The Audit Findings (ISA260) Report for Barnsley Metropolitan Borough Council

Year ended 31 March 2021

9 November 2021

Contents

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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.

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

Gareth D Mills

Name : Gareth Mills, Engagement Lead for Barnsley MBC
For Grant Thornton UK LLP
Date : 9 November 2021

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Barnsley Metropolitan Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our year-end audit work was performed from August into November. Our findings are summarised in Section Two of this report. As at the date of this report, we have not identified any audit adjustments impacting on the Council's useable reserves. A list of presentational audit adjustments are detailed at Appendix C. We have raised some recommendations for management as a result of our work in the Action Plan at Appendix A. Our follow up of recommendations from the prior year are detailed at Appendix B.

Our work is nearing completion in advance of our target sign off date of the end of November. At present, there are no matters of which we are aware that would require modification of our proposed audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:

- completing the remaining elements of our work on PPE, pension fund assets and liabilities, payables and receivables, payroll costs, financial instruments, journals, grant income, operating expenditure and the Group audit
- the finance team clearing any additional responses to the technical 'Hot Review' of the 2020-21 accounts. We can only conclude our audit once we have satisfactory responses to this review
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of PPE valuation, pension fund liability and journals testing
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published together with the audited financial statements is consistent with our knowledge of the Council and the financial statements we have audited, subject to satisfactory completion of our review of the final Narrative Report and AGS.

We plan to issue an unqualified (clean) audit opinion by 30 November 2021.

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness - Financial sustainability - Governance.	We have not yet completed all of our VFM work and are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit and Governance Committee in September and is attached at Appendix F to this report. We expect to issue our Auditor's Annual Report before end of February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report (AAR) to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following the publication of our Audit Plan, we identified a potential significant VFM weakness in relation to the Council's Dedicated School Grant (DSG) deficit. This was as a result of reviewing the Council's draft financial statements and identifying that the DSG reserve was now in a material deficit of £11.7m, an increase of £6.5m from prior year-end. We have performed further procedures in respect of this potential weakness in Section Three of this report. Based on our work performed to date, considering the Council's arrangements in place, actions being taken to address the deficit, and the Council's engagement with relevant key stakeholders, we have concluded that there is no residual significant weakness at the time of our financial statement audit opinion date. Further work on this matter and reporting will be captured in our AAR which is due to be finalised before the end of February 2022.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, and our review of the Council's Whole of Government Accounts (WGA) submission. We expect to conclude our work in these two areas and be in a position to issue our audit certificate by the end of February 2022.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.
Acknowledgements	We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during our audit which was again conducted in challenging circumstances and remotely, as in the prior year.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management, Audit Committee and full Council (as those charged with governance).

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls
- an evaluation of the components of the Group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of each component and to determine the planned audit response. From this evaluation we determined that a targeted approach was required as part of our audit work on the following Group components; Berneslai Homes Limited (BHL) and Penistone Grammar Trust (PGT). This is consistent with our audit approach in the previous two years.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to the outstanding queries being resolved, we anticipate issuing an unqualified (clean) audit opinion by 30 November 2021. These outstanding items include:

- completing the remaining elements of our work on PPE, pension fund assets and liabilities, payables and receivables, payroll costs, financial instruments, Journals, grant income, operating expenditure and the Group audit
- the finance team clearing any additional responses to the technical 'Hot Review' of the 2020-21 accounts. We can only conclude our audit once we have satisfactory responses to this review
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of the significant audit risks of PPE revaluations, pension fund liability and journals testing
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

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 levels remain the same as reported in our Audit Plan dated 15 July 2021.

We detail in the table our determination of materiality for the Council.

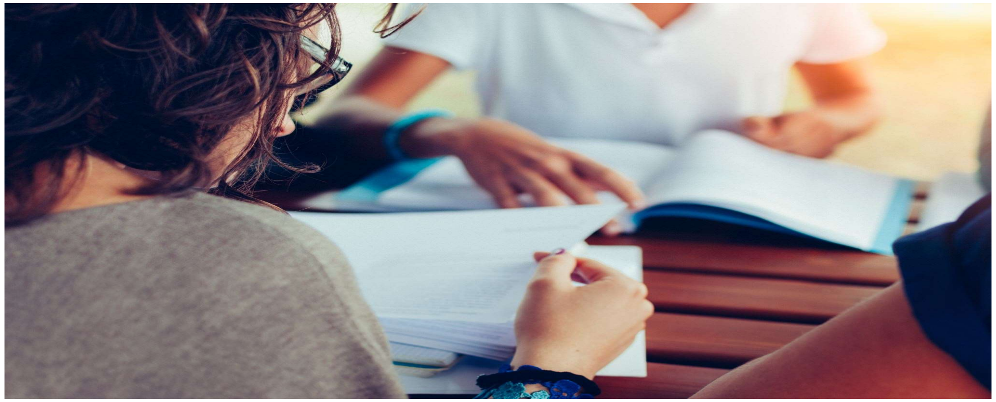
Materiality area	Group Amount (£000)	Council Amount (£000)	Qualitative factors considered
Materiality for the financial statements	8,623	8,593	We have determined materiality at 1.5% of gross operating expenditure for the year. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget. There are no changes to this threshold or benchmark to that set out in our Audit Plan dated 15 July 2021.
Performance materiality	6,036	6,015	Assessed to be 70% of financial statement materiality.
Trivial matters	430	422	This equates to 5% of materiality. This is our reporting threshold to the Audit 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. There are no changes to this threshold from our Audit Plan dated 15 July 2021.

2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls (Risk relating to the Council) 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. 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.	As part of our audit work, we have • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions as relevant We are still finalising our review of journals posted by management in year. Our audit work to date has not identified any issues in respect of management override of controls. We will provide a verbal update to the Audit and Governance Committee on 17 November should any significant issues arise from completing our work in this area.



Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Risk of fraud in revenue recognition and expenditure (Risk Relating to the Council) 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. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • 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 the Council, mean that all forms of fraud are seen as unacceptable. 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: • there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds • there is no significant pressures on general fund reserves of the Council • Covid -19 funding has been sufficiently provided for additional expenditure and loss of income during 2020-21.	Notwithstanding that we have rebutted these risks we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit. As part of our audit work, we have: <u>Accounting policies and systems</u> • Evaluated the Council's accounting policies for recognition of income and expenditure for it's material income and expenditure streams and compliance with CIPFA Code • Updated our understanding of the Council's business processes associated with accounting for income and expenditure. <u>Fees, Charges and other service income</u> • Agreed, on a sample basis, income and year end receivables from other income to supporting evidence. <u>Taxation and non specific grant income</u> • Income for national non-domestic rates (NDR) and council tax is predictable and therefore we conducted substantive analytical procedures. We have also obtained sufficient assurances on NDR relief for 2020-21 • For other grants, sample tested items for supporting evidence and check the appropriateness of the accounting treatment in line with CIPFA Code. Please see further reporting at page 17. <u>Expenditure</u> • Agreed, on a sample basis, non-pay expenditure, interest payable and year-end payables through to supporting evidence • Undertaken detailed substantive analytical procedures on pay expenditure. We also carried out sufficient and appropriate audit procedures to ascertain that recognition of income and expenditure was in the correct accounting period using cut off testing. We identified one immaterial error above our reporting threshold as part of our detailed testing. This was in respect of overstating a supplier invoice totalling £735k. This is reported at Appendix C. From our audit work to date, there are no other issues identified that require reporting to the Audit Committee.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (Risk Relating to the Council) 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 (over £900 million) and the sensitivity of this estimate to changes in key assumptions. 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. 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.	As part of our audit work, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to management's valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed and challenged the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged 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 • tested revaluations made during the year to check if they had been input correctly into the Council's asset register • evaluated 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 • evaluated, where the valuation date is not 31 March 2021 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate as at 31 March 2021. Our audit work to date has identified the following issues: Additional depreciation charge on Council Housing stock valuation: our work identified there was an additional depreciation charge on council dwellings amounting to £1.3m. This was the difference between depreciation charged during the year and incorrectly additionally charged at the year end. The amount concerned (£1.3m) is not considered material and we have reported this at Appendix C as an unadjusted item. Material valuation uncertainty reported by the Council's valuer on office and retail buildings: The Council's valuation specialist has included a material valuation uncertainty paragraph on office and retail sector valuations. This is due to the ongoing impact of the Covid-19 pandemic on valuations of office and retail sector assets. This was not reported by the Council in the critical judgements and estimations disclosure note within the draft financial statements. As a result of this valuation report comment, we investigated the total valuation of office and retail sector buildings as a proportion of the Council's overall buildings valuation as at 31 March 2021. Our work indicated that, as a proportion, this amounts to 11% of the total asset base, not including council dwellings. We consider this will not give rise to an overall material estimation uncertainty in other land and buildings valuations, as at 31 March 2021 and therefore no additional disclosures of material estimation uncertainty are required in the financial statements.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability (Risk Relating to the Council) The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£443m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice for Local Government Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the net pension liability estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated pension fund net liability. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work, we have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested 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 • performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtained 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 • obtained assurances that the asset valuations are based on 31 March 2021. • as part of our additional audit challenge and understanding of the net pension fund liability valuation, we are planning to meet with the Pension Fund actuary. We will update you of any significant matters arising before we issue our audit opinion. Our work is continuing. Our audit work to date has not identified any issues that need to be reported to the Audit and Governance Committee.

2. Key findings arising from the Group audit

Component	Work performed	Group audit impact and findings
Berneslai Homes Limited (BHL)	We adopted a targeted approach of the material balances and transactions of BHL within the Group financial statements for the year ended 31 March 2021. • Our audit approach included obtaining sufficient assurances based on group materiality over any material balances and transactions of BHL outside the group boundary based on group materiality. This included the BHL pension fund liability, operating expenditure, short term investments and any other material balances and transactions outside the Group • Our work to date has not identified any material issues that require reporting to you.	Our audit work in this area is currently in progress. From our work already completed, we have identified some disclosure misstatements in relation to the Group financial statements presentation, which are highlighted at Appendix C. Management has agreed to update the accounts in respect of these points. Subject to the satisfactory completion of outstanding work, there are no other issues currently to report from the consolidation of BHL into the Council's Group accounts.
Penistone Grammar Trust (PGT)	We adopted a targeted approach of the material balances and transactions of PGT within the Group financial statements for the year ended 31 March 2021. • Our audit approach included obtaining sufficient assurances based on group materiality, over any material balances and transactions of PGT outside the Group boundary. This included the PGT land and buildings and endowment funds balances and any other relevant material balances and transactions outside the Group • Our work to date has not identified any material issues that require reporting to you.	Our audit work in this area is currently in progress. From our work already completed, we have identified some disclosure misstatements in relation to the Group financial statements presentation, which are highlighted at Appendix C. Management has agreed to update the accounts in respect of these points. Subject to the satisfactory completion of outstanding work, there are no other issues currently to report from the consolidation of PGT into the Council's Group accounts.

2. Financial Statements – new issues and risks

Issue	Auditor commentary and view
IFRS 16 implementation Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020-21 accounts to comply with the requirement of IAS 8 para 31. As a minimum, we expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	The Council has included a high level reference to IFRS16 in its accounts at Annex D, Accounting Standards Issued but Not Yet Adopted. The minimum requirements of IAS8 have been met. Management and the audit team will liaise during the 2021-22 audit to ensure the requirements of the new standard are being followed and plans are in place for this issue to be adequately reported in the 2021-22 accounts and fully adopted in the 2022-23 accounts.
Recognition and Presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal or agent and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	Note 15 and Note 33 to the accounts include a detailed analysis of grant income. Note 15 covers grant income recognised through the Comprehensive Income and Expenditure Statement (CIES) and Note 33 reports grants and contributions received in advance. Both notes provide the accounting principles supporting grant income. Our audit testing to date of grant income during 2020-21 has not identified any non-compliance with the requirements for grant accounting as specified in the Code. There was a restatement of the prior year comparatives in the accounts in relation to grant income received during 2019-20. A correction was made in relation to the classification of grants between cost of services and credited to the taxation and non–specific grant income heading of c£8m in 2019-20. In addition, agency related income and equivalent associated expenditure of c£12m was removed from the updated CIES. Under accounting standards, this constituted a prior period adjustment (PPA) as numbers were considered material and the restatement was correcting an error in last year's CIES presentation. **Restatement (PPA) of 2019-20 figures:** There was no PPA disclosure note of this issue in the draft accounts. We raised this with management and they have agreed to provide additional disclosures note on the PPA, in line with IAS8, in the revised accounts. Our work also highlighted that: • this was a misclassification of grant income and there is no overall impact on the CIES arising from this • there was no impact to the deficit on provision of services for 2019-20 which remained unchanged at £32,266k, the same as the 2019-20 audited accounts. Similarly, there was no impact to the balance sheet or the useable reserves brought forward as at 1 April 2020. We have also reported this at Appendix C.
IT General Controls (ITGC) work As part of our audit procedures on the financial statements, we conducted our ITGC work. This was targeted on general IT controls and was performed by our IT specialists. The objective was to identify any significant deficiencies in IT general controls that could lead to any material errors in the financial statements.	There were two recommendations arising from our IT work which are included at Appendix A, together with management's responses. None of the recommendations raised were assessed as significant deficiencies, likely to lead to a material error in the financial statements. The recommendations primarily concerned weaknesses at system access level, where there are compensating controls in place to detect and reduce material errors in the financial statements. Our recommendations in this areas would further strengthen the Council's IT control environment when implemented.

