

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

Year ended 31 March 2019

15 July 2019



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Your key Grant Thornton
team members are:

Gareth Mills

Engagement Lead

T: 0113 200 2535

E: Gareth.Mills@uk.gt.com

Thilina De Zoysa

Engagement Manager

T: 0113 200 1589

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

Jack Walsh

Engagement in-charge

T: 0113 200 2529

E: Jack.H.Walsh@uk.gt.com

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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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 2019 for those charged with governance.

Financial Statements	<p>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:</p> <ul style="list-style-type: none">• 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. <p>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.</p>	<p>Our audit work commenced as planned at the beginning of June and, at the time of this report, remains ongoing July. Our key audit findings are summarised in this report.</p> <p>We have identified a small number of proposed adjustments, including a prior period adjustment of £37m, and these are detailed at Appendix B. We have also raised some recommendations for management as a result of our audit work in the Action Plan at Appendix A.</p> <p>Our work is currently progressing and, at this stage, there are no matters of which we are aware that would require modification of our proposed audit opinion (as set out at Appendix D), subject to the following outstanding matters:</p> <ul style="list-style-type: none">• finalisation of a testing and review of the work done by the engagement lead and manager in the following sections;- elements of testing on property, plant and equipment, finishing substantive testing of income streams and operating expenditure, work on the Housing Revenue Account and Collection Fund, completion of audit testing on debtors, creditors and reserves• review of the updated pension fund liability and related disclosures in light of the changes required following the McCloud judgement and Guaranteed Minimum Pension (GMP) requirements (we will review the updated accounting entries and disclosures upon receipt from the Council's actuary)• completion of work on the group accounts, and disclosures in respect of related party transactions and PFI schemes• completion of our audit work on some notes to the accounts not included above in line with our audit approach• receipt of the updated Annual Governance Statement (AGS) and Narrative Report taking into account our review of the draft versions of these documents• completing our review of management's going concern assessment• receipt of management's letter of representation (included as a separate item on the Audit Committee's agenda for 22 July)• review of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited, subject to satisfactory completion of our review of the Narrative Report and AGS.</p> <p>We expect to issue an unqualified (clean) audit opinion by 31 July 2019.</p>
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Headlines - continued

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Our Audit Plan presented to the Audit Committee on 23 January 2019 identified the following two key areas of focus on the Council's value for money arrangements:

- Financial standing – delivery of 2018-19 budget and savings plan and achievement of Medium Term Financial Strategy (MTFS)
- Arrangements in place for the Glass Works development.

We have completed our risk based review of the Council's value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources around these two risks. Appropriate arrangements are in place in relation to the management of the Council's financial position and in the governance, risk management and financial management of the Glass Works scheme to date.

We therefore anticipate issuing an unqualified 'clean' value for money conclusion, as detailed at Appendix D. Our findings are summarised in section 3 of this report.

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 have completed the majority of work under the Code. We expect to be able to certify the conclusion of the audit once we have completed our review of the Council's Whole of Government Accounts (WGA) return. We anticipate issuing our audit certificate by the NAO's WGA deadline of 31 August 2019.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

2. Summary

Overview of the scope of our audit

This Audit Findings 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 have been discussed with management prior to reporting to the Audit Committee.

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 group and Council's business and is risk based, and in particular included:

- An evaluation of the group and 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 the component and to determine the planned audit response
- From this evaluation, we determined that a full ISA(UK) audit of the parent undertaking was required (which is the Council). On the other two components, namely Berneslai Homes Limited and Penistone Grammar Trust, we performed specified audit procedures on material balances and transactions
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to significantly alter or change our Audit Plan dated 10 January 2019, as communicated to you on 23 January at the Audit Committee. There was one change noted following our interim audit, which was the inclusion of an additional component in the group accounts (Penistone Grammar Trust), we have taken this into account in our audit work performed on the group.

Conclusion

Our audit work on your financial statements is currently ongoing. Subject to outstanding work and queries being satisfactorily completed and resolved (previously listed on page 3 of this report), we anticipate issuing an unqualified audit opinion following the Audit Committee on 22 July 2019, as detailed in Appendix D.

