

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

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Year ended 31 March 2020

19 October 2020



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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 2020 for those charged with governance.

<b>Covid-19</b>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council from March 2020. Given the impact of the pandemic only started from mid-March, additional costs have not had a major impact on the financial outturn for 2019-20, however, the scale of impact is being felt during 2020-21.</p> <p>There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and staff furloughed.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Practice on Local Authority Accounting, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 22 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VFM approach. Further detail is set out on page 6.</p> <p>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, meetings have been replaced by telephone and video conferencing arrangements which has also been extended to Council Committee meetings including the Audit Committee.</p> <p>We were provided with the Council's draft 2019-20 statement of accounts on 30 June 2020, ahead of the revised 31 August 2020 deadline.</p>
<b>Financial Statements</b>	<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"> <li>• 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</li> <li>• 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.</li> </ul> <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 was completed remotely throughout July to October 2020. Our findings are summarised on the following pages. We have identified the following adjustment to the financial statements:</p> <ul style="list-style-type: none"> <li>• Pension fund liability - an increase in the Council's pension fund liabilities of £6.4m resulting from the actual pension asset valuation not taking place at 31 March 2020 and as a result the pension asset valuation being reduced by 0.63%</li> </ul> <p>It should be noted the above adjustment does not impact on the Council's General Fund or useable reserves position. Further details of the audit amendments are reported at Appendix C. We have also raised a small number of recommendations for management as a result of our audit work at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:</p> <ul style="list-style-type: none"> <li>• completing the remaining elements of our work on PPE, pension fund assets and liabilities, payables, receivables, payroll costs, financial instruments and the Group audit</li> <li>• assurance from the South Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts. Until received, currently expected by late October 2020, we will be unable to complete our audit work and issue our audit opinion</li> </ul>

**Financial Statements continued**

- completion of our internal quality review processes, including final reviews of the file by both the manager and engagement lead, specifically in respect of significant audit risks of PPE revaluations and the Pension Fund liability
- procedures for Whole of Government Accounts
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements, the Narrative Report and Annual Governance Statement, are consistent with our knowledge of your organisation and compliant with the CIPFA Code.

Our anticipated audit report opinion will be unqualified with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19. This is due to the Council's valuers reporting a material uncertainty in their valuation reports and also being reported in the Council's financial statements. This is a consistent finding across our local authority audits.

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**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').

We updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. The VFM risks identified at the planning stage of our audit were the Council's financial standing and the Glasswork project's governance and risk management arrangements. We have not identified any new VFM risks in relation to Covid-19.

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.

We anticipate issuing an unqualified value for money conclusion, as detailed at Appendix E. Our findings are summarised on section three of this report.

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**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 our work under the Code but will not be able to issue our completion certificate until we have completed our work on the Whole of Government consolidation pack.

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**Acknowledgements**

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

## 2. Financial statements - Audit approach

### 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.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

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

- an evaluation of the Council's internal controls environment, including its IT systems and controls
- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of each component and to determine the planned audit response. From this evaluation we determined that a targeted approach was required as part of our audit of Berneslai Homes Limited (BHL) and Penistone Grammar Trust (PGT)
- 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 had to alter our original Audit Plan from January with an Audit Plan Addendum. The Addendum was as communicated to you on 22 April 2020, to reflect our response to the Covid-19 pandemic.

### Conclusion

We have substantially completed our audit of your financial statements and subject to the outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, including an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19. These outstanding items include:

- completing the remain elements of our work on PPE, pension fund assets and liabilities, payables and receivables, payroll costs, financial instruments and the Group audit
- assurance from the South Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts. Until received, currently expected mid to late October 2020, we will be unable to complete our audit work and issue our audit opinion
- completion of our internal quality review processes, including final reviews of the file by both the senior manager and engagement lead, specifically in respect of significant audit risks of PPE revaluations and the Pension Fund liability
- procedures for Whole of Government Accounts
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

### Our approach to materiality

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

Materiality levels remain the same as reported in our Audit Plan and Audit Plan Addendum.

