



Barnsley Metropolitan Borough Council 2022-23 Audit Plan

Year ending 31 March 2023

23 May 2023



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Your key Grant Thornton team members are:

Gareth Mills

Key Audit Partner & Engagement Lead

T 0113 200 2535

E Gareth.Mills@uk.gt.com

Thilina De Zoysa

Engagement Senior Manager

T 0113 200 1589

E Thilina.De.Zoysa@uk.gt.com

Haz Anjum

Engagement Assistant Manager

T 0161 953 6363

E haz.anjum@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Key matters

National context

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, rise in interest rates, higher agency costs and increases in supplies and key services, such as adult social care and children's services.

Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions such as integrating skills with employment provision and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling. Overall, Local Government continues to operate in a very challenging environment, both financially and operationally.

Local Context:

The Council's financial performance

2021-22: For 2021-22, the Council delivered a general fund underspend outturn of £4.9m on business as usual services after c£26m Covid-19 funding. It was agreed that this underspend would be earmarked and carried forward for future Council expenditure through the Medium Term Financial Strategy (MTFS).

2022-23: The Council's approved budget for 2022-23 totalled £211.4m with a savings target of £2.1m to achieve a break even position. At the end of Month 9 (Dec 2022), the Council was predicting an operational overspend of £12.1m. According to the latest published corporate finance performance report, this gap is to be funded from general fund reserves. The most significant contributor to this overspend was on Children's Services which was c£7.6m ahead of the budgeted spend. At the time of producing this Plan, our discussions with senior management note the final outturn position is yet to be fully finalised for 2022-23. However, it is anticipated that the operational overspend is now reduced to c£10.5m. This is c£1.6m lower than anticipated at Month 9, mainly due to lower than anticipated Adult Social Care expenditure towards the end of the financial year. The savings target of £2.1m for 2022-23 has been fully delivered as planned. As previously agreed and reported to the Cabinet, this gap of c£10.5m is to be mitigated by earmarked general fund useable reserves to deliver a balanced budget for 2022-23. Per the latest audited accounts for 2021-22, the Council has general fund reserves of c£217m. This is a relatively stronger reserves position compared to a number of other similar metropolitan councils as we recently reported in our Auditor's Annual Report on VFM arrangements.

Medium Term Financial Strategy (MTFS): The Council's current three year MTFS which covers the period up to 2025-26 was approved in February 2023, alongside the 2023-24 budget. There is a balanced budget for 2023-24 after the setting of an efficiency savings target of £7.3m. For 2024-25 and 2025-26, there are currently £6.3m and £7.6m budget shortfalls respectively, before any efficiency targets. We understand an updated MTFS and mitigating efficiency plans will be submitted to Cabinet in due course in lieu of the ongoing financial and economic challenges faced by the Council.

Key matters

Dedicated School Grant (DSG) deficit and Safety Valve Funding:

As reported in our audit reports in the past, the Council's DSG deficit has increased by 120% within the two year period up to 31 March 2021 from £5.3m to £11.8m. This was further increased by £6.1m to £17.9m by 31 March 2022. The estimated (unaudited) deficit as at 31 March 2023 is c£22.1m, a further increase of £4.2m in year. As a result of Council's proactive work with all relevant stakeholders and constructive discussions with the Department for Education (DfE), the Council has reached an agreement on DSG deficit elimination funding with the DfE. This is called a Safety Valve Agreement (SVA). The SVA funds due to the Council from 2022-23 to 2026-27 totals up to £22.9m. Providing the Council breaks even in year, the Council has a great opportunity to eliminate the DSG deficit in full by 2026-27. The success in the Council obtaining the SVA funding is a positive outcome and a good reflection on the Council's arrangements in this area.

Glassworks (GW):

The Council's flagship town centre regeneration project is now operational, with 2022-23 the first full year since it was opened. The challenges have now moved from construction to the operational phase and there are costs and benefits associated with running GWs. The Council has set up the GW Project Board that mainly oversees the governance and operational activities. We understand there are regular meetings of GW Project Board to oversee the operations, including discussions around actual financial performance against the budgeted costs. We reported on GWs operations and governance activities in more detail on our latest 2021-22 report on the Council's VFM arrangements and this will be a continuing area of focus for us as part of our VFM audit work.

