer approval prior to being executed.

Legal implications in particular with regard to consultation and statutory quality obligations are addressed specifically as part of the Council's budget setting process. The MO and Section 151 Officer are aware of their statutory duties to report in respect of concerns of unauthorised activity or expenditure and consult with each other periodically in relation to their ongoing and complementary statutory roles.

There is a periodic review of decision making and 'authority to act' through the role of Internal Audit and where appropriate by external regulators such as the Information Commissioner, the Surveillance Commissioner and the Local Government Ombudsman.

3.16 Arrangements for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Services are delivered by trained and experienced employees. All posts have a detailed job description and person specification. As part of the move towards the 'Future Council' a large proportion of jobs now benefit from a Job Profile, which includes elements of the job description and employee specification. Training needs are identified through the Performance and Development Review (PDR) process in which individuals' targets are derived from Service Delivery Plans or Business Unit Plans.

Induction courses are available for new Elected Members and officers. A comprehensive programme of development activities and training has been specifically designed to improve the knowledge, skills and abilities of Elected Members in their individual or collective roles in meeting the Council's corporate objectives. The programme is also designed to ensure that all Members are fully supported to carry out their increasingly complex roles. Members individual development needs are identified in personal development plans.

A number of Leadership Programmes have been set up to provide detailed (and accredited) Leadership and Management training for all tier one to five officers within the Council.

3.17 Arrangements to establish clear channels of communication with all sectors of the community and other stakeholders, ensuring accountability and encouraging consultation.

All Councillors must account to their communities for the decisions that they have taken and the rationale behind them. Barnsley Council is subject to external review through external auditing of financial statements and performance managing outcomes against national standards and targets.

Councillors and officers are both subject to code of conducts. Additionally, where maladministration may have occurred, the aggrieved person may wish to appeal either through their local Councillor or directly to the Local Government Ombudsman.

The Council has numerous arrangements in place to communicate with its customers and wider stakeholders, including the use of social media such as 'Facebook' and 'Twitter'. The Area Council and Ward Alliance arrangements also encourage community involvement, engagement and participation.

3.18 Arrangements to enhance the accountability of service delivery and the effectiveness of other public service providers.

The Council has various arrangements in place to ensure it is accountable for its service delivery and performance. This includes the provision of quarterly performance reports that detail the Council's performance against specific Corporate Plan priorities and an annual Council Tax leaflet that is published on the Council's website which provides an insight into how resources are being used.

3.19 Arrangements to incorporate good governance in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Council's governance arrangements.

When working in partnership with others, the existence of sound governance arrangements helps to ensure that shared goals are achieved and resources are controlled in an effective manner.

A review of the partnership arrangements for the LSP has provided greater clarity by reducing the number of partnership bodies and sub-groups. The LSP now benefits from two key partnership bodies, the Health and Wellbeing Board (focusing on delivering health and wellbeing strategies) and the Barnsley Economic Partnership (which focuses on the delivery of economic strategies), with the One Barnsley Board providing strategic oversight. The emphasis is on each partner agency contributing towards, and being responsible for the delivery of shared outcomes for Barnsley, rather than servicing and attending partnership meetings.

Council officers and Councillors are nominated as Council representatives within or when dealing with significant partnering organisations. Partners are encouraged where appropriate to align their objectives with the Council's policies and deliver high quality, efficient and effective services which are in accordance with their agreements with the Council.

A developing practical Partnership Governance Framework is in development, which has been designed to assist Partnership Lead Officers provide suitable assurances that the partnership is making a valuable contribution to the Council's objectives and priorities, and is a well governed and controlled relationship.

4. Review of Effectiveness

Barnsley Metropolitan Borough Council has responsibility for conducting (at least annually), a review of the effectiveness of its governance framework, including systems of internal control and risk management arrangements. The review of effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates.