Materiality area	Group Amount (£)	Council Amount (£)	Qualitative factors considered:
Materiality for the financial statements	8,443k	8,425k	Materiality has been based on 1.5% of the Authority's gross expenditure
Performance materiality	5,910k	5,898k	Our performance materiality has been set at 70% of our overall materiality
Trivial matters	422k	421k	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.
Materiality for specific transactions, balances or disclosures	-	5k	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature.

# Significant audit risks

## Risks identified in our addendum to the Audit Plan (April 2020)

### 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.

## Auditor commentary

As part of our 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. We 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 asset 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.

On the basis of our work, we concluded that our anticipated audit report opinion would be unqualified with an emphasis of matter relating to the material uncertainty around the valuation of land and buildings. It should be noted that this change to our opinion is 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 local authority audits.

# Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including at Barnsley Metropolitan Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate.</p> <p>As we did not consider this to be a significant risk for the Council, 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><b>Management over-ride of controls</b></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 Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work has not identified any issues in respect of management override of controls.</p>

# Significant audit risks

## Risks identified in our Audit Plan – January 2020 and April 2020

### Auditor commentary

#### 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 have:

- 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, included 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.

Whilst our audit work remains on-going, our audit work to date has not identified any issues in respect of the valuation of land and buildings, except for the following matter:

The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in critical judgements and estimations made within the financial statements. In this section, there is a specific Covid-19 uncertainty capturing the material uncertainty in the 'critical judgements and assumptions' sections of the financial statements. Therefore, we consider it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty. It is important to note that this is a national issue, applying to local authorities with material land and building asset bases.

# Significant audit risks

## Risks identified in our Audit Plan (January 2020)

## Auditor commentary

### 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 BHL liability of £32m.

Update July 2020: According draft accounts presented for audit 31 March 2020 net liability for the group was £434m, which is from both the Council's single entity liability of £402m and BHL 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 have:

- 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 (SYPF) 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 awaited]
- carried out meetings with the actuary to further understand the impact of the McCloud and Goodwin judgements on the pension fund liability, and clarifying our understanding on experience gains and losses calculation.

Our audit work on the valuation of the pension fund net liability remains on-going. Our audit work to date has identified;

- the figures provided on investment return in the actuary reports were based on asset valuations as at 31 January 2020. As part of the SYPF final accounts process, it has now revised the investment return percentage based on the final fund valuation per SYPF accounts as at 31 March 2020. This takes account of market movements in some investments from January to March 2020. This exercise has resulted a decrease in investment return of 0.63% which in turn has an overall impact of increasing the net pension liability by £6.4m. Management has agreed to amend the revised accounts for this matter.
- further to our discussions with the Council's actuary, we have 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 (an pensions discriminatory legal case), the actuary has confirmed the maximum impact would be a c0.1% increase of the pension liability which amounts to less c£1m. This is well below our materiality and performance materiality levels and we have not requested any adjustment to the financial statements.

As a result of the pension fund balance being a significant audit risk, we need to be satisfied that we have sufficient and appropriate audit evidence over these material entries. As such, we will need to closely consider the updated information that we receive from the Pension Fund. We also need to review the contents of the assurance from the auditors of the SYPF audit. We are expecting to receive this from the SYPF auditors by the end of October. Should the pension fund auditor's report refer to a material uncertainty on pension fund valuations due to Covid-19, we will need to consider the impact on the Council's accounts and our audit opinion. Our discussions to date with the pension fund auditor has indicated that they are not anticipating to report any material uncertainty on pension fund valuations due to Covid-19.