National Recognition:

In February 2023, it was announced that Barnsley Council has been shortlisted for Council of the Year and Social Care award in Local Government Chronicle (LGC) Awards. The LGC awards celebrate excellence in local government and recognise the talent, dedication, and innovation across the local government workforce. This shortlisting is a positive achievement for the Council. The winner will be announced in June 2023.

Audit reporting delays – context

In a report published in January 2023, the NAO highlighted that since 2017-18 there has been a significant decline in the number of audited local government body accounts including audit opinions published by the required deadlines set by the government. The NAO outlined a number of reasons for this and proposed actions.

In March 2023, Grant Thornton published 'About time?', which explored the reasons for the delay in publication of audited local Council accounts. The report explores several of the causes of delay and the steps which might be taken to reduce the incidence of delays. These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies. The Grant Thornton report made a number of recommendations for improving timeliness in publishing audited accounts. Copies of the Grant Thornton report have been already circulated to members of the Audit and Governance Committee in March 2023.

It is pleasing to note that such audit delays have not been an occurrence at Barnsley Council. This is clearly evident from the last four years of audits that are now fully closed. We would hope this performance continues in 2022-23 and we will continue to work closely and effectively with senior management and the Audit and Governance Committee. We reported the planned timetable for the 2022-23 audit in our progress report to the Committee in March. This is set out in more detailed in section 10 and page 20 of this Plan.

Key matters



Our Responses on key Council matters

- As a firm, we are absolutely committed to high standards and continually improving audit quality and financial reporting in the local Council sector. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Service Director for Finance, Chief Financial Officer
- We will continue to review the Council's financial position and performance through our regular discussions with the Service Director for Finance, Chief Financial Officer, including budget monitoring, anticipated revisions to the MTFs, management of general fund and useable reserves, Glassworks operations and DSG deficit reduction plans
- We will assess the accounting treatment for DSG Safety Valve Funding in your 2022-23 financial statements and evaluate whether it complies with current LG Code and relevant Statutory Instrument guidance
- We will continue to discuss Council's strategic direction and associated challenges with the Chief Executive, Service Director for Finance, Chief Financial Officer and the Monitoring Officer through our regular liaison meetings
- We will continue to consider your arrangements for managing and reporting your financial resources as part of our 2022-23 audit of your financial statements and value for money work (VFM).
- Our VFM work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will follow up progress in implementing the actions agreed in respect of matters identified in 2021-22 audit work relating to the financial statements audit as well as recommendations made as part of our 2021-22 review of your VFM arrangements
- We will continue to provide Audit and Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators. We will also participate in your Audit and Governance Committee training sessions as applicable
- We will continue to hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, discuss topical issues with our technical specialists and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We continue to identify a significant risk in regards to the management override of controls (see page 9) which is our key response to this risk.

2. Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the Barnsley Metropolitan Borough Council ('the Council') for those charged with governance.