4.1 Senior Management Team (SMT)

4.1.1 Annual Assurance Statements

The Council's SMT is responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework. As part of this function, each member of SMT is provided with details of their services assurance information for the year. This assurance information contains:

- Significant and Fundamental Internal Audit recommendations that have been made to individual business units;
- Significant and Fundamental themed Internal Audit recommendations that are relevant to specific business units; and,

- Other Sources of Assurance information sourced from Internal Control and Governance lead officers.

Following receipt of the above information by each individual Service Director, each SMT member is then asked to provide assurances regarding the overall governance arrangements for their Directorate.

This information has then been evaluated, and where appropriate, included in the Annual Governance Statement Action Plan.

4.1.2 Annual Review Statements and the developing Corporate Assurance Framework

The Council has adopted a comprehensive set of internal policies and procedures that govern key aspects of its operations as part of the drive to develop high quality local public services. Collectively, these are referred to as the Internal Control Framework.

Each of these key policies, plans and procedures has a senior lead officer with overall responsibility for their maintenance and review. The previous Annual Governance Review process provided an opportunity for each designated lead officer to prepare an annual review statement on their respective areas of responsibility.

The developing Corporate Assurance Framework (CAF) aims to collate these discrete elements of the Council's Internal Control Framework into an overarching assurance document, which will allow for the mapping of risks, systems, processes and assurances against the controls in place. This will also include an evaluation of the adequacy, in terms of the breadth and depth of assurance coverage provided to ensure there is sufficient evidence available to ascertain whether the controls are effective, efficient and comprehensive. This is combined with an assessment of current assurances on the effectiveness of current controls in the mitigation of risk to ensure they are also adequate, efficient and comprehensive. This work is due for completion in 2016, and it is envisaged the outcomes of the CAF will be used to inform and influence the Internal Audit Plan for the year ahead.

Policies included within the Council's Internal Control Framework are also subject to cyclical, risk based review by the Council's Internal Audit division.

4.2 Internal Audit

4.2.1 The HoIA is responsible for providing assurances on the robustness of the Council's internal control arrangements to the Audit Committee. An annual report on audit activity and the performance of the Internal Audit division is also presented to the Audit Committee. In terms of the 2015/16 report, which the Committee considered at its meeting on 20th July 2016, the HoIA gave a controls assurance opinion which reflected that systems concerning internal controls were adequate and that no fundamental breakdown of any such systems had occurred. Whilst the overall opinion is positive, there are some key issues arising from the work of Internal Audit that senior management should consider. In general terms these relate to the impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers, which has impacted upon their ability to maintain reasonable and effective controls in some areas of activity.

4.2.2 The results of Internal Audit's work during 2015/16 has recognised that the Future Council approach requires a change in risk appetite and that there is a natural period during which new operational arrangements will embed. However, with regard to the progress of audit report recommendations, at the point of follow up and throughout the year only 35% of recommendations had been implemented

by the agreed date by management. The monitoring of report recommendations will no doubt be a priority for the Audit Committee, and the Internal Audit Service itself.

4.2.3 The role of Internal Audit within the governance, risk and internal control framework is to operate both independently and objectively in reviewing and reporting on the effectiveness of the Annual Governance Review process and the corporate Risk Management framework. This work has been undertaken by a Principal Auditor reporting directly to the Executive Director, Finance, Assets and Information Services in order to preserve that independence.

4.3 Strategic Risk Management

Work undertaken by the Risk Management Section during 2015/16 included support and challenge in the management and development of the Council's SRR and the preparation of reports to SMT, Cabinet and the Audit Committee. Work has also included promoting and embedding good risk management practices throughout the Council, and its partners, as well as preparing both annual and periodic update reports to the Audit Committee.

4.4 External Audit, Assessment and Inspection

Barnsley Metropolitan Borough Council is subject to external assessment and regulation by auditors and service inspectorates such as OFSTED and the Care Quality Commission (CQC). Services, in conjunction with the Corporate Assurance Group are responsible for ensuring that the relevant findings from external audit or other assessment activity informs the annual evaluation process, which underpins the production of the Annual Governance Statement.

