Grant Thornton

The Annual Audit Letter for Barnsley Metropolitan Borough Council

Year ended 31 March 2020

11 January 2021

Contents

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1. Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Barnsley Metropolitan Borough Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the full Council as those charged with governance in our Audit Findings (ISA260) Report on 26 November 2020 (we also reported our findings to the Audit Committee on 28 October 2020).

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and the group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and the group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £8,425,000 (Group £8,443,000), which is 1.5% of the Council's (and Group's) gross revenue expenditure.
Financial Statements opinion	We issued an unqualified opinion on the Council and the Group's financial statements on 30 November 2020. We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and the Authority's share of the pension fund's property investments given the Coronavirus pandemic. This does not affect our opinion that the statements gave a true and fair view of the Council's financial position and its income and expenditure for the year.
Whole of Government Accounts (WGA)	We are currently completing work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 30 November 2020.
Certificate	We are currently unable to certify that we have completed the audit of the financial statements of Barnsley Metropolitan Borough Council. This is because we have yet to complete work on the Council's Whole of Government Accounts consolidation return. Once this is completed, we will be able to certify that we have completed the audit of the Council and the Group's financial statements in accordance with the requirements of the Code of Audit Practice.

Working with the Council

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council, both operationally and in preparing the financial statements. Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely, including remotely accessing working papers and financial systems. In addition, face to face meetings have been replaced by telephone and video conferencing arrangements which has also extended to Council Committee meetings including the Audit Committee.

This is our second year of audit at Barnsley Metropolitan Borough Council and we believe we have continued to develop professional working relationships with you and your officers and have delivered a number of positive outcomes, including:

- regular liaison with the finance team and members of senior management and members of the Audit Committee to understand the issues facing the Council
- understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness
- sharing our insight – we provided regular Audit Committee updates covering best practice
- providing training – we provided your teams with training on financial statements and annual reporting.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
January 2021

2. Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £8,443,000, which is 1.5**%** of the group's gross revenue expenditure. We determined materiality for the audit of the Council's financial statements to be £8,425,000, which is again 1.5**%** of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration.

We set a lower thresholds of £422,000 for the group and £421,000 for the Council, above which we reported errors to the Audit Committee and full Council in our Audit Findings (ISA260) Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

<table>
<tr><th>Risks identified in our Audit Plan Addendum (April 2020)</th><th>How we responded to the risk</th><th>Findings and conclusions</th></tr>
<tr><td>Covid-19
The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:
• Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
• Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
• Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen
• Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.
We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</td><td>As part of our audit work we:
• worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported
• liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert
• evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic
• evaluated whether sufficient audit evidence could be obtained through remote technology
• evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations
• evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment
• discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.</td><td>On the basis of our work, we concluded that our audit report opinion would be unqualified with an emphasis of matter relating to the material uncertainty around the valuation of land and buildings including investment properties and the Authority's share of the pension fund's property investments. This change to our opinion was a direct result of the impact of Covid-19. The reporting of a material uncertainty on the valuation of land and buildings is consistent across our other local authority audits.</td></tr>
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Audit of the Financial Statements

Significant Audit Risks continued

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
Management over-ride of controls 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 Authority 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 work we: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals and testing them • 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.	There were no issues arsing from our work which we needed to bring to your attention.

Audit of the Financial Statements

Significant Audit Risks continued

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
Valuation of land and buildings The Council revalues 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 (c£302 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 (for surplus assets) at the financial statements date, where a rolling programme is used. **Update April 2020:** The covid-19 pandemic has resulted in the volatility of financial and property markets. This will increase the uncertainty of assumptions applied by management to asset valuations. We therefore identified 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: • updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluated the design of the associated controls • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with 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, including checking that the floor areas used are consistent with other records. • in a new development for 2019-20, engaged our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Council's asset register in line with Code guidance. • evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these were not materially different to current value at year end • evaluated whether sufficient audit evidence can be obtained due to Covid-19 impact to corroborate significant management estimates around land and buildings.	Our audit work did not identify any issues in respect of the valuation of land and buildings except for the following matter: The Council uses in-house RICS qualified valuers to value it's land and buildings. The valuation reports included a material valuation uncertainty paragraph as a result of Covid-19 which was also reported in the Council's financial statements under material estimation uncertainties. As a result, we included an emphasis of matter in our audit opinion relating to this material uncertainty. This did not affect our opinion that the financial statements gave a true and fair view of the Council's financial position and its income and expenditure for the year. It is also important to note that this was a national issue, applying to local authorities with material land and building asset bases.