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 calculations remain the same as reported to you in our Audit Plan, presented to the Audit Committee in January. Our determination of materiality is detailed below.

Materiality category	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	10,000,000	9,900,000	We have determined materiality at 1.8% of gross expenditure from the 2017-18 final accounts. This is in line with the industry standard and reflects the risks associated with the Council's financial performance.
Performance materiality	7,000,000	6,930,000	This is 70% of materiality and reflects any significant findings from the work of the previous external auditor and that 2018-19 is the first year of audit for us as external auditors.
Trivial matters	500,000	500,000	A standard level of five per cent of materiality has been used. This is our reporting threshold for any errors identified.
Materiality for specific transactions, balances or disclosures		5,000	The senior officer remuneration disclosure has been identified as an area requiring specific materiality of £5,000 based on the disclosure bandings, due to its sensitive nature.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>1 The revenue cycle includes fraudulent transactions</p>	<p>Auditor commentary</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Barnsley MBC, mean that all forms of fraud are seen as unacceptable. <p>We did not consider this to be a significant risk for the Council in our Audit Plan.</p> <p>Therefore we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.</p> <p>Our audit work has not identified any issues in respect of fraudulent revenue recognition.</p>
<p>2 Management override of controls</p>	<p>Auditor commentary</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council continues to face financial pressures and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>As part of our audit, we:</p> <ul style="list-style-type: none"> • 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 made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions <p>Our audit work to date has not identified any issues in respect of management override of controls. We are currently working through the journals selected for testing, we will provide a verbal update the Audit Committee on 22 July with our final findings on our review of journals.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>3 Valuation of the pension fund net liability</p> <p>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.</p> <p>The group's pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The groups £400m net liability as at 31 March 2018 was derived from both the Council's single entity liability of £376m and Berneslai Homes Limited liability of £24m.</p> <p>We therefore identified valuation of the group and Council's pension fund net liability as a significant risk in our Audit Plan, which was one of the most significant assessed risks of material misstatement.</p>	<p>Auditor commentary</p> <p>As a response to this risk , our audit work included but was not restricted to:</p> <ul style="list-style-type: none"> • updating our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessing the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation • assessing the accuracy and completeness of the information provided to the actuary to estimate the liabilities • testing the consistency of the pension fund assets and liabilities and disclosures in the notes to the core financial statements with the actuarial reports from the actuary • undertaking 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 • obtaining assurances from the auditor of 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 (currently awaiting this information).
	<p>Key observations</p> <p>Subject to satisfactory receipt of assurances from the auditor of the Pension Fund, we have reviewed this estimate and are satisfied that it is reasonable. Key assumptions have also been reviewed and agreed as reasonable. In the 'significant findings – other issues' on page 9 we set out the potential impact of the McCloud judgement on the pension fund net liability.</p> <p>At the time of producing this report, we have been in discussions with management and we are aware that the Council has requested updated reports from its actuary to take into account the impact on the Council's pension numbers of the McCloud judgement and GMP. We understand the expected impact of these issues would result in an increase of the Authority's £438m pension fund liability of c£12m.</p> <p>We will review the updated actuary reports and resulting changes to the pension figures in the accounts once received. We will verbally update the Committee on 22 July with our findings on this issue.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>4 Valuation of land and buildings</p> <p>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 (PY: £885m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, the Council needs to ensure the carrying value of land and buildings in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>Auditor commentary</p> <p>As a response to this risk, our audit work included but was not restricted to</p> <ul style="list-style-type: none"> evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluating the competence, capabilities and objectivity of the valuation expert discussing with the valuer the basis on which the valuation was carried out challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding testing revaluations made during the year to see if they had been accounted correctly in line with applicable accounting guidance and input correctly into the Council's asset register assessing how management have confirmed assets valued at 1 April 2018 have not significantly changed in value by the year end, 31 March 2019 evaluating 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 reviewing the Council's PFI schemes to consider the appropriateness of the accounting entries. <p>Our audit work to date identified a material issue in relation to accounting for land and buildings, in relation to a requirement for a prior period adjustment (PPA). The PPA is in relation to the Horizon School which had a net book value of £37m at the time it gained Trust status in June 2017. The Council's accounting policy is to treat such transfers as a loss on disposal at the point the transfer takes place. Therefore the transfer and the resulting loss on disposal should have been reflected in the 2017-18 accounts.</p> <p>The Council is to restate the 2017-18 comparative accounts for this issue (which is discussed in more detail alongside other audit adjustments at Appendix B). In addition, in order to mitigate the chances of an issue like this occurring in the future, we have raised a recommendation in the Action Plan at Appendix A, to ensure communication on school transfers is enhanced between finance, estates and legal.</p> <p>This issue is to be corrected by management and therefore the matter will not impact our audit opinion.</p>