4.5 In summary, the following principal sources of evidence were considered when carrying out this evaluation:

- Assurances provided by Service Directors and Executive Directors regarding the overall governance arrangements for Business Units, and Directorates;
- Internal Audit Annual Report;
- Risk Management Annual Report;
- The Annual Audit letter;
- Key issues arising from the Annual Corporate Health and Safety Annual Report;
- The Local Government Ombudsman's Annual Monitoring Report on BMBC's complaints;
- The independent Internal Audit Annual Review of the Annual Governance Review and Statement process and Corporate Risk Management arrangements; and,
- A review of the action taken and progress made in relation to the issues raised in the 2015/16 Annual Governance Statement and associated Action Plan;

4.6 Corporate Assurance Group (CAG)

Following the transition to the Future Council, the Corporate Assurance Group (CAG) membership and terms of reference have been reviewed, and the group has been successfully reconvened. The CAG has met twice in 2016/17 (April 2016 and May 2016) in order to develop the Council's assurance information, as detailed in section 4.1.1.

4.7 The development of the revised Annual Governance Review process has been presented to the Barnsley Leadership Team (BLT) and SMT in 2015. This process has been somewhat refined, following a greater level of involvement with the internal control and governance lead officers, via the CAG. Furthermore, the Audit Committee were updated regarding the revised Annual Governance Review process at their meeting on 20th April 2016.

5. Significant Governance Issues

- 5.1 The annual review of the Council's governance, risk and internal control arrangements in 2015/16 has not identified any fundamental issues and has confirmed that the general level of compliance with the Council's governance and internal control framework remains good.
- 5.2 The review process has taken into account the action taken against the control issues raised on previous Annual Governance Statements.
- 5.3 The Action Plan to be monitored during 2016/17 comprises the issues that have been carried forward from previous years, along with issues that arose from the 2015/16 review.

6. Statement by the Leader of the Council and the Chief Executive

- 6.1 We are satisfied that the comprehensive review process undertaken has identified the relevant areas for attention over the forthcoming year. The Action Plan put in place will be monitored by the Council's Audit Committee will (when implemented) further enhance the Council's governance, risk and internal control framework.

.....
Councillor Sir Stephen Houghton CBE
Leader of Barnsley MBC

.....
Diana Terris
Chief Executive of Barnsley MBC

Date:

Date:

Appendix Two: Annual Governance Statement Action Plan 2016/17

Ref	Annual Governance Statement Action	Responsible Executive Director	Timescales	Current Position – Action Taken / Planned
1	<p>To further develop and embed a practical framework to assist on the effective governance and control of the Council’s partnerships, contracts and general relationships with external organisations. This has increased significance in the context of the Future Council programme. <i>(Carried forward from 2015/16)</i></p>	<p align="center">Executive Director, Legal and Governance</p>	<p align="center">31/12/2016</p>	<p><u>July 2016:</u> A presentation to BLT was delivered by the Executive Director, Legal and Governance on 31/05/2016, seeking endorsement of the developing Partnership Governance Framework, which entails:</p> <ul style="list-style-type: none"> ▪ Developing a Register of significant partnerships; ▪ Logging Partnership risks in the appropriate Risk Register; and, ▪ Ensuring suitable assurances (including the consideration of exit strategies) are included when logging Partnership risks in the appropriate Risk Register. <p>The Executive Director, Legal and Governance and the Risk and Governance Manager met in July 2016 to develop arrangements to roll this framework out to all Directorates in 2016 via the Operational Risk Register review process.</p> <p>An update will be provided to BLT during 2016.</p>
2	<p>Improving the quality of performance reviews undertaken across the Council in 2016/17.</p> <p>Particular areas of non-compliance or concern will be considered as part of Internal Audit’s Themed Assurance Audit on the Performance and Development Framework, the recommendations of which will be used to identify areas of development and support for managers and to inform changes required to the process for the future. <i>(Carried forward from 2015/16)</i></p>	<p align="center">Executive Director, Human Resources, Performance and Communications</p>	<p align="center">31/03/2017</p>	<p><u>July 2016:</u> Terms of reference for Internal Audit’s Themed Assurance Audit on the Performance and Development Framework have now been agreed between the Organisation Development Manager and Internal Audit Manager</p>