# Significant findings arising from the group audit

Component	Work performed and findings	Group audit impact
<b>Berneslai Homes Limited (BHL)</b>	<p>We adopted a targeted approach of the material balances and transactions of BHL financial statements for year ended 31 March 2020.</p> <ul style="list-style-type: none"> <li>• Our audit approach included obtaining sufficient assurances based on group materiality over any material balances and transactions of BHL outside the group boundary based on group materiality. This included the BHL pension fund liability, operating expenditure and short term investments.</li> <li>• Our work to date has not identified any material issues that require reporting to you.</li> <li>• We completed a review of the group consolidation process and no issues were identified that need reporting to you.</li> </ul>	<p>Our audit work is complete except for:</p> <ul style="list-style-type: none"> <li>• Receipt of satisfactory evidence for the operating expenditure sample</li> </ul> <p>Subject to the satisfactory resolution of the outstanding information above, there are no issues to report from the consolidation BHL into the Council's group accounts.</p>
<b>Penistone Grammar Trust (PGT)</b>	<p>We adopted a targeted approach of the material balances and transactions of PGT's financial statements for year ended 31 March 2020.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Our work to date has not identified any material issues that require reporting to you.</li> <li>• We completed a review of the group consolidation process and no issues identified that need reporting to you.</li> </ul>	<p>Our audit work is complete except for:</p> <ul style="list-style-type: none"> <li>• Clarification around the classification of endowment fund balances</li> </ul> <p>Subject to the satisfactory resolution of the outstanding information above, there are no issues to report from the consolidation PGT into the Council's group accounts.</p>

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Council Housing - £580.429m</b>	<p>The Council is required to revalue its Council housing in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged its valuer to complete the valuation of these properties. The valuation was at 31 March 2020 and valued Council Housing at £580.4m, a net increase of £15.8m from 2018-19 (£564.6m).</p> <p>The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in their valuation reports. This is also reported in critical judgements, estimations made within the financial statements.</p>	<ul style="list-style-type: none"> <li>The Council's RICS qualified valuer valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties.</li> <li>Our work indicated that this methodology was applied correctly during 2019-20 valuation.</li> <li>There has been an increase in the housing stock valuation of £15.8m during the year (2.8%).</li> <li>We have compared the valuation movements with the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we intend make our conclusions before we issue the audit opinion.</li> <li>The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements. Therefore, we are proposing to include an emphasis of matter paragraph on this issue in our audit opinion</li> <li>We have assessed the Council's valuer, to be competent, capable and objective in carrying out the valuations</li> <li>We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report</li> <li>We have agreed the HRA valuation report to the Statement of Accounts and we can confirm that HRA valuation report balance has being correctly accounted for in the financial statements.</li> <li>Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion. As such, we will be reporting this within our audit opinion (as noted at Appendix E).</li> </ul>	 <b>Green</b>

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (red)
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (amber)
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious (green)

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Other - £301.6m</b>	<p>Other land and buildings comprises £153.8m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£147.8 m) are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged its in-house RICS qualified valuer to complete the valuation of properties on a five yearly cyclical basis as permitted by Code of Practice on Local Authority Accounting. Approximately 80% of total other land and buildings assets (by gross value) were revalued during 2019-20.</p> <p>The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in critical judgements, estimations made within the financial statements.</p> <p>Management has also considered the year end value of non-revalued properties of 100 larger value land and buildings and has included these in 2019-20 valuation process to gain a higher coverage of valuations.</p> <p>The total year end valuation of Other land and buildings was £301.6m.</p>	<ul style="list-style-type: none"> <li>• We have assessed the Council's in-house valuer, to be competent, capable and objective</li> <li>• We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and have no issues to report</li> <li>• The valuation methods remain consistent with the prior year</li> <li>• In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we intend make our conclusions before we issue the audit opinion.</li> <li>• The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements. Therefore, we are proposing to include an emphasis of matter paragraph on this issue in our audit opinion</li> <li>• Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion.</li> </ul>	 <b>Green</b>