Significant findings - other issues

Issue	Commentary	Auditor view
<p>Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling and GMP. The actuary's estimate suggested a potential impact of these issues would result in an increase of the Council's £437.9m pension fund liability by c£12m.</p> <p>The Council has requested that it's actuary carry out a detailed review of the impact of this issue and will update it's accounts on completion of the Actuary's work.</p> <p>We will review the updated actuary reports and resulting changes to the pension figures in the accounts once received. We will verbally update the Committee on 22 July with our findings on this issue. Management's view is that the impact of this change is material and therefore updating the accounts for this issue is appropriate.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Given the change in liability resulting from the McCloud judgement, management has agreed to process the adjustment of c12m on receipt of the updated IAS19 report. We consider this an appropriate adjustment to the Council's financial statements.</p> <p>We have included this as an adjusted item at Appendix B.</p>

Significant findings arising from the group audit

Component	Findings	Group audit impact
Berneslai Homes Limited (BHL)	<ul style="list-style-type: none"> We noted in our Audit Plan in January 2019 that there are no specific significant risks associated with BHL other than the group defined benefit pension liability where there was a £24m pension liability associated with BHL as at 31 March 2018. We noted the liability has increased to £32m as at 31 March 2019 After reviewing the figures of BHL as at 31 March 2019, we are able to fully confirm that there are no specific significant risks associated with BHL that would relate to a significant risk for the group audit purposes 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 costs and short term investments. Our work to date has not identified any material issues that require reporting to you We completed a review of the group consolidation process and no issues were identified that need reporting to you. 	<ul style="list-style-type: none"> No material or other reporting issues were noted from BHL's inclusion in the group accounts Subject to satisfactory completion of our group audit work, we are satisfied that the group accounts after taking account intercompany transactions, are not materially misstated.
Penistone Grammar Trust (PGT)	<ul style="list-style-type: none"> Our Audit Plan in January 2019, did not include PGT as a component of the group. The Council as part of its' continued assessment of preparation of group accounts have identified that PGT is a material component to the group and therefore , for the first time has included PGT in the group accounts. As a result , the Council restated its' comparative figures for last year to incorporate this. 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. Our work to date has not identified any material issues that require reporting to you We completed a review of the group consolidation process and no issues identified that need reporting to you. 	<ul style="list-style-type: none"> No material or other reporting issues were noted from PGT's inclusion in the group accounts Subject to satisfactory completion of our group audit work, we are satisfied that the group accounts after taking account intercompany transactions, are not materially misstated.