Audit of the Financial Statements

Significant Audit Risks continued

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
Valuation of pension fund net liability The group's pension fund net liability, as reflected in the group balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements and group accounts. The group's pension fund net liability is considered a significant estimate due to the size of the numbers involved (PY: £482m in the group balance sheet) and the sensitivity of the estimate to changes in key assumptions. The £482m net liability is derived from both the Council's single entity liability of £450m and the group subsidiary (Berneslai Homes Ltd) liability of £32m. **Update July 2020:** the draft accounts presented for audit showed a net liability as at 31 March 2020 for the group of £434m. This was split between the Council's single entity liability of £402m and Berneslai Homes Limited liability of £32m We therefore identified valuation of the group and 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 work, we: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated 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 Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority 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 • undertook 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.	Our work identified that the figures provided on investment return in the actuary reports were based on asset valuations as at 31 January 2020. As part of the South Yorkshire Pension Fund (SYPF) final accounts process, SYPF revised the investment return percentage based on the final fund valuation as at 31 March 2020. This exercise resulted a decrease in investment return of 0.63% which in turn had an overall impact of increasing the net pension liability by £6.4m. Management amended the financial statements for this matter in the final version of the accounts. Further to our discussions with the Council's actuary, we obtained confirmation that the actuary had already made allowances in terms of the impact on the McCloud judgement on their 31 March 2020 actuary report. In terms of Goodwin judgement (a pensions discriminatory legal case), the actuary confirmed the maximum impact would be a c0.1% increase of the pension liability which amounts to less c£1m. This was not deemed material and we did not request any adjustment to the financial statements in relation to this matter. Our review of the assurance letter from the South Yorkshire Pension Fund auditor noted that the valuation report for directly held properties of the Pension Fund included a material uncertainty over the pension fund valuation due to Covid-19. Following discussions with officers, the Council expanded its disclosure to include this material uncertainty in its financial statements. We included an emphasis of matter paragraph in our audit report in respect of the uncertainty over valuations of the Council's share of the Pension Fund's directly held property investments given the Coronavirus pandemic. This did not affect our opinion that the statements gave a true and fair view of the Council's financial position and its income and expenditure for the year.

Audit of the Financial Statements

Audit opinion

We issued an unqualified opinion on the Council and Groups' financial statements on 30 November 2020.

Preparation of the financial statements

The outbreak of the Covid-19 coronavirus pandemic had a significant impact on the accounts preparation and audit process. Restrictions for non-essential travel meant both Council and audit staff had to work remotely, including remotely accessing working papers and financial systems. In addition, face to face meetings were replaced by telephone and video conferencing arrangements.

The Council presented us with draft financial statements in accordance with the agreed deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit despite the challenges arising from Covid-19. This ensured the audit progressed in a very efficient manner and we would like to thank the finance team and other relevant officers for their engagement in the 2019-20 audit process.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 28 October 2020 and to full Council (as those charged with governance) on 26 November 2020.

In addition to the key audit risks and findings reported earlier in this report, our work identified some immaterial disclosure misstatements which were all adjusted in the final version of the financial statements.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report.

Our work indicated that both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We are currently undertaking work in line with instructions provided by the NAO. Once this work is complete, we expect to issue an assurance statement for the group auditor.