Issue	Auditor commentary and view
<u>£1.4m bank mandate fraud after the year end</u> On 3 June 2021 the Council was informed of a bank mandate fraud of £1.4m. The Council had been subject to a sophisticated, determined and carefully planned fraudulent attack on its accounts payable controls. The S151 Officer brought it to our attention on 4 June. The background to the fraud, effectively an email phishing scam, involved carefully sequenced contact with the Council, firstly requesting a change in contact details followed later with a request to change bank details. It is acknowledged by the Council, that within this sophisticated scam, there were opportunities to spot the very subtle changes in the details in the contact that could have prevented the fraud. The Council informed the relevant authorities, including the National Anti-Fraud Network, Metropolitan Police Economic Crime Unit and the National Fraud Intelligence Bureau. In addition to keeping ourselves informed, the S151 Officer also briefed the Cabinet and the Chair and Vice-Chair of the Audit Committee. The Metropolitan Police identified and recovered £1m. The remaining balance of £0.4m has been covered by the Council's self-insurance fund. Our discussions with the S151 Officer and the Head of Internal Audit have continued on a regular basis since we were informed on 4 June. Our discussions focused on: • how did the fraud occur? • how could it have been prevented? • was this a 'one-off' occurrence? • what actions can be taken to reduce the likelihood of this occurring again in the future? • the implications of the fraud for the 2020-21 accounts and Annual Governance Statement (AGS). Internal audit has completed a detailed review of the incident and has also performed a wider review of the accounts payable team and processes. The findings from these reviews and lessons to be learnt should help to mitigate future instances of this nature. In addition, checks were made on all requests for bank account changes in the previous three months. These checks confirmed that this incident was a one-off occurrence	• The issue was promptly brought to our attention by the S151 Officer and we have held a number of conversations with him and the Head of Internal Audit since 3 June. We shared contact details of another public sector audit client (with their permission) who were previously subject to a similar fraud, allowing the Council to discuss common approaches and actions. • The fraud was successful due to failing to spot the subtle changes in the contact details requested, in the stages of how the fraud was set up during April and May 2021. The Council did take immediate action upon being informed of the fraudulent payment on 3 June, and controls have been reviewed and strengthened in order to reduce the chances of a similar situation taking place in the future. • The overall value of the fraud was well below our materiality of £8.6m. The Council is covering the residual £0.4m through its self-insurance fund that is in place to cover uninsurable losses. The Council has sufficient levels of reserves to fully mitigate the impact of this issue on its reserves and services. • Given that the fraud took place after 31 March 2021 (and is not material), there is no impact on our audit of the 2020-21 accounts. Also, our consideration of the circumstances of the fraud indicates there was no Council personnel involved in orchestrating this fraud and the Council was a victim of an external fraud. Therefore, there is no evidence of any inherent risk of fraudulent activity instigated by officers. • We have been discussing with the Council the need to include some commentary and reference to the fraud and resulting actions within the 2020-21 AGS (which is required to take into account key governance matters up to the date it is signed). We understand the Council is to include reference to the fraud in the updated AGS which is due to be signed at the end of November. • We will also reference this issue as part of our VFM arrangements review, where one of the three key themes under the new VFM criteria is governance. Our Auditor's Annual Report, summarising our VFM findings, is due to be completed by February 2022. • This was a deliberately orchestrated fraudulent attack on the Council. There had been opportunities for the subtle changes in details to have been spotted and the fraud prevented. However, once the Council was informed of the payment on 3 June, it has taken appropriate action. • This included engaging relevant law enforcement bodies, informing senior Members of the Council and external audit, and engaging internal audit to perform a wide-ranging review of the circumstances which lead to the payment and a detailed review of the accounts payable team and associated controls. • Overall, as a result of the Council's actions since 3 June, controls have been further strengthened. A proportion of the monies have been recovered (c70%) with the remaining balance (c30%) covered by the Council's self-insurance fund. Assurance has been gained that this was a 'one-off' occurrence, and management is including appropriate commentary on the matter in the 2020-21 AGS.

2. Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Auditor Comments	Assessment
Council Dwellings valuation: £647.5m	The Council is required to revalue its Council housing in accordance with Department of Levelling up Housing and Communities (DLUHC) Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its valuer to complete the valuation of these properties. The valuation was at 31 March 2021 and valued Council Housing at £647m, a net increase of £67m from 2019-20 (£580m).	• The Council's RICS qualified valuer has valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties. • Our work indicated that this methodology was applied correctly to the 2020-21 valuation. • We have assessed the Council's valuer to be competent, capable and objective in carrying out the valuations • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report • We have agreed the HRA valuation report to the accounts • We have compared the valuation movements with the Gerald Eve (property valuation specialists) national report and held discussions with our own valuation auditor's expert. These discussions are still on going. We have also challenged the Council's valuation expert on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we intend make our conclusions before we issue the audit opinion. Our work identified there was an additional depreciation charge on council dwellings. amounting to £1.3m. This was the difference between depreciation charged during the year and incorrectly additionally charged at the year end. The amount concerned is not considered material and we have reported this at Appendix C as an unadjusted error.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious (light purple) TBC

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Auditor Comments	Assessment
Other Land and Buildings valuation: £282.7m	Other land and buildings comprises £164.8m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£117.9m) are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in-house RICS qualified valuer to complete the valuation of assets on a five yearly cyclical basis as permitted by Code of Practice on Local Authority Accounting. Approximately 88% of total other land and buildings assets (by gross value) were revalued during 2020-21. Management has also considered the year end value of non-revalued properties of 100 larger value land and buildings and has included these in 2020-21 valuation process to gain a higher coverage of valuations. The total year end valuation of other land and buildings was £282.7m.	• We have assessed the Council's in-house valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and have no issues to report • The valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) property valuation report and held discussions with our own valuation auditor's expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we intend make our conclusions before we issue the audit opinion. • A material valuation uncertainty was reported by the Council's valuer in relation to office and retail building assets. This is due to the ongoing impact of the Covid-19 pandemic on valuations of assets of this nature. This was not reported by the Council in the critical judgements and estimations disclosure note within the draft financial statements. As a result of this valuation report comment, we investigated the total valuation of office and retail sector buildings as a proportion of the Council's overall buildings valuation as at 31 March 2021. Our work indicated that, as a proportion, this amounts to 11% of the total asset base, not including the housing stock. We consider this will not give rise to an overall material estimation uncertainty in other land and buildings valuations, as at 31 March 2021 and therefore no additional disclosures of material estimation uncertainty are required in the financial statements.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(light purple)** TBC

2. key judgements and estimates(continued)

<table>
<tr><th>Significant Judgement or estimate</th><th>Summary of management approach</th><th>Auditor comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability (Council)

£443m</td>
<td>Per the draft accounts, the Council's net pension liability at 31 March 2021 is £443m (PY £408m) comprising the South Yorkshire Local Government Pension Scheme.

The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and pension increase rate.

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £35m net actuarial loss during 2020-21.</td>
<td>

We have assessed the Council's actuary, Mercers, to be competent, capable and objective
We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019-20 roll forward calculation carried out by the actuary and have no issues to raise.
We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – please see the table below for our comparison of actuarial assumptions. The PwC report has also indicated that they are comfortable with Mercer's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2021 for all employers.

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC comments</th></tr>
<tr><td>Discount rate</td><td>Beginning 2.4% End 2.1%</td><td>Assumption appears reasonable</td></tr>
<tr><td>Pension increase rate</td><td>Beginning 2.1% End 2.7%</td><td>Assumption appears reasonable and methodology appropriate.</td></tr>
<tr><td>Salary growth</td><td>Beginning 3.35% End 3.95%</td><td>In line with 2020 valuation.</td></tr>
<tr><td>Life expectancy – Males currently aged 45 / 65</td><td>Future Pensioners: 23.9
Current- pensioners: 22.4</td><td>Overall mortality assumptions appear reasonable.</td></tr>
<tr><td>Life expectancy – Females currently aged 45 / 65</td><td>Future Pensioners: 27.1
Current- pensioners: 27.2</td><td>Overall mortality assumptions appear reasonable.</td></tr>
</table>

We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
We confirmed that valuation assets are based on 31 March 2021 valuations
We have confirmed there were no significant changes in 2020-21 to the valuation method
As part of our additional audit challenge and understanding of the net pension fund liability valuation, we are planning to meet with the Pension Fund actuary. We will update you of any significant matters arising before we issue our audit opinion.