Action Plan – IT general controls audit

We have identified the recommendations for the Council as a result of issues identified during the course of our IT General controls audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019-20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our IT audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Rec	Issue and risk	Recommendations
4	<p>Dialogue users with access to [REDACTED]</p> <ul style="list-style-type: none"> During our review, we noted four dialogue users with access to the [REDACTED] profile. The [REDACTED] profile contains [REDACTED] system rights and should not be used with any dialogue type accounts within the production environment. [REDACTED] [REDACTED] [REDACTED] 	<p>The [REDACTED] profile should be reserved for use within an emergency or fire-fighter type ID that can be locked when not in use since most day to day administrative activities do not require such wide-ranging access as provided by [REDACTED]</p> <p>Management Response:</p> <p>The Council has a number of specialised users that have access to the [REDACTED]. One of these accounts specifically relates to when the Council requires external SAP technical expertise and a connection is opened in the SAP Support Portal and therefore is controlled and managed. The remaining user accounts relate to Council officers who have the [REDACTED] profile as a requirement to fulfil their SAP support roles. Transaction history is recorded on a daily Profile Tailor report to allow for review and investigation (where appropriate) [REDACTED]. This report is automatically submitted to the ICT Manager (SAP) for review and sample checking to mitigate associated risks.</p> <p>In conjunction with the above, the Council will review these roles and respective responsibilities on an individual basis to assess whether new roles are to be subsequently designed.</p> <p>In addition to the IT system controls, the wider control framework gives management further assurance around the identification of any potential financial misstatements e.g. through regular budget monitoring activity with finance professionals.</p>
5	<p>Generic test account with access to sensitive SAP t-codes</p> <ul style="list-style-type: none"> During review, we noted that a test account [REDACTED] was created for testing purposes by one of the SAP IT Internal team. This account was granted access to sensitive t-codes Access to sensitive t-codes and authorisation objects by generic test accounts increases the risk of account misuse and processing of unauthorised transactions. Considering that account activity is not logged and reviewed, any misuse will also go undetected by management. 	<p>We recommend that [REDACTED] dialogue account should be removed. If there is business need, access and authorisation objects should be limited to the specific test functions for which the account was created. Additionally, activities of this account should be logged and reviewed.</p> <p>Management Response</p> <p>This account (used by a designated SAP specialist) was provided with temporary additional access to rule out authorisation issues while diagnosing a problem faced by a user during the year. If such test accounts are required again in future, then this account will include a (as an essential requirement) populated end date to automatically remove access.</p> <p>The [REDACTED] account has been 'locked' and [REDACTED] has since been removed.</p> <p>These t-codes are now picked up on a daily Profile Tailor report which is auto submitted to the ICT Manager (SAP) for review and action as appropriate.</p>

Action Plan – IT general controls Audit

Rec	Issue and risk	Recommendations
6	<p>Access to data and altering utilities not properly restricted</p> <ul style="list-style-type: none"> During our review, we noted that there were five dialogue accounts with inappropriate access to modify SAP table data via t-code SM30. Unauthorised access to customised or standard data tables increases the risk of data being edited directly potentially resulting in unauthorised entries or database integrity problems. 	<p>Management should ensure that customisable tables are adequately protected by preventing users from using the SM30 or SM31 transaction code. Where this is not possible due to business requirements SAP customisable tables should be protected via authorisation groups and users restricted in their access to those authorisation groups.</p> <p>As a minimum, no user with access to SM30 and SM31 should have a wild card entry (*) in the DICBERCLS field of the S_TABU_DIS authorisation object. In all cases where users (both IT and end user) have access to SM30 and SM31, management should consider logging the use of these transactions and should review them periodically.</p> <p>Management response</p> <p>Of the accounts identified, two have already had this access removed and the other three are no longer set as dialog users [which effectively means their accounts are “dormant” and cannot be accessed]. These individuals access accounts were also removed from the corporate network (Active Directory) as part of the leavers process. These accounts are not deleted as they are attached to historical processes configured over time within SAP that cannot be transferred to an active user.</p> <p>Ongoing monitoring of the use of SM30/SM31 is considered as part of the Profile Tailor report (within 1 hour of access) which is automatically submitted to the ICT Manager (SAP) for review and action as appropriate.</p>
7	<p>[Redacted]</p> <ul style="list-style-type: none"> [Redacted] [Redacted] 	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>