Certificate of closure of the audit

We are unable to certify at this time that we have completed the audit of the financial statements of Barnsley Metropolitan Borough Council. This is because we have yet to complete work on the Council's Whole of Government Accounts consolidation return. Once completed, we will be able to certify that we have completed the audit of the Council's financial statements in accordance with the requirements of the Code of Audit Practice.

3. Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in October 2020, we agreed two recommendations to address our findings.

Overall Value for Money conclusion

We were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Risks identified in our Audit Plan in January 2020	How we responded to the risk	Findings and conclusions (as reported in our Audit Findings Report (ISA 260) – November 2020 to full Council and October 2020 to the Audit Committee)
Financial standing - delivery of 2019-20 budget and savings plan The Authority achieved it's 2018-19 budget with an overall underspend of £7.5m after utilisation of £5.8m general fund reserves. As a result, the general fund reserves reduced from £135.8m to £130m as at 31 March 2019. For 2019-20, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver savings of some £5.8m whilst continuing to manage cost and demand pressures within Children's Services, Adult Social care and other vital services for the local population. Month 6 (September 2019) latest financial reporting to the Cabinet indicates the majority of savings plans are on track to be delivered. As at Month 6, the Council is projecting an overall general fund revenue underspend of £4.329m for 2019-20. However, there are continuing service demands and challenges to overcome in the second half of the year to deliver a balanced budget and achieve the savings targets for 2019-20. We will continue to monitor the Authority's financial position through regular meetings with senior management and consider how the Authority manages its budget and savings plans.	As part of our work we: • reviewed key financial and operational documents including final outturn report for 2019-20 • continued to monitor the Authority's current and medium term financial position through regular meetings with senior management • reviewed the financial reports to the Cabinet detailing impact on COVID-19 to the Council's budget for 2020-21. • Reviewed updated MTFS, capturing COVID-19 impact which was presented to the Cabinet	**2019-20** • At end of 2019-20, the Council delivered an overall operational underspend position of £6.9m, split between services of £6m and corporate budgets of £0.9m. The reported position was consistent with December's M9 forecast. As result, £1.9m of this underspend was earmarked to the Covid-19 recovery strategy and the other £5m being earmarked to increase the Council's minimum working balance in the general fund which increased from £15m to £20m. • The final position on the HRA was an operational underspend of £2.3m. This position was predominantly as a result of an overachievement of rental and other income of £1.9m together with underspends in repairs and maintenance costs of £0.4m. It was recommended that £0.6m of this balance to be used to support the recovery from COVID 19 with the remaining balance (£1.8m) being used to increase the Minimum Working Balance of the HRA. • The Council also delivered the 2019-20 £5.8m savings requirement in full. Overall, the Council's general fund increased by £3.8m in year from £130.1m to £133.9m as at 31 March 2020. **2020-21 and after** • In common with all local authorities, as a result of the Covid-19 pandemic, 2020-21 is going to be a very challenging financial year. • The Covid-19 pandemic has placed a significant strain on the 2020-21 revenue budget of £172.5m which includes savings targets of £7.4m. The Council is currently reporting an overall projected General Fund revenue overspend for 2020-21 of £33.5m before Covid funding. • In the Council's Q1 budget monitoring report for 2020-21, it estimated a net overall impact of Covid-19 for 2020-21 to be £15.7m. Discussions with the S151 Officer at the date of this report noted that this figure is now c£17m and could increase further depending on possible further restrictions via lockdowns. The Council has a plan to mitigate this impact via a variety of measures, including a moratorium on non-essential spending, 'business as usual' underspends, placing elements of the investment programme on hold, and also by having the ability to draw on specific reserves