</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious

(light purple)</td>
</tr>
</table>

2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income: **£398.3m (PY £329.4m)** The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. Due to the Covid-19 pandemic there has been a significant increase in the level of grant funding with associated complexity and requirement of management's judgement on the accounting.	Management has taken into account three main considerations in accounting for grants: 1. whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. 2. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income 3. whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.	• We have substantively tested a sample of 46 grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent • For the samples selected we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • We have also assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not. • We have assessed the adequacy of disclosure of grants received and judgement used by management as part of our detail testing. Our work to date has not identified any matters to report other than the prior period adjustment reported at page 12 and at Appendix C, which has no impact on useable reserves in either 2020-21 or 2019-20.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious (light purple)

2. key judgements and estimates (continued)

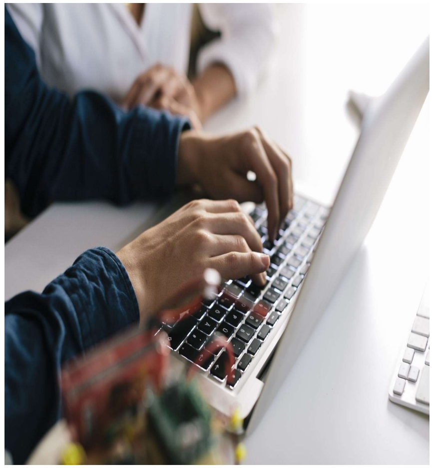
Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision: £6.8m (PY £5.7m)	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance The year end MRP charge was £6.8m, a net increase of £1.1m from the prior year. In 2015-16, the Council undertook a review of its MRP policy in line with the Capital Financing Regulations. Under the current statutory guidance, there are four options available to the Council: 1. Regulatory Method 2. Capital Financing Requirement Method 3. Asset Life Method 4. Depreciation Method As part of the review by the Council, consideration was given to all four options. Options 1 and 2 were not selected as those were based on more fixed approaches without much consideration on actual scenarios such as useful economic life of the financed assets. The depreciation method was based on actual depreciation charged and taking in impairments which are volatile in nature without much regard to the asset life. Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset. Like many other local authorities in the region, the Council adopts option 3 as it provides a method that is linked to the useful economic life of the financed asset. For capital expenditure incurred before 1 April 2008, and for supported capital expenditure incurred on or after that date, MRP would be determined in accordance with Option 3 - Asset Life Method. For non-supported (prudentially borrowed) capital expenditure incurred after 1 April 2008, MRP would also be determined in accordance with Option 3. Within Option 3, MRP is permitted to be calculated in one of two ways – equal instalments or on an annuity basis. The Council has chosen to calculate MRP on an annuity basis. Whilst this is in line with permitted guidance, this has the effect of reducing MRP in the early years and increasing it in the later years of the asset.	• We have reviewed the Council's approach to MRP as described on the left and overleaf on page 19 • The Council's calculation of MRP has been determined in line with the statutory guidance and management assess the MRP charge to remain prudent • There have been no changes in the Council's policy for calculation of MRP since the current policy was approved by full Council in 2015-16 • As described in management's approach, the Council has set aside a budget contingency for future MRP payments where there could be increased payments towards the end of asset lives. As at 31 March 2021, this MRP reserve for future payments amounted to £7.6m. This is a prudent and good practice approach adopted by the Council • Our work indicated that, overall the Council's MRP policy is prudent with appropriate application of Option of the statutory guidance and associated judgements and estimates on useful economic life of financed assets.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious (light purple)

2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision continued	MRP will ordinarily commence in the financial year following the one in which expenditure is incurred. However, MRP guidance permits authorities to defer MRP until the financial year following the one in which the asset becomes operational. The Council has chosen to employ this method, as an exception, on significant qualifying projects in the past such as the Building Schools for the Future programme and Glassworks project which was completed after the year end. The option remains available for the Council to use this discretion moving forwards. In applying Option 3, the Council's finance team in conjunction with the RICS qualified Council valuer review the useful lives of assets. At the time when Option 3 was first applied in 2015-16, a useful asset life of 50 years was attributed to all assets with the exception of schools which was set at 60 years. Subsequently in 2018-19, this was revised to 50 years for all assets including schools following publication of updated government regulations which stated that a maximum of 50 years could only be used for useful lives. The MRP charge is an area of increasing focus for local authority external auditors following recent high publicised financial challenges at certain local authorities where MRP charges were found to be inappropriate. For our 2020-21 audits, we have compared the MRP charge as a percentage of the Capital Financing Requirement for the General Fund. At Barnsley, the charge is £6.8m against a CFR amount of £790m – ie less than a 1% amount – which is low compared to most of our other local authorities. However, when you take into account the significant level of assets under construction (£107m), together with the MRP reserve (see below) the Council's charge is deemed reasonable. MRP on an Annuity Basis The Council also accounts for MRP and repayment of borrowing on an annuity basis. This means all outstanding debt is 'repaid' within the 50 years as per the policy with the profile of repayments increasing over time i.e. repayments start low and increase over the 50 year term. The annuity method is permitted as per the Statutory Guidance. From a budgeting perspective the Council provides for more MRP charges than the actual charges in the early years of the debt, effectively creating an underspend and MRP reserve (this has taken place since 2015-16 and is evident in the reserves statement within the accounts). This underspend is earmarked specifically for future MRP charges where the Council know such charges will be required. As at 31 March 2021, this MRP future years reserve totals £7.6m and is included in Note 4 to the accounts. Overall, the Council maintains an MRP model that compares future charges, the budgetary provision and the associated earmarked reserves to ensure that the MRP charges are affordable over the 50 year period. Using this model, the Council is able to appropriately set aside both budgetary provision via the MTFS and the accumulated reserves to maintain this prudent approach.	See previous page for auditor comments.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious (light purple)

2. Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Council's Audit Committee. We have been made aware of an immaterial fraud which occurred after the year end. The Council was the victim of a fraudulent criminal activity. The Council has been open and transparent in communicating this matter promptly to us as external auditors. The details of this fraud, management's investigation, measures implemented to mitigate any recurrence and our comments are detailed at page 13 of this report. From work performed, we do not consider this matter impacts our audit and the proposed audit opinion on the Council's financial statements for the year ended 31 March 2021. We have made one recommendation on this at Appendix A.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. However, the Council has disclosed additional information on related entities in note 17 to the accounts though the amounts considered are not material to the either party. This has been reported at Appendix C and has no impact to our audit opinion.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council – tabled separately for the Audit and Governance Committee meeting.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's banker, and entities who were involved with the Council's investments and borrowings. This permission was granted and the requests were sent and responded to with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix C.
Audit evidence and explanations / significant difficulties	We have experienced good, continued co-operation from the Council for all information and explanations requested to date. In order to finalise our audit, we expect to receive continued timely engagement and responses from management. There are no significant difficulties to report in terms of receipt of audit evidence at this time.