Action Plan – IT general controls Audit

Rec	Issue and risk	Recommendations
8	<p>Programmers have the ability to transport changes from development to production via STMS</p> <ul style="list-style-type: none"> During our review, we noted Programmers have the ability to transport changes made in the development environment directly to the production environment via STMS transport tools <p>[Redacted]</p>	<p>Programmers should not have access to any SAP transport utilities. This should be achieved by removing all user records for programmers. Furthermore, programmers should not have any privileged access to the operating system on the SAP server or have the ability to remotely call the SAP transport program 'tp'.</p> <p>Management response</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>
9	<p>Programmers have access to production environment with associated development keys</p> <ul style="list-style-type: none"> During our review, we noted [Redacted] with access to production environment with associated development keys Access to both live data and system programming utilities are incompatible user permissions. [Redacted] <p>[Redacted]</p>	<p>Management should ensure that programmers do not have more than view access to the production environment. Where it is necessary for a [Redacted] to replicate a problem in the production environment, this should be done under very strict emergency/firefighter conditions using a system ID that is checked out especially for the purpose of resolving the emergency. All actions taken by this firefighter ID should be logged in SM21 and independently reviewed by management.</p> <p>Management response</p> <p>[Redacted] of the users identified do not have live accounts on the SAP system; they are historic users that performed development work in previous periods and therefore their entries within the Development User tables exist. They were removed from the corporate network (Active Directory) as part of the Council's leaver's process.</p> <p>The recommendation provided is contradictory to SAP Best Practice Guidance. SAP Note 1710320 states that SAP does not provide a method of maintaining this table and that they do not recommend performing manual maintenance of the table. The remaining [Redacted] are SAP Specialists.</p> <p>To segregate these two abilities, transactions will be assessed and new roles created to split these functions and remove the highlighted risk. These new roles will then be allocated to named users to replace their current authorisations / roles.</p> <p>In the interim, Profile Tailor auto reports (see below) will be utilised to alert / inform the ICT Manager (SAP) of activity in these areas.</p>
		<p>In addition to the IT system controls, the wider control framework gives management further assurance around the identification of any potential financial misstatements e.g. through regular budget monitoring activity with finance</p>

Action plan – IT general controls Audit

Rec	Issue and risk	Recommendations
10	<p>Excessive number of dialogue accounts with access to SM37 and SM36</p> <ul style="list-style-type: none"> During our review, we noted that the number of dialogue accounts with access to SM37 and SM36 was excessive, as detailed below: SM37 – 3413 dialogue active accounts SM36 – 3413 dialogue active accounts <p>█ [REDACTED]</p> <p>█ [REDACTED]</p> <p>█ [REDACTED]</p> <p>█ [REDACTED]</p>	<p>Management should ensure that batch administration utilities are restricted to appropriate users. Access to SM37 and SM36 should be reviewed and restricted to authorised users in line with their job responsibilities.</p> <p>Management response Restrictions are already imposed on the authorisation object S_BTCH_JOB to only allow Delete, List, Display Processing Log and Display Job Queue. It does not allow Releasing of Jobs or Modifying Other Users' Jobs.</p>
11	<p>Review and monitor of SM21 logs</p> <ul style="list-style-type: none"> During our review, we noted that logging was enabled, [REDACTED] [REDACTED] The SAP System logs all system errors, warnings, user locks due to failed logon attempts from known users, and process messages in the system log. The system log output screen is accessed via transaction SM21 [REDACTED] [REDACTED] [REDACTED] 	<p>Management should identify changes made to the production environment using the various SAP utilities available such as logs maintained in STO3, SM20 and SM21 or SCC4.</p> <p>Management should consider review the use of certain sensitive transactions which can be logged using the rsau/enable parameter in RSPARAM or via ST03. The appropriate measures should be taken to ensure that the logs are stored off line and the relevant transactions to control the logging are disabled for users who are being logged.</p> <p>Management response Monitoring the use of ST03, SM20, SM21 and SCC4 is considered via Profile Tailor report (within 1 hour of access) which is auto submitted to the ICT Manager (SAP). The ICT Manager (SAP) will continue to undertake a spot check of these reports (see below) on a monthly basis. These will be documented within an audit log evidence report with the outcomes recorded as appropriate.</p> <p>SM21 logs are reviewed daily and stored as read only. Daily checks are undertaken to evidence that the audit logs have been checked on SAP for audit trail purposes.</p> <p>For SCC4 changes would go through IT Services O-CAB (ITIL) process for approval.</p> <p>In addition to the IT system controls, the wider control framework gives management further assurance around the identification of any potential financial misstatements e.g. through regular budget monitoring activity with finance professionals.</p>