Ref	Annual Governance Statement Action	Responsible Executive Director	Timescales	Current Position – Action Taken / Planned
3	<p>The development of a Commercial Toolkit that covers all aspects of business and financial acumen is currently in the process of being developed and prepared.</p> <p>This Toolkit will be rolled out via a series of modules across the entire organisation and it is envisaged this will assist in fundamentally changing the culture of the Council to a more commercial and business like organisation, with the right commercial and financial capabilities to deliver the Council's 2020 Outcomes</p> <p>The first module is expected to have been prepared by December 2016.</p>	Executive Director, Finance, Assets and Information Services	31/03/2017	<p><u>July 2016:</u> Action agreed by Service Director Finance.</p>
4	<p>Improve the implementation by Business Units of the Council's Business Continuity Planning (BCP) arrangements.</p> <p>There remain gaps in the necessary BCPs in services which now form one of the appendices of Business Unit Business Plans. The Corporate BCP will be revised in 2016 and any outstanding plans highlighted to the relevant Executive Director and Service Director. This remains an implementation issue rather than a lack of suitable and sufficient process. <i>(Carried forward from 2015/16)</i></p>	Executive Director, Human Resources, Performance and Communications	31/03/2017	<p><u>July 2016:</u> Action agreed by Head of Corporate Health, Safety and Emergency Resilience.</p>

Ref	Annual Governance Statement Action	Responsible Executive Director	Timescales	Current Position – Action Taken / Planned
5	Review the recording of officer delegated decisions to ensure this is in line with legislation. <i>(Carried forward from 2015/16)</i>	Executive Director, Legal and Governance	30/09/2016	<p><u>July 2016:</u> Draft guidance prepared by the Service Director (Council Governance) and passed to the Director, Legal and Governance for consideration.</p> <p>Following receipt of feedback, it is envisaged this guidance will be considered by SMT, and finally, circulated to BLT in late July 2016.</p>
6	Internal Audit Annual Report: A corporate issue relating to non-compliance with Contract Procedure Rules and the overall adequacy of Contract Management Arrangements	Executive Director, Finance, Assets and Information Services	31/03/2017	<p><u>July 2016:</u> Identified via Internal Audit's Annual Report – Significant Governance Issues.</p> <p>Agreed by SMT this action is to be included on the 2015/16 AGS Actions Plan.</p> <p>Action agreed by Head of Strategic Procurement.</p>

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Technical update

Incorporating the External Audit Progress Report

Barnsley Metropolitan Borough Council

September 2016

Contents

**The contacts at KPMG
in connection with this
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This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.


The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

 High impact

 Medium impact

 Low impact

 For information



External audit progress report

External audit progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

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Area of responsibility	Commentary
Financial statements	<p>Our interim audit on-site visit took place during February/March 2016. There were no issues to report so an Interim Report was not required.</p> <p>Our audit of your draft financial statements is almost complete. Our ISA260 report is being presented to the Audit Committee today and we will issue our opinion on your financial statements by 30 September 2016.</p>
Value for Money	<p>Our work on the VFM conclusion is complete. Our ISA260 report being presented to today's Audit Committee meeting includes a summary of our findings relating to the VFM conclusion.</p> <p>We will issue our VFM conclusion by 30 September 2016.</p>
Certification of claims and returns	<p>The Housing Benefit & Council Tax Benefit Claim is the only grant remaining under the Public Sector Audit Appointments (PSAA) regime.</p> <p>We commenced this audit in June and we will report before the deadline of 30 November 2016.</p>
Other work	<p>We have been asked to provide the audit certificate on the following grants and returns that fall outside the PSAA regime:</p> <ul style="list-style-type: none"> • Teacher's Pensions Agency; and • Pooling of Capital Receipts. <p>These will require additional fees, totalling £7,750 (plus VAT).</p>



KPMG resources

Publication 'Value of Audit - Perspectives for Government'

What does this report address?