2. Other communication requirements

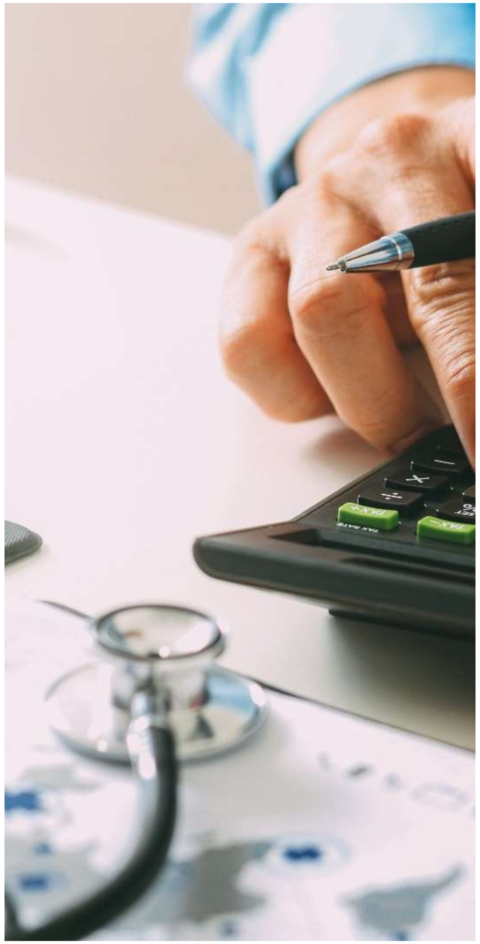
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient and appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified other than minor presentational matters, the majority of which have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness(es). We have nothing to report on these matters. Our Value for Money work is underway will be completed by February 2022.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. We note that guidance for this work has not yet been issued and therefore this work has not yet commenced. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and has not yet released data collection instructions.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020-21 audit of the Council in the audit report, as detailed at Appendix E, until we have completed our work on the WGA consolidation exercise mentioned above and completed our Value for Money responsibilities with the issue of the Auditor’s Annual Report. This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of instructions for the WGA work.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020-21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020-21. The Code introduced a revised approach to the audit of Value for Money (VFM).

There are three main changes arising from the NAO's new approach:

1. A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
2. More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria
3. Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows (in order of severity):

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. Risk of possible significant VFM weakness

Update since our Audit Plan issued on 15 July 2021

- In our Audit Plan, we considered at our planning stage of the audit, whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on.
- At that planning stage, we did not identify any possible significant weaknesses – as we reported in Section 3 of our Audit Plan. In the Audit Plan, we also indicated that the VFM risk assessment is a continuing process, and we will be continually assessing risks as part of our ongoing VFM work. We formally received the Council's draft Financial Statements for audit at the end of July 2021.
- Our initial review of the draft accounts indicated that the Dedicated School Grant (DSG) reserve deficit had increased by £6.5m, from £5.3m in the prior year to £11.8m at 31 March 2021. This is an increase of over 100% and is now in a material deficit position. The Council appropriately disclosed this in note 16 of the accounts.
- In our view this significant increase to a material deficit may give rise to a possible significant weakness in the Council's VFM arrangements. Although the DSG reserve is now a ring-fenced reserve up until 2022-23 according to latest guidance. It is important to the Council's financial resilience and budget planning, that the DSG reserve comes back into a more balanced and robust financial position. Therefore, we concluded that this was an area where we needed to perform some additional work before we issue our accounts audit opinion.
- From our cumulative knowledge as a public sector auditor, we understand there is an increasing trend in the total number of children and young people with Special Educational Needs (SEN) or EHC (Educational Health Care) plans, year on year and Barnsley is no different to some of these challenges.
- Conditions of grant 2020-21 require any local authority with an overall deficit on its DSG reserve, or whose deficit has substantially increased during the year to present a Plan to the DfE for managing their future DSG spend. The DfE has provided a template, a supportive tool, to enable councils to formulate and present their DSG management plans.
- We have conducted our work in this area, covering Council's response to this material DSG deficit, benchmarking the Council's response against guidance issued by the NAO in September 2020. The guidance covers good practice arrangements that should be in place when such deficits arise in local authorities.

Conclusion on potential significant weakness: Material DSG deficit – November 2021

- Our work is set out on the following two pages (see pages 25 and 26) and concludes that based on our review of the evidence of the Council's responses to date, there is no residual risk of significant weakness arising at this stage.
- We will make further reference to this area on completion of our VFM work in our Auditor's Annual Report to the Audit Committee – due by February 2022.

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Audit and Governance Committee Chair in September and is replicated at Appendix G to this report. We expect to issue our Auditor's Annual Report by no later than February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified one potential risk that is covered on page 24 and also set out in the table below, together with a summary of our work performed. Overall, we have concluded there is no residual significant weakness arising from the DSG deficit position. Further details will be included in our VFM report in early 2022.

Risk of possible significant weakness	Audit work performed and summary findings
Dedicated School Grant (DSG) deficit position and recovery plan As indicated at page 25, the Council has a material DSG deficit balance (£11.8m) as of 31 March 2021. The deficit has more than doubled, increasing by £6.5m in the year from an opening £5.3m. We acknowledge that under new time-limited statutory requirements, the DSG deficit is now ringfenced and any deficits cannot be financed through Council's General Fund Reserves but should be addressed through the DSG. However, it is still important for the Council to address the cost pressures within the High Needs Block through Special Educational Needs including Disabilities (SEND) and ensure that Council's High Needs spend is within budget. Equally, the Council needs to submit its deficit reduction plans to the Department For Education (DfE) for review, monitoring and approval, emphasising the need for appropriate financial management in this area. As a result, we have taken this as a potential significant risk and as part of our VFM work have examined the Councils' response on managing this material deficit going forward. As part of this review, we have used the guidance issued by the NAO to assess the arrangements in place at local authorities.	We have assessed the Council's material DSG deficit against the four criteria set out by the NAO guidance. This forms a key part of our assessment and conclusion on the Council's DSG deficit at this stage of the VFM work. (Q1) Has the body demonstrated engagement with DfE in respect of its DSG deficit and what are the actions arising from this discussion? Yes. An informal meeting took place on 4 June 2020 with DfE officers to discuss the DSG management plan, block movement request and the support to be provided by DfE. Discussion at the meeting centred on the progress made to date by the Council in the development of its management plan – specifically covering the following: Educational Health Care Plans (EHCP) projections; funding assumptions; and proposed actions to bring spend back within sustainable levels. The main action arising from the meeting was for the Council to finalise its DSG management plan and for this to be submitted as soon as its practicable. The DSG management plan was then submitted to DfE on 16 August 2021. A second meeting with DfE was held on 11 October 2021 to further discuss the submitted management plan in detail and agree next steps. Overall our work indicates that there is reasonable evidence of Council engaging with DfE to reduce and manage this deficit with clear plans.

Audit work performed and summary findings – continued

Dedicated School Grant (DSG) deficit position and recovery plan

See risk description on page 25.

(Q2): Does the Council have a deficit recovery plan based on reasonable assumptions?

Yes. The DSG management plan is a key mechanism for achieving this objective. The Council has developed a DSG Management Plan in compliance with the DSG grant conditions. The DSG management plan is underpinned by robust forecast EHCP dataset across the range of SEND provision. The Council's EHCP numbers have been used to project spend and costs up to 2024-25. Reasonable assumptions have been made in relation to future years inflation uplift; HN grant funding levels; number of commissioned SEND places required and SEND provision funding arrangements.

The action plan (aimed at bringing spend back to a sustainable level) includes measures such as:

- reducing the reliance on and placements in independent specialist schools
- increasing and commissioning new specialist places within the borough
- reviewing the effectiveness of how mainstream schools use their core funding for SEND to meet needs
- reviewing the level of top-up funding to mainstream schools and academies
- improvements in outcomes and SEND support in schools to focus on inclusion

The above measures have been costed, with proposed savings appropriately profiled to reflect deliverability.

Overall our work indicates that the Council has a deficit recovery plan with reasonable assumptions based on current available information.

(Q3) Where deficits continue to grow, does the authority understand why? Is there evidence of a correlation between increasing demand and rising cost?

Yes. The context of Barnsley's SEND and High Needs budget alongside many other local authorities, is one of rising demand, financial pressures, and an increasing accumulated budget deficit.