Action Plan – IT general controls Audit

Rec	Issue and risk	Recommendations
12	<p>Lack of user access reviews for SAP</p> <ul style="list-style-type: none"> █ [REDACTED] This finding was previously raised by Internal Audit and we acknowledged that management are currently implementing the Internal Audit recommendation through a project SAP role review (Finance SAP roles and Authorisation review) with a target completion date of December 2019 • [REDACTED] 	<p>User access review should be carried out at least annually. The user access review should consist of two primary objectives:</p> <ol style="list-style-type: none"> 1. assess whether the user still requires SAP access 2. assess whether the user should retain the authorisations currently held. <p>Business unit/line managers should certify confirming appropriateness of SAP access for users within their departments.</p> <p>Management response</p> <p>A comprehensive review of all financial access across the whole Council has been undertaken. This has resulted in the removal of a number of role assignments to current users of SAP finance. SAP user access is reviewed annually as part of our own Internal Audit core system audit process.</p> <p>Currently, the Council is undertaking a full review of all unused roles and transactions with a view to removing any roles/transactions after thorough testing has been completed. The conclusion will be that only bona fide transactions are left available to use for processing information to fulfil roles and responsibilities. [REDACTED]</p> <p>IT Services are also producing a Starter, Changes and Leavers Policy and ITIL Process, with a view to implement across the Council later this year. This will use Profile Tailor workflow processes to identify such users, and prompts for actions e.g. amend, remove or add access.</p>

Appendix B: 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 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on the Council's useable reserves
<p>1 Prior Period Adjustment – disposal of Horizon school building</p> <p>We identified a material prior period adjustment regarding the disposal of Horizon Community College to the Horizon Archbishop Holgate Foundation Trust in June 2017. The asset was legally disposed of in June 2017 however, it was not accounted for in the 2017-18 accounts but was instead included in the 2018-19 accounts.</p> <p>Considering the disposal related to the prior period and was also material, it met the definition of a prior period adjustment under accounting standards and the CIPFA Code.</p>	<p>37,725</p> <p>2017-18 loss on disposal</p> <p>(697)</p> <p>2017-18 Depreciation</p> <p>&</p> <p>Reverse out from 2018-19 loss on disposal</p>	<p>(37,028)</p> <p>2017-18 reduction in PPE</p> <p>&</p> <p>No change to 2018-19 PPE</p>	<p>This increases the loss on disposal in the 2017-18 comparative accounts and reduced the loss on disposal shown for 2018-19.</p> <p>It is important to note that this adjustment does not impact on the Council's level of useable reserves.</p>
<p>2 Pension Liabilities – McCloud legal case</p> <p>As a result of Supreme Court's decision on 27 June 2019 denying the Government to appeal against the 'McCloud case' gave rise to reassess the Council's IAS19 liabilities and associated disclosures. The Council is responsible for making the estimates included in the financial statements and for ensuring that the financial statements are not materially misstated which also includes IAS19 entries.</p> <p>Due to significant amounts involved under pension liabilities, Council made a decision and instructed its actuary to run a revised IAS19 report incorporating the impact of McCloud and GMP Judgement.</p> <p>The assessment is expected to result in a material change to the previously reported pension liabilities in the draft accounts (up to a maximum of c£12m).</p> <p>We anticipate the Council will incorporate the revised figures into the financial statements once received from the actuary.</p>	<p>12,573</p> <p>Increase in Surplus / Deficit on Provision of Services</p> <p>(172)</p> <p>Decrease in Actuarial Gains / Losses</p>	<p>(12,401)</p> <p>Increase in pension liability</p> <p>12,401</p> <p>Increase in pension reserve deficit</p>	<p>There is no impact on the Authority's useable reserves arising from this adjustment.</p>
Overall impact			No impact on useable reserves

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.