Value for Money conclusion

Value for Money Risks

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions (as reported in our Audit Findings Report (ISA 260) – November 2020 to the full Council and October 2020 to the Audit Committee))
Financial standing - delivery of 2019-20 budget and savings plan – continued	See page 13	• The Council is currently forecasting the additional costs arising as a result of Covid-19 will be in the region of £22m. This includes providing additional support to the social care market, supporting the most vulnerable in society, maintaining social distancing, providing personal protective equipment as well as the increased cost of delivering front line services. • In addition to increased expenditure, a shortfall in income in the region of £18m is expected during 2020-21. This includes lost income from fees and charges totalling £8m, £4m in Council tax, £2m in business rates and £3m in housing rents, and other items of £1m. • Therefore this gives a combined impact of Covid-19 of c£40m on the Council. • Government has provided some financial support and to date, the Council has received £22.5m in funding. Further support has been announced for lost income from fees and charges, though details are yet to be announced. The Council has submitted a claim to MHCLG of £1.9m for the period to July 2020 and is currently awaiting payment which is due by the end of October. • The Council has an agreed Covid-19 Financial Recovery Strategy comprising of two phases. Phase 1 deals with the emergency response and short-term recovery for 2020-21. Phase 2 is longer term recovery and sustainability for 2021-22 and beyond. • The recently updated MTFS covers the period 2021-24 and was approved by the Cabinet in September. It highlights the need for savings efficiencies of £7.1m for 2021-22, with a further £3.3m in 2022-23 and £2.5m in 2023-24. There are detailed breakdowns of these efficiency targets. **Conclusion** The Council operates under significant financial pressures, however, it continues to have effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. Whilst the Council has a savings target for 2020-21 of £7.4m, it has a good record of delivering the savings required and considers the savings targets are achievable. The impact of Covid-19 for 2019-20 was limited given its impact commenced during March 2020. The impact for 2020-21 has been estimated by the Council at £15.7m after central government grant funding of £22.5m. The impact of Covid-19 has had a significant impact on the Council from mid March 2020, with additional costs to support operational services, lost income, and implications of potential reduced council tax and business rates payments. The Council continues to effectively manage its financial position and is dealing with the impact of Covid-19. The Council has not had to contemplate an emergency budget to offset the impact of Covid and has plans in place to deal with the expected cost of Covid. We therefore concluded that there are appropriate arrangements in place for sustainable resource deployment. This supported our 'clean' unqualified VFM conclusion.

Value for Money conclusion

Value for Money Risks continued

Risks identified in our Audit Plan in January 2020	How we responded to the risk	Findings and conclusions (as reported in our Audit Findings Report (ISA 260) – November 2020 to the full Council and October 2020 to the Audit Committee))
Glassworks Project This scheme is one of the largest capital projects ever undertaken by the Council and set to be completed by summer of 2021. The project represents a significant financial investment with an estimated total cost of c£200m. Given the significance of the development to the Council's regeneration objectives, financial commitments, borrowings, the governance and risk management arrangements, this capital project will continue to be a key area of focus for our 2019-20 VFM review. As part of our Value for Money arrangements work we will continue to consider the Council's arrangements in place in relation to Glassworks project, specifically considering the continuing governance and risk management arrangements during the final phases of this project	As part of our work we: • continued to discuss Glasswork project as a key agenda item with senior management during our routine liaison meetings and understanding the progress and challenges to the Council • reviewed key minutes of Glassworks Project Board meeting minutes for 2019-20 and beyond • reviewed cabinet reports on Glassworks project and discussed maters with the senior management • reviewed work done by Internal Audit , their findings and actions taken by the Council on Internal Audit recommendations • reviewed the future leasing strategy report prepared by Queensbury (the Council's Development Manager for the project)	Our continuing focus in this area was around governance and risk management arrangements in place to secure economy, efficiency and effectiveness in Council's use of resources in the phase 2 of this key capital project . Our findings were as follows: **2019-20 arrangements:** • The Glassworks Project Board forms the key governance and risk management framework for this project. The Council continues to conduct Project Board Meetings on a monthly basis. They are attended by very senior officers of the Council including relevant executive and service directors from Place and Core service Directorates. It is also attended by the developers and project management companies. Therefore it is attended by key stakeholders of this project. There is a clear agenda with items covering the risk register, progress report, which in turn covers key issues and risks for phase 2, client issues raised by the developer and project managers, latest leasing updates and challenges to leasing. It also includes financial updates comparing budgets and actual outturn. The minutes are taken for each meeting and followed up in the next meeting. This process has continued throughout 2019-20. • There is also a monthly progress report produced by the contractor and project management company which covers progress from the previous report and is issued monthly to the Council for discussion in Project Board meetings. The report covers key performance indicator review, health and safety matters, key risks to the project including a separate risk register, construction progress and a leasing update. SMT, Cabinet and the Scrutiny Committee all receive regular updates on the progress and ongoing challenges of the project. • Our work notes that a new agenda item has been added since global Covid-19 pandemic started and Covid-19 impact has been discussed at each monthly meeting since middle of March 2020. The monthly Project Board meetings and progress reports have continued since the pandemic started in March 2020. • We also reviewed the work undertaken by Council's internal auditors around governance and risk management arrangements of phase 2 of the Glasswork project. The findings were reported to the Audit Committee in December 2019. The overall conclusion was the governance arrangements in place were fit for purpose with some recommendations arising. Our discussions with management and internal audit has highlighted the recommendations have been implemented by early part of 2020. **Post-Covid-19 situation:** • It is important to note that our responsibilities under the Audit Code, in order to issue our 2019-20 VFM conclusion, are to consider the adequacy of the Council's arrangements in place up to 31 March 2020. However, given the impact of the Covid pandemic from mid-March, and the potential implications that has for the Glassworks project, we have continued to discuss the scheme and consider updated reports on the project post 31 March.