A wide-ranging dataset has been developed by the Council that shows forecast EHCP numbers across a range of criteria including by key stage/age groups; primary need and provision type (including post 16) for Children and Young People aged 0 – 25. The modelled EHCP data showed that there is an ongoing and increasing demand for support for children and young people with SEND and for those with EHCPs.

High needs gross spend for 2021-22 is currently forecast at £31.2m and estimated to increase to £35.9m by 2024-25 (a correlation to the rising EHCP numbers). The main cost driver is the rising number (and cost) of pupils with EHCPs in mainstream schools / academies and those requiring specialist support / placements in special schools and independent settings. The current accumulated SEND/high needs deficit is £11.7m in 2020-21 and is estimated to increase (if unmitigated) to £36.8m by 2024-25 (with annual in-year deficits averaging at £6.2m).

Overall our work indicates that the Council understands the reasons for these deficits and there is a clear correlation, for example between increasing demands in children with EHCP and rising costs in the SEND budget.

(Q4). Do members fully understand the position, risks and actions being taken?

Yes. Quarterly reports on all aspects of SEND are presented at cabinet and have been for some years. Reports are also taken to SEND Oversight Board.

Lead members are fully sighted on all pressures related to SEND resources and offer support and challenge to steer actions. Lead members are fully involved in working with services to ensure that strategy is reflective of overall Council priorities, for example, the Barnsley 2030 plan and the Leader of the Council is fully sighted on challenges and developments. Overall, from our work carried out, we have evidence of appropriate reporting to the Cabinet. We have recommended, considering the increase and size of the deficit, as good practice, management should report DSG deficit actions to the Audit Committee going forward. (see Action Plan)

4. Independence and ethics

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 and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

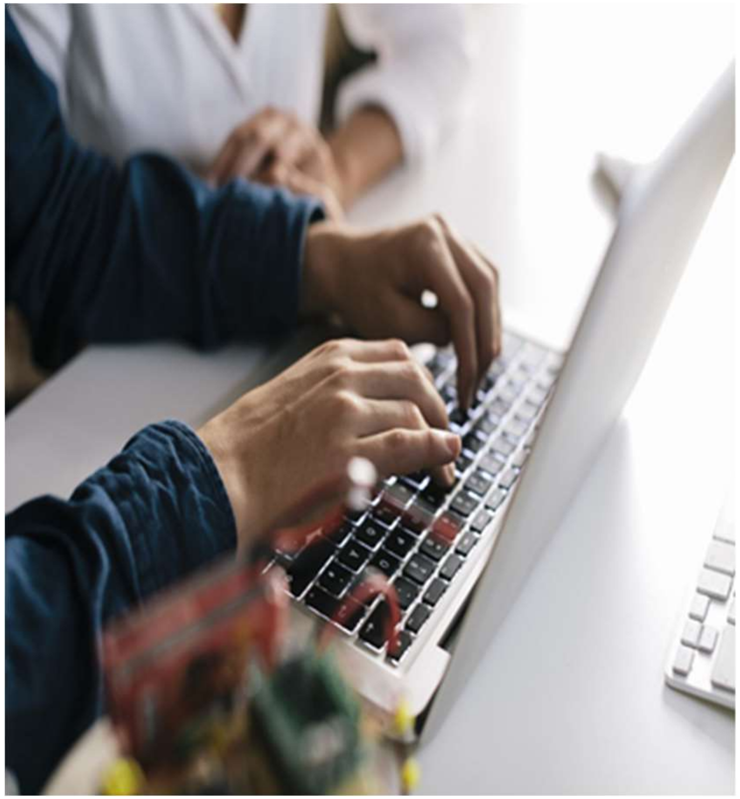
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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.

Details of fees charged are detailed at Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)



4. Independence and ethics (continued)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. The following non-audit services were identified as well as the threats to our independence and associated safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Pooling Housing Capital Receipts return	4,000	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 £4,000 in comparison to the total fee for the audit of £180,218 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	6,000	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 £6,000 in comparison to the total fee for the audit of £180,218 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics (continued)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. The following non-audit services were identified as well as the threats to our independence and associated safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related continued:			
Certification of Housing Benefit Claim	*22,800	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 *£22,800 in comparison to the total fee for the audit of £180,218 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-audit related:			
None	-	-	-

NOTE on Housing Benefit fee:

* The £22,800 is the base fee for the 2020-21 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,255 – where the initial work is completed by the Council

£5,040 – where the work is fully undertaken by Grant Thornton

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action Plan

We have made the following recommendations as a result of issues identified during the course of our audit including our Value for Money work to date. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of our 2021-22 audit. The matters reported here are limited to those areas we have identified during the course of our audit and VFM work to date, and are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Critical judgements (Technical Annex B), financial statements: Disclosures should be of the specific judgements that have been made by the Council and the impact of those judgements on the accounts. They should not simply be reiterations of accounting policies. The current disclosures refer briefly to a number of broad areas but do not indicate the specific judgements made, the outcome of those judgements or the impact on the accounts. These should be enhanced for greater Code compliance and for the benefit of readers of the accounts.	Revisit the critical judgements disclosure for 2021-22 and ensure only items which are critical are included in line with accounting principles (IAS1), and to ensure that the precise judgment involved is described. Management response: Management accepts the issue and will review the requirements of the Code in 2021-22 with a view to implement a more robust disclosure
Medium	Estimation uncertainty (Technical Annex B), financial statements: Disclosures should include the carrying value of the related assets / liabilities and disclose sensitivity analysis and/or the range of possible outcomes.	Revisit the estimation uncertainties disclosures for 2021-22 and ensure they comply with the accounting principles (IAS1). The Council accounts should disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, this note shall include details of: (a) their nature, and (b) their carrying amount as at the end of the reporting period. This is what needs to be disclosed as relevant to comply with accounting principles. Management response Management accepts the issue and will review the requirements of the Code in 2021-22 with a view to implement a more robust disclosure.

A. Action Plan

Assessment	Issue and risk	Recommendations
High	**£1.4m bank mandate fraud after the year end:** Please refer to page 13 of this report for a summary of the issue. Whilst this is not a material fraud, prevention and detection of fraud and taking appropriate actions is a key responsibility of management of any organisation. The biggest risk is, financial statements to be materially wrong due to fraud. We recognise it is not the case here as noted on page 13 of this report	We understand that internal audit has completed a detailed review of the incident and has also performed a wider review of the accounts payable team and processes. The findings from these reviews should be reported and any recommendations followed up promptly. The Council should have proactive mechanisms of fraud awareness training to relevant colleagues summarising the issues which resulted in this fraud – as a reminder to all Council staff to be alert to such schemes in order to reduce the chances of another fraud of this nature taking place again. Management response The detailed Internal Audit work into the wider accounts payable process and function was issued to management on 16 September 2021. A full follow-up audit will be undertaken in March 2022 the results of which will be reported to the Audit & Governance Committee. The Committee will receive a specific report on this matter at its meeting on 17 November 2021. The Council has undertaken a number of 'phishing' training exercises and issued communication regarding the risk of fraud perpetuated this way. All Finance staff attended sessions led by the Service Director – Finance and the Head of Internal Audit, Anti-Fraud and Assurance in July to remind staff of the need for diligence in the processing of transactions. All Accounts Payable staff and other finance staff in transactional areas received fraud awareness training in late June / early July. A programme of general and specific fraud awareness training will be developed for all Council employees relevant to their roles. A fraud awareness' course is available on the Council eLearning system which is mandatory for all new employees. The fraud risk assessment undertaken by all Business Units will also be updated for completion in January / February 2022.