Respective responsibilities

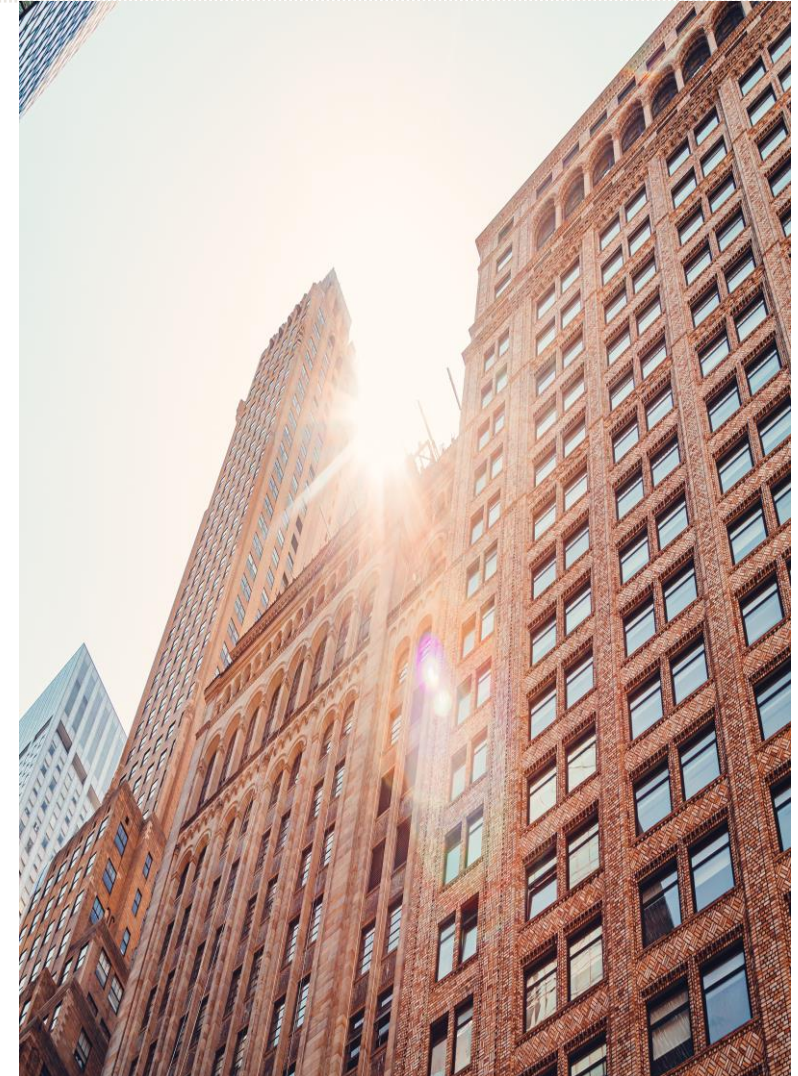
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments Limited (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Full Council); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management, Full Council or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's operations and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of land and buildings
- Valuation of the net pension fund balance

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of the following group components:

- Barnsley MBC (the Council)
- Berneslai Homes Limited (BHL)
- Penistone Grammar Trust (PGT).

Materiality

We have determined planning materiality to be £10,750k (PY £10,750k) for the group and £10,692k (PY £10,692k) for the Council, which equates to 1.5% of your prior year gross expenditure in net cost of services for the year for the group and the Council respectively.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors.

Clearly trivial has been set at £537k (PY £537k) for the group and £534k (PY £534k) for the Council.

We will reassess our materiality calculation upon receipt of your 2022-23 draft accounts.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified one potential continuing risk of significant weakness at planning stage.

This is in relation to the Ofsted and CQC Inspection (November 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Barnsley. We have identified this as a significant weakness in both our 2020-21 and 2021-22 VFM work and raised a key recommendation.

At the time of this Audit Plan, we are unable to confirm whether this still is a significant weakness for 2022-23 as there has not been a formal follow up inspection by the regulators and subsequent reporting as yet. We will continue to review this issue as part of our 2022-23 VFM work and will report our finding to you in our Auditor's Annual Report (AAR), which we aim to finalise by 31 December 2023.

We have not identified any additional potential or actual significant weaknesses at this time.

More information on this potential significant weakness is reported at section nine.

We will continue to update our risk assessment until we issue our 2022-23 AAR.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this Plan.

Audit logistics

Our planning and interim audit work will take place during April and in late June to early July. Our final audit work will take place during late July to October.

Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report (expected in November) and our Auditor's Annual Report on our VFM work (expected by December 2023).