This report builds on the Global Audit campaign – *Value of Audit: Shaping the future of Corporate Reporting* – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.

Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.

What are the key issues?

- The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements.
- The importance of trust and independence of government across different markets.
- How government audits can provide accountability thereby enhancing the government's controls and instigating decision-making.
- The importance of technology integration and the issues that need to be addressed for successful implementation
- The degree of reliance on government financial reports as a result of differing approaches to conducting government audits

The *Value of Audit: Perspectives for Government* report can be found on the KPMG website at <https://home.kpmg.com/xx/en/home/insights.html>

The *Value of Audit: Shaping the Future of Corporate Reporting* can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx

Publication 'Reimagine - Local Government'

KPMG have published a number of reports under the headline of *Reimagine – Local Government*. These are summarised below:

Council cash crunch: New approach needed to find fresh income

- By 2020, councils must generate all revenue locally.
- More and more are looking towards diversifying income streams as an integral part of this.
- Councils have significant advantages in becoming a trusted, independent supplier.
- To succeed, they must invest in developing commercial capability and capacity.

Councils can save more than cash by sharing data

- Better data sharing in the public sector can save lives and money.
- The duty to share information can be as important as the duty to protect it.
- Local authorities are yet to realise the full value of their data and are wary of sharing information.
- Cross-sector structures and the right leadership is the first step to combating the problem.

English devolution: Chancellor aims for faster and more radical change

- Experience of Greater Manchester has shown importance of strong leadership.
- Devolution in areas like criminal justice will help address complex social problems.
- Making councils responsible for raising budgets locally shows the radical nature of these changes.
- Cuts to business rates will stiffen the funding challenge, even for the most dynamic councils.

Senior public sector pensions

- Recent changes to pensions taxation have particularly affected the public sector, with fears senior staff may quit as pension allowances bite.
- 'Analyse, control, engage' is the bedrock of an effective strategy.

Time for the *Care Act* to deliver

- Momentum behind last year's *Care Act* risks stalling.
- Councils are struggling to create an accessible care market with well-informed consumers.
- Local authorities must improve digital presence and engage providers.
- Austerity need not be an impediment to progress. It could be an enabler.

The publications can be found on the KPMG website <https://home.kpmg.com/uk/en/home/insights/2016/04/reimagine-local-government.html>

Publication 'The future of cities'

We are delighted to share *The future of cities*, a report that helps local government leaders build and evaluate sustainable cities for their current and future generations.

What is *The future of cities*?

The future of cities is a global report that follows from the UK firm's thought leadership partnership with the City of Bristol and the work surrounding its European Green Capital 2015 designation. The report is broken into two modules that draw on the expertise of KPMG practitioners around the world and includes a range of case studies to ensure you find approaches relevant to your context.

The first module, *The future of cities: creating a vision*, explains the central role of vision in the success of second cities, identifying seven guiding principles to make cities more attractive. Examples are provided of various cities around the globe that are putting some of these principles into action.

The second, *The future of cities: measuring sustainability*, discusses some of the ways in which cities are being measured and how these metrics could evolve. More important, it provides practical examples of what leading cities are doing, the lessons to be learned and how these can be applied to other cities.

This content is now featured on kpmg.com/futurecities where readers can access a broader collection of reports and shorter opinion pieces from KPMG's leading thinkers on different aspects on how to create better, more sustainable places to live and work.