A. Action Plan

Assessment	Issue and risk	Recommendations
Medium	DSG deficit: Our work indicated that regular Cabinet reporting around the DSG deficit is taking place. This is a good governance process which supports informed decision making. However, we have not seen any DSG deficit related reports going to the Audit Committee.	The Audit Committee provides scrutiny on the Council's governance, risks and financial arrangements. As a good governance practice, the Council should consider reporting the actions and outcomes on the DSG deficit reduction plans to the Audit Committee on a timely and regular basis going forward. Management response The Council is currently updating the Plan to reflect changes in costs and funding assumptions following the Government's announcement on schools funding on 27 October 2021. The proposed actions to bring spend to a sustainable level will also be reviewed in light of latest discussion with schools and partners. The updated DSG Management Plan will be submitted by 19 November 2021 (deadline date for approval of high needs funding transfer request by the Council). The Council will be reporting performance against the DSG Management Plan through its governance process i.e. SEND Oversight Board, Senior Management Team, Cabinet as well as the Audit Committee going forward.
Medium	Land and Buildings Valuation date: Our work on land and building valuations indicates that the reported valuation date remains at 1 April (12 months from the year end date). This results in a lot of audit challenge from us, and a lot of work for the Council's finance team and its valuer, to justify that the valuation of assets on 1 April remain materially accurate as at 31 March. The Council has moved the valuation date of its council dwellings to 31 March and a number of our other local authority audit clients have moved all their valuation dates to 31 March, or much closer to the balance sheet date. We understand from discussions with management that the valuation date for land and buildings could be moved closer to 31 March, which should enable a more efficient valuation process and audit approach going forward.	The Council should consider moving its valuation date for land and buildings closer to the balance sheet date of 31 March. Management response Management appreciates the Auditor's point in terms of audit challenge in terms of land and buildings valuations. Management will review the arrangements for the 2021-22 accounts considering all of the relevant practicalities of the valuation process.

A. Action Plan – IT recommendations

We have made the following recommendations as a result of issues identified during the course of our IT general controls review. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021-22 audit. The matters reported here are limited to those areas we have identified during the course of our IT general controls review and are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	SAP General Control assessment findings - Inappropriate access to transactions SM36 and SM37 During our IT audit, we observed a number of user accounts with access to manage batch and background jobs for all users (via SAP t-codes SM36 / SM37 and the S_BTCH_ADM SAP authorisation object). Specifically, the following was noted: ▪ view batch jobs: 48 users ▪ create / amend batch jobs: 48 users The users' access is restricted (via the S_BTCH_JOB SAP authorisation object) to a subset of administrator actions that cannot release or modify other users' jobs. However, the accounts can delete jobs for other SAP users including system accounts. Of the 48 users, 38 were classed as "Standard" users which means they work within the Council service departments, (Ie not in IT or Technical). We were unable to fully identify the roles of the 38 "Standard" users with access to SM36 and SM37. We understand that some of the users work in financial services, creating a Segregation of Duties issue. This finding was previously reported in our 2018-19 and 2019-20 IT review. However, we are pleased to note the numbers of users with this access has decreased from 3150 to 38 in that period. Risk Access to this functionality within SAP gives users the ability to delete batch jobs owned and configured by other users. Where this ability is not appropriately restricted a risk is created that batches may not consistently run per design and that functions, including updating and processing data, may therefore not operate leading to a risk to underlying data integrity.	Management should review access assigned to these users to ensure that batch management utilities are restricted to appropriate users and based on job role requirements. Specific review should occur to all users assigned access to delete other users' batch jobs given the risk created that this could be used to circumvent other access controls and have an impact on data integrity. Management response: This is still an outstanding action and a full review of the remaining users requires further collaboration work with IT & Finance to understand the roles and needs. Once established, further controls can be placed to reduce the numbers where possible.

A. Action Plan – IT recommendations

Assessment	Issue and risk	Recommendations
Medium	Cyber Security assessment findings - The Payment Card Industry Data Security Standard (PCI-DSS) Certification was not in place during the period of the Audit. In order to provide assurance that certain standards of cybersecurity are in place for processing of payment cards, the organisation applies for a Data Card Industry Data Security Standard Certification. For the period of the audit, no certification was in place, without this certification, many card providers may charge a higher fee or refuse to process card transactions for the organisation. A successful PCI-DSS application was submitted following the year end and a certification obtained during September 2021. Risk: Where independent certification to confirm standards and certain controls are in place, are not met, there is a risk that the control environment is not effective and could lead to serious breaches of personal data and card details.	It is recommended that the Council ensures that all relevant certifications are in place and legislation is complied with. A breach of the PCI-DSS resulting in a period of non-certification could result in: ▪ the Council not being able to take payments by card ▪ increased fees being charged ▪ a loss of protection for BMBC and the customers when taking payments ▪ fines ▪ card replacement costs ▪ costly forensic audits ▪ brand damage, etc., should a breach event occur ▪ a breach of data ▪ loss of sensitive data. Management response Since the period of the IT audit, the Council has achieved a successful PCI-DSS certificate. Moving forwards, the Council will ensure that this certificate is achieved to mitigate this risk

B. Follow up of prior year recommendations

We identified four recommendations in the audit of the Council's 2019-20 financial statements, which was reported in our 2019-20 Audit Findings (ISA260) Report.

We followed these up in our 2020-21 Audit Plan which was presented to you on 28 July 2021. Therefore it is not repeated in this report.

We are pleased to report that management has implemented all four of our recommendations, which is summarised and referenced to the Audit Plan on this page.

Assessment	Previously communicated subject matter and recommendation	Update on actions taken to address the issue
✓	Reporting of Strategic Risk Register - The Council should ensure it manages, updates and reports its Strategic Risk Register to the Audit Committee on a regular basis.	Our work indicated; this is now actioned. See our Audit Plan reported to the Audit Committee on 28 July 2021, page 14, for further information.
✓	Publication of the draft Annual Governance Statement alongside the draft Statement of Accounts - In future years, the Council should publish its draft Annual Governance Statement alongside the draft Statement of Accounts and Narrative Report as required by the Accounts and Audit Regulations.	Our work indicated; this is now actioned. See our Audit Plan reported to the Audit Committee on 28 July 2021, page 14, for further information.
✓	Financial impact on Covid-19, budget monitoring 2020-21 and beyond - We recommended the Council continues to update its budget setting and budget projections as the challenges and impact from Covid develop. Officers should continue to report in a regular and transparent manner to Members in terms of any corrective actions required in delivering the budget, the impact of Covid on costs and income, achieving the required savings and in terms of liaising with MHCLG and the government.	Our work indicated; this is now actioned. See our Audit Plan reported to the Audit Committee on 28 July 2021, page 15, for further information.
✓	Glassworks Development Project - The Council should ensure the Audit Committee continues to be kept up to date with governance, financial health and overall arrangements in place for the project and the actions to mitigate any risks.	Our work indicated; this is now actioned. See our Audit Plan reported to the Audit Committee on 28 July 2021, page 15, for further information.