Our proposed fee for the audit will be £179,968 (PY: £180,468) for the Council, subject to the Council delivering a good set of financial statements and working papers. More detail analysis of our fee is included at section 11.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure - rebutted	Council	<p>Revenue Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable. <p>Expenditure Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds • Covid -19 funding has been sufficiently provided for additional expenditure and loss of income in prior years • the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable. 	<p>As we do not consider this to be a significant risk for the Council, we will not be undertaking any special audit work in this area other than our normal audit procedures which include:</p> <p>Accounting policies and systems</p> <ul style="list-style-type: none"> • Evaluate the Council’s accounting policies for recognition of income and expenditure for it’s material income and expenditure streams and compliance with the CIPFA Code • Update our understanding of the Council’s business processes associated with accounting for income and expenditure. <p>Fees, Charges and other service income</p> <ul style="list-style-type: none"> • Agree, on a sample basis, income and year end receivables from other income supporting evidence. <p>Taxation and non specific grant income</p> <ul style="list-style-type: none"> • Income for national non –domestic rates and council tax is predictable and therefore we would conduct substantive analytical procedures • For other grants we will sample test items for supporting evidence and check the appropriateness of the accounting treatment in line with the CIPFA Code. <p>Expenditure</p> <ul style="list-style-type: none"> • Agree, on a sample basis, non pay expenditure and year end payables to supporting evidence • Undertake detailed substantive analytical procedures on pay expenditure <p>We will also design and carry out appropriate audit procedures to ascertain that recognition of income and expenditure is in the correct accounting period, for example undertaking cut off testing.</p>

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ [ISA (UK) 315]

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied and made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Closing valuation of land and buildings, including Council dwellings	Council	<p>The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £1.01bn) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the closing valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • consider, where the valuation date is not 31 March 2023 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2023.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund balance	Council	<p>The Council's prior year pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability for 2021-22 was considered a significant estimate due to the size of the numbers involved (c£327.4m) in the Council's balance sheet and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund balance as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>The Council is an admitted body of South Yorkshire Pension Fund. We understand from our early discussions with management that South Yorkshire Pension Fund may be in a surplus position following the recent triennial valuation process. This situation may give rise to a net pension asset rather than a net pension liability.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net balance is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council's to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions including the net pension balance, by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • evaluate the triennial pension fund valuation outcomes and assess the reasonableness and prudence in that overall valuation through our audit approach as applicable. Audit approach to be determined upon relevancy. • undertake procedures as relevant, if there is a movement from a net pension liability to a net pension asset and ensure that movement is materially correct, and any recognition of a proportion of the pension fund surplus is in line with accounting standards • obtain assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

4. Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Barnsley MBC	Yes	Audit of the financial information of the component using component materiality	Please refer to the significant risks identified in this Plan on pages 8 to 11.	Full scope audit under ISA(UK) performed by Grant Thornton UK LLP.
Berneslai Homes Limited (BHL)	No	Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements	The BHL net pension fund liability is not considered a significant risk at group level because we do not consider there is a material estimation uncertainty in the BHL pension fund balance. However, we set out our targeted audit approach in the next column.	<p>Audit of the specific area of BHL net pension fund balance and related disclosures for the year ended 31 March 2023.</p> <p>Targeted testing of any material other balances (other than net pension liability) and transactions outside the group boundary.</p> <p>This will be performed by Grant Thornton group audit engagement team.</p>
Penistone Grammar Trust (PGT)	No	Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements	The PGT land and buildings valuation is not considered a significant risk at group level because we do not consider there is a material estimation uncertainty in PGT land and buildings valuations. However, we set out our targeted audit approach in the next column.	<p>Audit of PGT's valuation of land and buildings as at 31 March 2022.</p> <p>Targeted testing of any material other balances (other than land and buildings) and transactions outside the group boundary, of PGT financial statements for the year end 31 March 2022.</p> <p>This will be performed by Grant Thornton group audit engagement team.</p>

Key changes within the group:

There are no key changes to the group structure or components for the year ended 31 March 2023. However, we will continue to discuss the group structure and components with management. At the time of this Audit Plan, we can confirm that these are the only three components within the group that form part of the group consolidation process, which are identified above.

We have requested a paper from management assessing other entities with which the Council has an interest in, to consider whether there are any other components which would be required to form part of the group.