Technical developments

Appointment of external auditor

Level of impact: ● (Medium)	KPMG perspective
<p>Following the Audit Commission’s closure local authority external audits are currently governed by transitional arrangements under the <i>Local Audit and Accountability Act 2014</i>, with audit contracts overseen by Public Sector Audit Appointments Ltd (PSAA). These transitional arrangements end with the audit of 2017/18 financial years, so auditors must be appointed under the new arrangements from 2018/19. In practice this decision must be made by 31 December 2017. There are three main options for local authorities to consider:</p> <ol style="list-style-type: none">1. Undertake an individual auditor procurement and appointment exercise;2. Undertake a joint audit procurement and appointing exercise with other bodies, for example those in the same locality; or3. Join a ‘sector led body’ arrangement where an approved third party procures audit on behalf of multiple bodies. <p>As the relevant supervisory body, the Institute of Chartered Accountants in England and Wales (ICAEW) maintains a register of audit firms and ‘key audit partners’ who have been recognised as meeting the eligibility criteria for local audit. Whatever the approach taken, local authorities can only appoint audit firms from the ICAEW register. KPMG has been registered by ICAEW for local audit work and has 21 Partners and Directors recognised as meeting the eligibility criteria, providing comprehensive national coverage through an experienced senior team.</p> <p>For options 1 and 2, the Act requires an Auditor Panel to be established. Guidance on auditor panels at local authorities has been issued by the CIPFA – see www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf</p> <p>One option, subject to complying with EU procurement rules, might be to continue with your current auditor for an initial period. Although this would delay testing the market, fees could be benchmarked for reasonableness against published data or by comparing to similar bodies. This would provide stability of service in the short term and avoid the ‘rush to market’ as other local authorities undertake procurement exercises within a short time period, allowing tendering later in a more settled market.</p>	<p><i>Members may wish to discuss the options open to them on how to procure their auditor for 2018/19 and beyond and ensure they formulate a timetable for making this decision.</i></p>

Appointment of external auditor (cont.)

Level of impact: ● (Medium)	KPMG perspective
<p>The Audit Commission produced a report and slide pack summarising the lessons learnt from its 2012 and 2014 procurements of audit services, providing the reader with a list of factors that contributed to the delivery of successful outcomes for both procurements. A copy of this document can be found on the PSAA website at www.psa.co.uk/wp-content/uploads/2016/01/Learning-the-lessons-from-the-2012-and-2014-Audit-Commission-procurements-of-audit-services.pdf</p> <p>The lessons learnt may be helpful in generally informing procurements of audit services undertaken by individual local public bodies or collective procurement bodies under the new arrangements. However, it should be noted that the procurements undertaken by the Audit Commission were unique to the Commission’s regime and the approaches taken may not be relevant in their entirety to other procurements.</p> <p>For option 3, in July 2016 the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the <i>Local Audit (Appointing Person) Regulations 2015</i>. This means that PSAA can make auditor appointments from 2018/19 to relevant principal authorities that choose to opt into its national collective scheme. For further information, see PSAA’s website - www.psa.co.uk/supporting-the-transition/appointing-person/</p>	

Business Rates Retention

Level of impact: ● (Medium)	KPMG perspective
<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved.</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p> <p>Committee members may wish to be aware that, as a result of these proposals, DCLG has launched two consultations on its proposals for 100% retention of business rates by the local government sector.</p> <p>The first consultation seeks to identify issues that should be kept in mind when designing the reforms; the second is a call for evidence to inform the government's fair funding review of what the needs assessment formula should be following the implementation of 100% business rates retention. Both consultations close on 26 September 2016.</p> <p>The consultation documents and information about how to respond are available for both at www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention</p>	<p><i>The Committee may wish to enquire of officers whether their Authority responded to the consultation and the views expressed.</i></p>

NAO Report on Capital Expenditure and Resourcing

Level of impact: ● (Low)	KPMG perspective
<p>Committee members may wish to be aware that the National Audit Office has published its report <i>Financial Sustainability of Local Authorities: Capital Expenditure and Resourcing</i>. This report found that local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.</p> <p>The report can be accessed via the NAO website at www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/</p>	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