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
<b>Net pension liability (group) – £434 m</b>	<p>Per the draft accounts, the group's net pension liability at 31 March 2020 is £434m (PY £484m) comprising the South Yorkshire Local Government Pension Scheme.</p> <p>This includes Council's single entity liability of £402m and BHL liability of £32m as at 31 March 2020.</p> <p>The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £50m net actuarial gain during 2019-20.</p>	<ul style="list-style-type: none"> <li>We have assessed the Council's actuary, Mercers, to be competent, capable and objective</li> <li>We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019-20 roll forward calculation carried out by the actuary and have no issues to raise.</li> <li>We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC comments</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.3% - 2.4%</td> <td>Assumption appears reasonable</td> <td>● Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.1%</td> <td>Assumption appears reasonable and methodology appropriate.</td> <td>● Green</td> </tr> <tr> <td>Salary growth</td> <td>1.25% - 1.5% above CPI</td> <td>In line with 2019 valuation.</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Pensioners: 22.4 Non-pensioners: 23.9</td> <td>Overall mortality assumptions appear reasonable.</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Pensioners: 25.2 Non-pensioners: 27.1</td> <td>Overall mortality assumptions appear reasonable.</td> <td>● Green</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate</li> <li>We have confirmed there were no significant changes in 2019-20 to the valuation method</li> <li>Reasonableness of estimate – following the estimate of asset values from 31 January to the actual outturn at 31 March 2020, the Council has agreed to revise its valuation estimate and increase the pension liability by £6.4m.</li> </ul>	Assumption	Actuary Value	PwC comments	Assessment	Discount rate	2.3% - 2.4%	Assumption appears reasonable	● Green	Pension increase rate	2.1%	Assumption appears reasonable and methodology appropriate.	● Green	Salary growth	1.25% - 1.5% above CPI	In line with 2019 valuation.	● Green	Life expectancy – Males currently aged 45 / 65	Pensioners: 22.4 Non-pensioners: 23.9	Overall mortality assumptions appear reasonable.	● Green	Life expectancy – Females currently aged 45 / 65	Pensioners: 25.2 Non-pensioners: 27.1	Overall mortality assumptions appear reasonable.	● Green	
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Our work in this area is still in progress, including the assurance from the Pension Fund auditor as indicated at page 9.

# Significant findings – Going Concern

## Our responsibility

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

Going concern commentary	Auditor commentary
<p><b>Management's assessment process</b></p> <p>Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Cabinet. Cash flow is also routinely monitored as part of the Council's treasury management arrangements.</p> <p>The Council has in place a three year Medium Term Financial Strategy 2021-22 – 2023-24 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position. The updated MTFs was approved by Cabinet in September 2020 and incorporates the impact of Covid-19.</p> <p>In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.</p>	<ul style="list-style-type: none"> <li>• Following its review of going concern, management has concluded it remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis.</li> <li>• The Council has a track record of delivering its budget. It delivered the 2019-20 budget with an operational underspend of £6.9m, split between an underspend on services of £6m and underspend on corporate budgets of £0.9m. The Council's general fund reserves increased by £3.8m in year from £130.1m to £133.9m as at 31 March 2020.</li> <li>• The budget setting processes to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate</li> <li>• The Chief Financial Officer (s151 Officer) and Head of Financial Services (Corporate) routinely monitor the Council's financial position and report regularly to Members</li> <li>• The Covid-19 pandemic has had a considerable impact on the Council from March 2020. Whilst the additional costs have not had a significant impact on the financial outturn for 2019-20 given the pandemic started to impact from mid-March, the scale of impact is being felt during 2020-21. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services and lost income through reduced trading activities.</li> <li>• The Council's Covid-19 Financial Recovery Strategy comprises 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. At the start of the pandemic, the Council took immediate action introducing a freeze on non-essential expenditure, placing investments on hold including non-essential capital and revenue expenditure. These proactive decisions amounted to c£28.5m. The Cabinet has also approved £1.9m from strategic reserves to support broader recovery of Council services.</li> <li>• 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 or lockdown. 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.</li> </ul>