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Audit scope

- Audit of the financial information of the component using component materiality (this is relevant to Barnsley MBC as indicated above)
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements (this is relevant to BHL and PGT as indicated above)
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level.

5. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules (as relevant to 2022-23 NAO guidance which is not yet published) for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022-23 financial statements, consider and decide upon any objections received in relation to the 2022-23 financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'.

All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this Plan.

6. Progress against prior year audit recommendations

We raised one recommendation in our 2021-22 audit of the Council's financial statements. We have followed up the progress against that recommendation below. Please note, in addition to the point below, there were some additional recommendations on IT general controls as a result of work undertaken by our specialist IT audit team. We will follow up those recommendations as part of our 2022-23 Audit Finding Report (ISA260).

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>To be made in November 2023 at the completion of 2022-23 accounts audit</p>	<p>Long Term Sustainability of the current version of the SAP reporting System:</p> <p>The Council has been using the SAP Reporting System as the main general ledger system for over 15 years. It is understood that the current version of the SAP reporting system has been used for a number of years by the Council.</p> <p>Our Observations:</p> <ul style="list-style-type: none"> • During our work performed relating to journal testing we observed an inability to run transaction reports for all ledger codes for the purpose of our journal testing - this has not prevented us from performing our testing as we have been able to gain sufficient assurances of the ledger balance as a whole from alternative procedures. However, such procedures are excessively time consuming for both the auditor and Council staff. • Since the SAP system was installed over 15 years ago, the number of transactions and data which are posted to the general ledger has significantly increased. This gives rise to increased data management and security challenges to consider when obtaining the key outputs from the system. • The Council's current version of the SAP system does not have cloud-based functionality. This could potentially lead to loss of financial data. The current version of the system, the data is backed up onto physical hardware which may not be a sustainable option in the longer term. This leaves the Council open to potential data loss through physical damage to hardware along with increased funding requirements to maintain required hardware, to keep up with increasing demand in data storage. <p>Whilst we acknowledge the current system is doing what is required, we believe, there are challenges around long term sustainability of the current version of the SAP system that may impact the Council's financial reporting if no action is taken in the medium term.</p>	<p>Recommendation</p> <p>We recommend the Council to consider other options available on financial ledgers including consideration on a more up to date version of the SAP reporting system than the current version of SAP. This could increase efficiencies that can be gained from a general ledger system, would also assist to keep up with the increasing demand on data management and protection.</p> <p>Management response (Nov 2022):</p> <p><i>The Council is fully aware of the long-term sustainability of the SAP system, specifically the current version used by the Council will no longer be supported by SAP beyond 2025. With this in mind SOCITIM Advisory group have been engaged to review the options available to the Council with regards to the SAP system. A strategic drivers board has been organised and a series of operational workshops are now taking place to review the use and future requirements for the Council. Regular updates will be provided on progress to Cabinet and the Audit and Governance Committee</i></p> <p>Management response (May 2023):</p> <p><i>Work is ongoing with the SOCITIM advisory group regarding the long-term replacement of the SAP system as part of the wider digitisation and transformation programme. However, it has recently been confirmed that support to the existing version of SAP used by the council will now be supported through to 2030.</i></p> <p>Auditor Comment (May 2023):</p> <p>Management comments (May 2023) have been noted. We will further observe this during 2022-23 accounts audit and will make our final assessment and report to you via our Audit Finding Report (ISA260), due in November 2023.</p>

7. Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined the planning financial statement materiality based on a proportion of the gross expenditure in cost of services of the group and Council for the financial year.</p> <p>We have determined planning materiality to be £10,750k (PY £10,750k) for the group and £10,692k (PY £10,692k) for the Council, which equates to 1.5% (PY 1.5%) of your prior year gross operating costs in net cost of services for the year.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements– assist in establishing the scope of our audit engagement and audit tests– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £15,000 (PY £15,000).