PSAA's Value For Money Tool

Level of impact: ● (Low)	KPMG perspective
<p>The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 1 July 2016.</p> <p>The VFM profiles have been updated with the latest available data. The adult social care section has been re-designed based on the new adult social care financial return (ASC-FR). Data is available from 2014/15 onwards with no comparable data from earlier years. The children and young people section has also been updated with 2014/15 data.</p> <p>The VFM profiles have also been updated with the latest available data from the following sources:</p> <ul style="list-style-type: none">— Adult Social Care Financial Return (new data collection) (2014/15)— Referrals, assessments and packages of care for adults (RAP) (2014/15)— Pupil numbers (2015)— Provision for Children Under Five Years of Age in England (2015)— Children in Care and Adoption Performance Tables (2014/15)— Key Stage 2 Attainment (2014/15)— GCSE and Equivalent Attainment by Pupil Characteristics in England (2014/15)— Section 251 outturn data - Table A1 Children and young people services (2014/15)— Section 251 outturn data - Table A Education budget (2014/15)— Special Educational Needs in England (2014/15)— Attainment by Age 19 (2014/15)— Participation in Education, Training and Employment by 16-18 Year Olds in England (2015)— Pupil Absence in Schools (2014/15)— National road maintenance condition survey (2014/15)	<p><i>The Committee may wish to seek further understanding for areas where their Authority appears to be an outlier.</i></p>

Technical developments

PSAA's Value For Money Tool (cont.)

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Level of impact: ● (Low)	KPMG perspective
<ul style="list-style-type: none">— Proportion of bus services running on time (2014/15)— Annual Population Survey (2015)— Finance and General Statistics (2014/15)— Revenue Collection (2014/15)— Claimant count (2016)— Affordable housing supply (2014-15)— Active people survey (2014/15)— Public Health Outcomes Framework (2014/15)— Conception Statistics, England and Wales (2014)— First time entrants into the Youth Justice system (2014/15) <p>The Value For Money Profiles can be accessed via the PSAA website at http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</p>	

Whole of Government Accounts

Level of impact: ● (Low)	KPMG perspective
<p>Committee members may wish to be aware that HM Treasury has published the local government data collection tool (DCT) and guidance. Authorities who have problems with their DCT should contact HM Treasury directly.</p> <p>HM Treasury has confirmed in its guidance that the deadlines for local government WGA submissions are as follows:</p> <ul style="list-style-type: none">— 12 August: the DCT to be submitted by the authority for auditor review.— 21 October: auditor’s work to be completed. <p>Committee members are reminded that auditors will not issue their Audit Certificate, which formally closes the 2015/16 audit, until they have completed their work on WGA.</p>	<p><i>The Committee may wish to understand how their Authority is progressing with the WGA submission process and seek assurances that an appropriate timescale is in place.</i></p>

Discharging Older Patients From Hospitals

Level of impact: ● (For Information)

On 26 May the NAO published a report, *Discharging older patients from hospitals*, which may be of interest to Committee members. The report is available from the NAO website at www.nao.org.uk/report/discharging-older-patients-from-hospital/

The report finds that the health and social care system's management of discharging older patients from hospital does not represent value for money. It also finds that keeping older people in hospital longer than necessary is an additional and avoidable pressure on the financial sustainability of the NHS and local government.

Government contracting

Level of impact: ● (For Information)

The NAO has recently published an overview of its work on the government's management of contracting which Committee members may wish to be aware of, particularly in relation to value for money arrangements.

The publication examines subjects including the government's commercial capability, accountability and transparency, and its management of contracted-out service delivery. It finds that government now spends about £225 billion a year with private and voluntary providers. The role of providers in the public sector has evolved from relatively simple contracts to provide goods or established services, to innovative high profile commissioning arrangements in sensitive public service areas such as health and justice

The overview is available from the NAO website at www.nao.org.uk/report/government-commercial-and-contracting-an-overview-of-the-naos-work/

2016/17 Work Programme and Scale of Fees

Level of impact: ● (For Information)

Following consultation, Public Sector Audit Appointments Ltd (PSAA) has published the work programme and scale fees for the audits of the 2016/17 accounts of principal audited bodies. There are no changes to the overall work programme for 2016/17.

The 2016/17 work programme documents and scale fees for individual audited bodies are now available to view on the PSAA website at www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees

Level of impact: ● (For Information)

In spring 2016, the NAO published its report *English devolution deals*. This report finds that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended.