# Significant findings – going concern

Going concern commentary	Auditor commentary
<p><b>Work performed</b></p> <p>We considered management's going concern assessment including the assumptions used and consideration of its Medium Term Financial Strategy.</p>	<ul style="list-style-type: none"> <li>• Council's closing reserve position of £133.8m includes £20m set aside for contingency for unseen events. This contingency was increased by £5m after the Covid-19 pandemic started in mid March 2020. This helps to provide some mitigation against the financial challenges posed by Covid-19.</li> <li>• The government has provided some financial support to help the Council through the pandemic. To date the Council has received £22.5m in government funding. Further support has also been announced for lost income from fees and charges. The Council has submitted a claim to MHCLG of £1.9m for the period to July 20 and is currently awaiting payment which is due by the end of October.</li> <li>• Considering the phase one recovery measures taken, emergency funding available and relatively healthy general fund reserves position, the Council is in a stronger position than many other LG bodies to deal with the financial challenges posed by the pandemic</li> <li>• The MTFS 2021-24, approved by the Cabinet during September, incorporates efficiencies of £7.1m for 2021-22, £3.3m for 2022-23 and £2.5m for 2023-24. There are detailed breakdowns of these efficiency targets formulated in the MTFS</li> <li>• Our work confirmed management's arrangements for assessing going concern are adequate and management's use of the going concern basis of preparation is reasonable</li> <li>• We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future.</li> </ul>
<p><b>Concluding comments</b></p>	<p>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:</p> <ul style="list-style-type: none"> <li>• the Services Director for Finance, Chief Financial Officer use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or</li> <li>• the Services Director for Finance, Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council'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.</li> </ul> <p>We are satisfied with management's assessment that the going concern basis is appropriate for the 2019-20 financial statements.</p>

# Other matters for communication

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

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have discussed the risk of fraud with the Chief Financial Officer (s151) and Head of Financial Services (Corporate) and have also written to the Chair of the Audit Committee. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed based on our work undertaken to date.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Council which is included as a separate agenda item in the Audit Committee papers.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Council's banks. This permission was granted and the confirmation has been received.
<b>Disclosures</b>	<p>Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix B.</p> <p>There is one adjusted misstatement which is reported at Appendix B. There are no unadjusted errors or misstatements.</p>
<b>Audit evidence and explanations / significant difficulties</b>	<p>All information and explanations requested from management was provided.</p> <p>Given some element of remote / home working is likely to still be in place for the 2020-21 audit, we will be discussing with the finance team how we can continue to work together to mitigate any remote working challenges next year.</p> <p>We would like to record our thanks to the finance team in providing the information requested despite the challenges of remote working resulting from Covid-19.</p>

## Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of the AGS identified a small number of areas for enhanced disclosure. The Council has accepted our findings on the AGS and a revised version is due to be presented to the Audit Committee on 28 October 2020.</p> <p>Our review of the Narrative Report also identified some areas for enhanced disclosure. The Council has agreed to update its Narrative Report to take into account our comments.</p> <p>Subject to satisfactory receipt and review of the revised AGS and Narrative Report taking into account our comments, we plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix E.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>Following the expected updating of the AGS referred to above, we have nothing to report on these matters.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold, we will be required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work has not yet commenced and will be completed once all other audit work has been concluded.</p>
<b>Certification of the closure of the audit</b>	<p>As a result of the need to complete the WGA work noted above, we do not expect to be able to certify the completion of the 2019-20 audit of the Council in our auditor's report, as detailed at Appendix E.</p> <p>This is in common with a number of local authorities where certification on closure of the audit takes place following completion of the WGA review in December 2020.</p>