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	Fees to Grant Thornton regarding Housing Benefit, Teachers Pension and Pooling Capital Housing Receipts were updated to reflect all non audit related services	External Audit Costs Note 14	✓
2.	Disclosure	This note was updated to reflect required disclosures in line with accounting guidance for all Senior Officers' remuneration in respect of 2018-19.	Officers' Remuneration Note 13	✓
3.	Disclosure	Minor presentational adjustments were made to the Narrative Report to ensure the content was consistent with the financial information and the activities during year ended 31 March 2019.	Narrative Report	✓
5.	Disclosure	Minor updates were made to Related Party Disclosure note to further reflect the nature and essence of this note.	Related Parties Note 17	✓
6	Disclosure	The revaluations table was updated to reflect that it shows cost or valuations rather than the Net Book Value	Revaluations Note 19	✓
7	Disclosure	Group Accounts notes were updated and additional narrative was added to further reflect the restatement of the accounts due to inclusion of Penistone Grammar Trust being consolidated in the group accounts for the first time.	Group accounts	✓
8	Disclosure	Accounting Policies were reviewed and the following changes were agreed with management: <ul style="list-style-type: none"> AUC are not depreciated. Draft accounts indicated that they are reported at 'depreciated historical cost' The depreciation table which indicated Council Houses have 15-50 years economic life was updated to reflect the correct banding for buildings 	Accounting polices	✓
9	Disclosure	A brief note was added to explain why the pension liability is not equal to the pension reserve as at 31 March 2019 due to advance payments made in the prior year.	Defined Benefit Pension Schemes Note 38	✓
10	Disclosure	A correction for an original typo which stated that the basic amount of council tax for a band D property in 2018-19 was £1,660.90M – now updated without the "M".	Collection Fund Note B	✓

Audit Adjustments

Impact of unadjusted misstatements

At the time of this report, there are no unadjusted errors identified in our 2018-19 audit. All identified adjustments have been processed by the management.

Other matters

During our work on Property Plant and Equipment, we identified that some elements of the Council's land had been depreciated incorrectly in 2017-18 accounts. Land has infinite life and should not be depreciated in line with the Council's accounting policy on depreciation and standard accounting practices.

The depreciation charged against land has been quantified as £2.2m. The error is not material and, unlike the Horizon school building, does not warrant a prior period adjustment under the CIPFA Code and accounting standards.

The Council has corrected this matter within the 2018-19 accounts.

Appendix C: Fees

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

Audit Fees

	Proposed fee	Final fee	2017-18 fee (to predecessor auditor)
Authority Audit	£104,718	£104,718*	£135,998
Total audit fees (excluding VAT)	£104,718	£104,718*	£135,998

* We wish to note that in light of the additional audit work to be performed on the Pension balances and entries in the Authority's accounts (as a result of the McCloud judgement and GMP), and the additional work performed on PPE, there is likely to be an additional fee proposed for this audit work. We will discuss any additional fees with the S151 Officer and the Audit Committee. We will provide an update on this in our Annual Audit Letter, due to be presented to the Audit Committee in September 2019.

The audit fees reconcile to note 14 in the financial statements.

Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• Housing Benefit Certification	16,400
• Certification of Teachers' Pension Return	4,200
• Pooling of Housing Capital Receipts	3,000
Total audit related services	23,600
Non-audit services:	
• None	-

Appendix D: Audit opinion (proposed)

We anticipate we will provide the Group and Council with an unmodified 'clean' audit opinion by 31 July 2019

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

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Barnsley Metropolitan Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 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 Sheet, 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, Annex A comprising the Authority's Accounting Policies, 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 2018-19.

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 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19
- 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. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 not appropriate
- the Service Director for Finance, Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

Other information

The Service Director for Finance, Chief Financial Officer is responsible for the other information. The other information comprises the Narrative Report included in the Statements of Accounts and the 2018-19 Annual Governance Statement published separately to the Statement of Accounts. Other information excludes the Authority and group 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.

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 of the group and Authority 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Audit opinion (proposed)

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 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 the 'Delivering Good Governance in Local Government: Framework (2016)' 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 matter 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 gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information, which is the Narrative Report and the Annual Governance Statement 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 more fully in the Statement of Responsibilities for 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 2018-19, for being satisfied that they give a true and fair view, and for such internal control as the Service Director for Finance, Chief Financial Officer's 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 group's and the Authority'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 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.

Audit opinion (proposed)

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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.

TO BE SIGNED

Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Date: TBC



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