The report is available free of charge and the full version or a summary can be accessed at www.nao.org.uk/report/english-devolution-deals/

In addition, CIPFA's Yorkshire and Humber regional executive and KPMG are hosting a free event on devolution in local government in our Leeds office on the evening of the 29 September.

Full details of the event (and where you can sign up) can be found here: www.cipfa.org/training/c/cipfa-regions-yorkshire-and-humber-events--devolution--can-it-deliver-20160929



Appendix

Appendix 1

2015/16 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016	Complete
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	Not required	N/a
Substantive procedures			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	Complete

Appendix 1

2015/16 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2016	TBC



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BARNSELY MBC AUDIT COMMITTEE – INDICATIVE WORK PROGRAMME

	Mtg. No.	3*	4	5*	6	6	7	1	2	
Committee Work Area	Contact / Author	23.09.16	2.11.16	7.12.16	18.1.17	22.3.17	19.4.17	7.06.17	19.07.17	
Committee Arrangements										
Committee Work Programme	WW	X	WORKSHOP MEETING/TRAINING EVENT	X	X	X	X	X	X	
Minutes/Actions Arising	WW	X		X	X	X	X	X	X	
Review of Terms of Reference and Self-Assessment	RW/CHAIR							X		
Training Review and Skills Assessment	RW/CHAIR							X		
Review of Terms of Reference & Working Arrangements	FF					X				
Draft Audit Committee Annual Report	RW/CHAIR							X		
Audit Committee Annual Report (Council 1/12/16)	RW/CHAIR								X	X
Internal Control and Governance Environment										
Local Code of Corporate Governance	AF/AH						X			
Annual Governance Review Process and Timescales	AF/AH									
Draft Annual Governance Statement & Action Plan	AF/AH									X
Final Annual Governance Statement	AF/AH	X								
AGS Action Plan Update	AF/AH				X					
Corporate Whistleblowing Update & Annual Report	RW							X		
Annual Fraud Report	RW								X	
Fraud Management Update / SPD Review	RW				X					
RIPA Update Report	AF/GK				X					
Review of Ombudsman Complaints	AF				X					
Corporate Risk Management										
Risk Management Policy & Strategy	AH							X		
Risk Management Update	AH				X					
Annual Report	AH								X	
Strategic Risk Register Review	AH			X (from 2/11/16)	X		X			
Internal Audit										
Internal Audit Charter & Strategy	RW					X				
Internal Audit Plan	RW					X				

	Mtg. No.	3*	4	5*	6	6	7	1	2
Committee Work Area	Contact / Author	23.09.16	2.11.16	7.12.16	18.1.17	22.3.17	19.4.17	7.06.17	19.07.17
Internal Audit Quarterly Report	RW			X (from 2/11/16)	X		X		X
Annual Review of the Effectiveness of Internal Audit	RW								X
Review of the Effectiveness of Int. Audit - Update	RW			X	X				
Internal Audit Annual Report	RW							X	
Corporate Fraud Team - Report	RW			X		X			
External Audit (KPMG)									
Annual Governance Report (ISA260 Report)	KPMG	X							
Audit Plan	KPMG					X			
Annual Fees Letter	KPMG					X			
Annual Audit Letter	KPMG			X (from 2/11/16)					
Grants Letter	KPMG								
Claims & Returns Annual Report	KPMG				X				
External Audit Progress report & Technical Update	KPMG	X		X	X	X	X	X	X
Financial Reporting and Accounts									
Budget Proposal Section 25 Report	FF/NC					X			
Draft Statement of Accounts	FF/NC								X
Corporate Finance Summary	FF/NC	X							
Corporate Finance and Performance Management & Capital Programme Update	NC	X		X (from 2/11/16)		X			
Treasury Management Annual Report	IR					X			
Treasury Mgt. Policy & Strategy Statement	IR					X			

* Meeting to be preceded by an Information Briefing/Training Session commencing at 3.00 pm