Value for Money conclusion

Value for Money Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions (as reported in our Audit Findings Report (ISA 260) – November 2020 to the full Council and October 2020 to the Audit Committee))
Glassworks Project- continued	See page 14	**Post-Covid-19 situation:** • The Cabinet was updated in April 2020 on the expected impact of Covid19 on the Glasswork project including the delay in completing the project due to the impact of the lockdown on construction. The project is now expected to be completed in November 2021 compared to the original planned completion date of June 2021, subject to no further substantial impact on construction from the second wave of the pandemic. • The April 2020 Cabinet report highlighted that Covid-19 is expected to have a real impact on the Glassworks project. For example, a number of food and retail businesses who were experiencing financial challenges prior to Covid have now gone into administration. Businesses that lease units in retail sites are focussing on their existing business and seeking payment holidays and rent reductions. There is also the risk in respect of people's changing consumer behaviours towards retail as a result of the lockdown and increased use of on-line shopping for food and other consumer products. • This creates a very challenging financial environment for the Glassworks project. Queensbury (the Council's Development Manager for the project) have performed a review of the future leasing strategy of the Glassworks to reflect the long-term impact of Covid on the scheme. The report confirmed the challenging environment noted in the bullet point above. • We note the Council took the decision to deliver the Glassworks project as a key strategic objective to regenerate the town centre. • Our discussions with senior management note that all key anchor tenants remain in place, with no cancellations from those organisations who were signed up to the development prior to Covid. • In addition, from a financial perspective, the Council's MTFS has been updated to try to remove any reliance on income from the project. So this significantly de-risks the financial implications arising from the project. • The Council remains committed to the Glassworks project as the key project to regenerate and reinvigorate the town centre. Given the current economic climate it will be important for the Council to ensure governance and financial risks continue to be closely monitored. Regular reporting to Cabinet and all Members should also be maintained. **Conclusion:** The Council continued to have adequate governance and risk management arrangements in place for the Glasswork project during 2019-20. As such, we issued an unqualified 'clean' VFM conclusion in respect of the arrangements in place regarding the Glassworks. Although we have not noted any specific areas for concerns around governance and risk management of this project in 2019-20, the impact of Covid-19 could be significant on the future of the project. Given the prevailing economic climate, capital investment involved, uncertainty around leasing agreements, and the significance of the project for the Council, it is important that strong governance and financial controls are maintained and continued in relation to the Glassworks 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

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	January 2020
Audit Findings (ISA260) Report	November 2020 to full Council and October 2020 to the Audit Committee
Annual Audit Letter	January 2021