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
No adjusted misstatements impacting CIES and SoFP to date.	-	-	-
Overall impact	-	-	-

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1.	Disclosure	Updating the 'Events After the Balance Sheet Date' note in order to include an update on the latest position regarding the impact of Covid-19 and completion of Glasswork project which is a significant capital project for the Council. These are non-adjusting events but important to the reader of the accounts to understand the Council's operations.	Note 18 – Events after the balance sheet date	✓
2.	Disclosure	Further expand and clarify the note regarding the Council acting as an agent (regarding Covid grants). Adding narrative to be clearer on payments made and grants received as the agent.	Note 8 – Material items of income and expenditure	✓
3.	Disclosure	To include a Prior Period Adjustment (PPA) note. As reported at page 12 of this report, additional disclosures were requested in line with accounting principles requirements (IAS8), including the reason for and impact of the PPA.	PPA, new disclosure note to be added in	✓
4.	Disclosure	Amendments were made to the Annual Governance Statement in line with Code Guidance requirements. Updates also made to areas of the AGS which were not completed at draft stage. Additional commentary on the bank fraud was also included (see page 13).	Annual Governance Statement	✓
5.	Disclosure	Minor amendments were made to the draft Narrative Report. These included updates to the Glasswork Project and further clarifying how the management accounts (table page 16 of the Narrative Report) reconciles to Note 1 of the accounts.	Narrative Report	✓
6.	Disclosure	Audit fees to Grant Thornton, including the main Council audit, Housing Benefit, Teachers Pension and Pooling Capital Housing Receipts were updated to reflect the accurate fees for all non audit related services to be in line with those disclosed in Section Four and Appendix D of this report.	External Audit Costs Note 14	✓

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
7.	Disclosure	The balance sheet was reclassified to indicate overdrawn bank accounts separate from others where there is no right of offset. Additional disclosure was added under the Cash Flow Statement to indicate these are short term timing differences rather than overdrawn accounts over a longer period.	Balance Sheet and Cash Flow Statement	✓
8.	Disclosure	EFA Note 2A - the material adjustment on the 'items presented within the MIRS' line was not explained in the draft accounts. The note states that MRP and other revenue contributions are adjusted via the financing investment income & expenditure (FII&E) line but this line was blank in Note 2 in the capital column. This was amended by removing the words on FII&E line and added narrative regarding items presented within the MIRS.	Expenditure and Funding Analysis Note 2A	✓
9.	Disclosure	The Section 151 officer's remuneration was added to Note 13 in line with the Code guidance.	Note 13 – Officers remuneration	✓
10.	Disclosure	Group accounts: • The Group Movement in Reserves Statement was updated to reflect the correct Code requirement on the format of this statement • Narrative has been added to indicate that there is no statutory override applied to Berneslai Homes in the Group accounts • Berneslai Homes Directors are deemed not to qualify as Senior Officers of the Group per Code requirements and therefore their remunerations have been taken out	Group Accounts	✓
11.	Disclosure	Critical judgements and Estimation uncertainty – as reported on page 31. The Council made additional notes to expand the compliance with accounting principles on IAS8. However, we still believe the Council could further enhance these disclosures and therefore we have raised the recommendations in the Action Plan at Appendix A.	Technical Annex B	✓
12.	Disclosure	A narrative note was added to disclose the actual NNDR relief as this was a material number (£34.8m). This arose due to the impact of the pandemic and the resulting level of reliefs awarded.	Collection Fund	✓
13.	Disclosure	Under the relevant accounting standard (IAS24), related party disclosure is required when the transactions between parties are material to either party. The accounts have been updated to reflect this accounting principle to remove some immaterial transactions that were included in the draft accounts.	Note 17 – Related party transactions	✓
14.	Disclosure	Further disclosures were added to inform the reader of the Council's actions and management of the Dedicated School Grant deficit position.	Note 16 – Dedicated schools grant	✓
15.	Disclosure	Other minor presentational amendments.	Throughout the financial statements	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides detail of adjustments identified during the 2020-21 audit which have not been made within the final set of financial statements due to their immaterial nature. The Audit Committee is required to consider management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting
Incorrect treatment of a supplier invoice: PPE - Assets Under Construction to be reduced Short Term Creditors to be reduced Incorrectly recording a supplier invoice regarding the Glassworks construction by £735K. The recorded value was £735k more than the actual invoice value. However, it should be noted that actual payment was made to the correct invoice value	N/A N/A	735 735	N/A N/A	Management does not consider this amount to be material to the Council's accounts.
Incorrect additional depreciation charge on HRA assets: This reflects the additional depreciation incorrectly charged on council dwellings. There is no impact on the Council's useable reserves arising from this as depreciation is 'reversed out' before hitting the General Fund.	1,301	1,301	None – reserved out in the MIRS	Management does not consider this amount to be material to the Council's accounts.
Overall impact	£1,301	£1,301	£Nil	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee per Audit Plan July 2021	Final fee
Council Audit	£180,218	£180,218
Total audit fees (excluding VAT)	**£180,218**	**£180,218**

Non-audit 'audit related' fees for other services:	Proposed fee	Final fee
Certification of Pooling Housing Capital Receipts return	£4,000	£4,000
Certification of Teachers Pension Return	£6,000	£6,000
Certification of Housing Benefit Claim	£22,800*	see note below
Total non-audit fees (excluding VAT)	**£32,800**	**£32,800***

Note on Housing Benefit fee:

* The £22,800 is the base fee for the 2020-21 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,255 – where the initial work is completed by the Council

£5,040 – where the work is fully undertaken by Grant Thornton

The fees reconcile to the revised version of the financial statements following an amendment to the draft accounts in Note 14 - External Audit Costs.

E. Audit opinion (draft)

Our proposed draft audit opinion is included below.

Independent auditor's report to the members of Barnsley Metropolitan Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Barnsley Metropolitan Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Notes to the Core Financial Statements, Housing Revenue Account Comprehensive Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement, Notes to the Group Accounts, Technical Annex A comprising the Authority's Accounting Policies, Technical Annex B comprising Critical Judgements, Assumptions, Estimations made within the accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director for Finance, Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Service Director for Finance, Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities.

We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director for Finance, Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Service Director for Finance, Chief Financial Officer with respect to going concern are described in the 'Responsibilities of the Authority, Service Director for Finance, Chief Financial Officer's and Those Charged with Governance for the financial statements' section of this report.

Other information

The Service Director for Finance, Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

E. Audit opinion (draft)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Service Director for Finance, Chief Financial Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on section 3 of the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director for Finance, Chief Financial Officer. The Service Director for Finance, Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Service Director for Finance, determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director for Finance, Chief Financial Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The full Council is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

E. Audit opinion (draft)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Governance Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - closing journals posted during the preparation of the financial statements
  - material and unusual journals which fall outside of the auditor's expectations which are considered as high-risk journals
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Service Director for Finance, Chief Financial Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus high risk journal, such as, posted by senior management, journals with unusual attributes, journals without any descriptions, journals posted by staff not in the approved list of journals posting, journals that do not balance and journals posted in periods 12 & 13, which are material and not reoccurring or common postings;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations.
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion (draft)

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Barnsley Metropolitan Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Gareth Mills, Key Audit Partner, for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Xx November 2021 TBC

F. Audit letter in respect of delayed VFM work

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Councillor Phillip Lofts
Chair of Audit and Governance Committee
Barnsley Metropolitan Borough Council
PO Box 634
Barnsley
S70 9GG

22 September 2021

Dear Cllr Lofts

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We will be working on our VFM arrangements review of the Council over the coming months and expect to report our findings to management and the Audit and Governance Committee before the end of February 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Gareth

Gareth Mills
Key Audit Partner and Engagement Lead for Barnsley Metropolitan Borough Council

Grant Thornton

grantthornton.co.uk