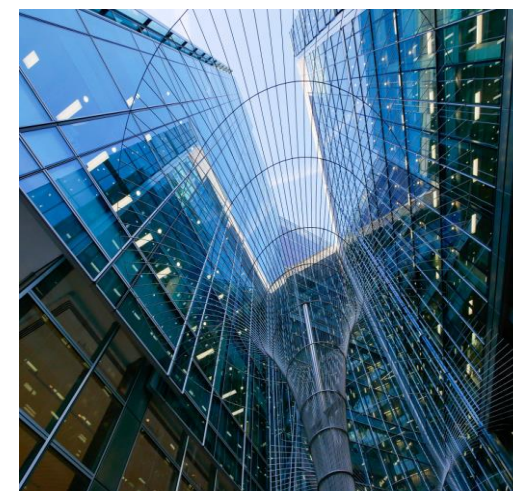
Our approach to materiality

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. We will review our materiality calculation upon receipt of your 2022-23 draft accounts.</p>
4	<p>Other communications relating to materiality we will report to the Audit and Governance Committee</p> <p>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 and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £537k (PY £537k) for the group and £534k (PY £534k) for the Council.</p> <p>If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality area	Group Amount £000	Council Amount £000	Qualitative factors considered
Materiality for the financial statements	10,750	10,692	We have determined materiality at 1.5% of gross operating expenditure based on the prior year. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.
Performance materiality	7,525	7,484	Assessed to be 70% of financial statement materiality.
Trivial matters	537	534	This equates to 5% of materiality. This is our reporting threshold to the Audit and Governance Committee for any errors identified.
Materiality for senior officer remuneration disclosures	15	15	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature.



8. IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT system has been judged to be in scope at audit planning stage. Based on the financial statement audit approach we will perform the level of assessment required. We will keep this under review as the audit progresses and will update our understanding if there are additional IT systems within the scope of the audit. We will report that to you including our assessments (as applicable) in our ISA(UK) 260 report.

IT system	Audit area	Estimated value	Planned level IT audit assessment
SAP reporting system	Financial reporting, including Payroll	£800m (estimated 2022-23)	<ul style="list-style-type: none"> Detailed ITGC assessment (design and implementation) Application controls assessment (Revenue, Procurement, Payroll)
Northgate (Revenues & Benefits system)	Council Tax, Business Rates, Benefits	£250m (estimated 2022-23)	<ul style="list-style-type: none"> Detailed ITGC assessment (design and implementation) Application controls assessment (Interface to SAP finance system)
Open Housing (Housing rents system)	Housing rents	£75m (estimated 2022-23)	<ul style="list-style-type: none"> Detailed ITGC assessment (design and implementation) Application controls assessment (Interface to SAP finance system)

9. Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office (NAO) issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Potential Significant Weakness - Ofsted and CQC Inspection on implementing Special Educational Needs and Disabilities (SEND) reforms in Barnsley.

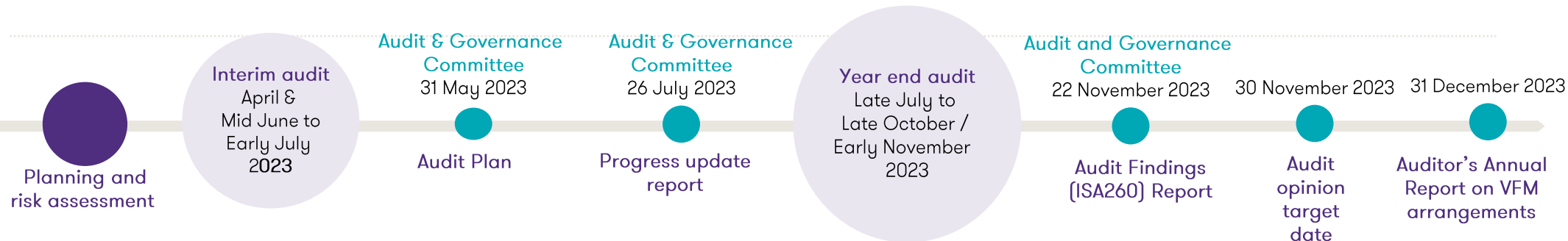
Our risk assessment regarding your arrangements to secure value for money has identified one potential continuing risk of significant weakness at the planning stage. This is in relation to the Ofsted and CQC Inspection (November 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Barnsley.