Fees 2019-20

	Planned fees £	Actual fees £	2018-19 Actual fees £	2017-18 Actual fees KPMG £
PSAA scale fee	104,718	104,718	104,718	135,998
Audit fee variations (see page 17)	*20,850	**40,000	9,000	-
Total proposed fees	**125,568**	**144,718**	**113,718**	**135,998**

Audit fee variation

As outlined in our Audit Plan, the 2019-20 scale fee published by PSAA of £104,718 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. This was reported in our Audit Plan dated 14 January 2020 and has been updated to reflect the actual outturn as summarised on page 17 of this report.

Audit fee variation – continued

Our Audit Plan included a fee variation for £20,850 to take into account the additional audit work to be performed in relation to PPE, pensions and key areas of estimate and judgement. Over the past ten months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019-20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.

- Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. We included an Emphasis of Matter in the Audit Report in respect of the material uncertainty on property values and the Council's proportion of investment properties from the South Yorkshire Pension Fund.

- Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. In addition, our work on the glasswork project significant VFM risk (reported at pages 14-15) included a considerable amount of additional work.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines also being extended by 4 months and NHS deadlines by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached https://www.frc.org.uk/covid-19-guidance-and-advice (see guidance for auditors) sets out the expectations of the FRC.

As a result of the above, increased costs have been incurred due to the additional time taken to deliver the audit this year. We have discussed the likelihood of an additional fee variation with the S151 Officer, noting an expected variation of 15% of the above planned fee, taking the proposed fee to £144,718. Please note that all proposed additional fee variations are subject to approval by PSAA in line with the Terms of Appointment.

A. Reports issued and fees – continued

Area	Reason	Planned variation £	Actual variation £
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this. Our work increased in this area during the audit as we considered the impact of: • The McCloud and Goodwin judgements • The change in valuation from 31 January to 31 March • The findings arising from the Pension Fund auditor and the impact of this on our audit • Meetings with the Actuary to discuss their valuations This culminated in an emphasis of matter in our audit opinion in relation to the valuation of the Council's share of the SYPF investment properties.	3,500	10,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We increased the volume and scope of our audit work to reflect this including the use of a valuation expert. This culminated in an emphasis of matter in our audit opinion in relation the valuation of the Council's land and buildings as a result of the impact of Covid.	9,350	15,000
Increased challenge and depth of work on accounts and VFM conclusion	To meet the higher threshold set by the FRC, we have undertaken additional work and challenge in the following areas, including: • information provided by the entity (IPE) (increased risk given challenges of remote working) • journals • management review of controls • accounting estimates • going concern • related parties and similar areas • detailed financial resilience review as part of our VFM work • review of governance arrangements in place for the Glassworks project	5,000	10,000
Reduction in Materiality	A reduction in materiality from 1.8% of the benchmark (gross expenditure in cost of services) to 1.5% - reflecting additional areas to audit and sample testing requirements, resulting from a lower level of materiality and a greater level of scrutiny and assurance.	3,000	3,000
Covid-19	Additional staffing costs associated with the impact of Covid-19 amounted to some £10,000 but we have absorbed 80% of this and propose an additional £2,000.	0	2,000
Overall fee variation	**See table on page 16**	***20,850**	****40,000**

A. Reports issued and fees - continued

Non-audit fees for other services	Fee £
Audit Related Services:	
Housing Benefit Subsidy return 2019-20 **	19,000 [TBC work ongoing]
Certification of Teachers' Pension Return	6,000 (agreed and completed)
Pooling of Housing Capital Receipts	4,000 [TBC work ongoing]
Non-Audit Related Services:	
None	-

NOTE:

*** The £19,000 is the base fee for Housing Benefit Subsidy certification. For each 40+ testing workbook undertaken:*

£2,200 – where the work is completed by the Council and re-performed by Grant Thornton

£4,400 – where the work is undertaken by Grant Thornton

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table alongside summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

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