As you are aware from our previous reporting to the Audit and Governance Committee, we have identified this as a significant weakness in both our 2020-21 and 2021-22 VFM work and raised a resulting key recommendation in line with the NAO guidance. At the time of this Audit Plan, we are unable to confirm whether this is a significant weakness for 2022-23 or not. We note the actions taken by the Council in response to the findings since November 2021 which were reported in our 2021-22 AAR VFM Report. However, no formal follow up inspection by the regulatory bodies has occurred to date. Regulator follow up inspections and subsequent reporting with any new findings are key part of our risk assessment regarding this issue. We will continue to review this as part of our 2022-23 VFM work and will report our findings to you in our Auditor's Annual Report (AAR), which we aim to finalise by 31 December 2023. During our 2022-23 VFM work, we will specifically focus on:

- Any CQC/Ofsted re-inspection and subsequent reporting by the regulators
- Two way communications between the regulatory bodies and the Council regarding the progress made in addressing November 2021 report recommendations.

We have not identified any other potential significant weaknesses to date, other than what is reported above.

10. Audit logistics and team



Gareth Mills, Key Audit Partner & Engagement Lead

Gareth leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Council.

Thilina De Zoysa, Engagement Senior Manager

Thilina plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.

Haz Anjum, Engagement Assistant Manager

Haz assists in planning, supervising and delivering the audit fieldwork liaising with your finance teams, ensuring that the audit is delivered effectively and efficiently. Haz also co-ordinates with the audit team on delivery of field work.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

11. Audit fees and updated Auditing Standards, including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for the Council to begin with effect from 2018-19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022-23 audit. For details of the changes which impacted on years up to 2021-22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022-23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for a similar Council of your size, we estimate an initial increase of £6,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing.

The other major change to Auditing Standards in 2022-23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022-23, is detailed overleaf and has been agreed with the Service Director for Finance, Chief Financial Officer.

Audit fees

	Actual Fee 2020-21 £	Actual Fee 2021-22 £	Proposed fee 2022-23 £
Barnsley Metropolitan Borough Council	£180,218	£180,468	£179,968
Total audit fees (excluding VAT)	£180,218	£180,468	£179,968 Note 1

Note 1

See detailed analysis at page 23.

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis:

PSAA Scale fee for 2022-23	£120,968
Increased challenge and depth of audit work and testing in order to meet the audit quality challenge of the regulator	£3,750
Enhanced audit procedures for Property, Plant and Equipment, including the use of an Auditor's Expert	£5,000
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£20,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£6,000
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls	£5,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund – reliefs testing	£750
Increased audit requirements of ISA 315 Revised - identifying and assessing the Risks of Material Misstatement	£6,000
Technical 'hot review' of the draft 2022-23 accounts given the audit sits within the FRC population of a 'major' audit	£1,500
Enhanced audit procedures for Infrastructure assets	£2,500
Additional testing within the Housing Revenue Account	£500
Additional work on 'local risks' for the audit, including the material DSG deficit on financial statements, VFM work and accounting on Safety Valve Funding. Also group accounts audit work and the IT General Controls work on SAP	£7,500
Total proposed audit fees 2022-23 (excluding VAT)	£179,968

Note: All variations to the scale fee will need to be approved by PSAA

12. Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken or undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings (ISA260) Report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related:			
Certification of Housing Benefit [See note below]	39,675*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £39,675 in comparison to the total fee for the audit of £179,968 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension Return	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £179,968 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Pooling of Housing Capital Receipts	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £179,968 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
None	-	-	-

* NOTE on Housing Benefit work and fees:

In addition, as per prior years, for each 40+ HB testing undertaken, there will be additional fees to be raised. The value will be dependent on whether the detailed testing is performed by the Council and reperformed by us, or directly by Grant Thornton.

13. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management / those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and / or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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