# 3. Value for Money

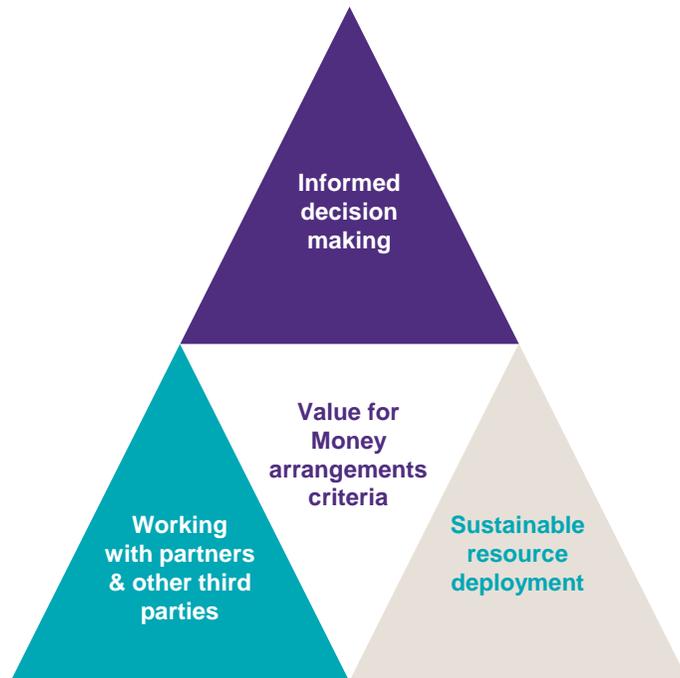
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single 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."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2020 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan in January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

1. **Financial standing** – the Authority as other authorities, continues to operate under significant financial pressures and achieving the set budget is considered as a key risk.
2. **Glassworks project** - This scheme is one of the largest capital projects ever undertaken by the Council. 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.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 23.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

**Key findings**

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

**Significant risk as per our Audit Plan****(January 2020)****Financial Standing**

The Authority achieved its 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.

**Findings**

- 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.
- 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 or lockdown. 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.

**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 supports our proposed 'clean' unqualified VFM conclusion.

# Value for Money

Significant risk	Findings (continued)	Conclusion
<b>Financial Standing - continued</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Therefore this gives a combined impact of Covid-19 of c£40m on the Council.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	See page 20

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
<p><b>Glassworks Project</b></p> <p>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.</p> <p>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.</p> <p>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</p>	<p>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:</p> <p><b>2019-20 arrangements:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul> <p><b>Post-Covid-19 situation:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<p>The Council continues to have adequate governance and risk management arrangements in place for the Glasswork project during 2019-20.</p> <p>As such, we are proposing an unqualified 'clean' VFM conclusion in respect of the arrangements in place regarding the Glassworks.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
<b>Glassworks Project</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• We note the Council took the decision to deliver the Glassworks project as a key strategic objective to regenerate the town centre.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	

## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are included at Appendix D.

### Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
<b>Audit related:</b>			
Certification of Housing Benefits Subsidy return	*19,000 base fee	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,000 base fee in comparison to the total fee for the audit of £125,568 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension Return	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 base fee in comparison to the total fee for the audit of £125,568 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
Pooling of Housing Capital Receipts	4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 base fee in comparison to the total fee for the audit of £125,568 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related:</b>			
None	-	-	-

### NOTE:

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

£2,200 – where the work is completed by the Council

£4,200 – where the work is undertaken by Grant Thornton

# Appendix A: Action Plan

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020-21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>●</p> <p><b>High</b></p>	<p><b>1. Reporting of Strategic Risk Register:</b></p> <p>During 2019-20, the Council was in the process of updating its risk management arrangements. We understand various consultations were undertaken with SMT and the Members on how this should be developed, managed and reported.</p> <p>The outcome of this process will be an updated Strategic Risk Register (SRR) for monitoring and reporting the Council's risks.</p> <p>As a result of this process, during 2019-20 there were no regular SRR updates to Members and the Audit Committee. We understand the revised SRR was finalised in September 2020.</p> <p>We understand from our wider work and knowledge during 2019-20, the Council has managed its key risks, for example in terms of how it has responded to the Covid pandemic. However, the SRR plays a central part of the governance and risk management arrangements of the Council, as such it should to be monitored, updated and reported to Members on a regular basis.</p>	<p>The Council should ensure it manages, updates and reports its Strategic Risk Register to the Audit Committee on a regular basis.</p> <p><b>Management response:</b></p> <p><i>Agreed. Regular updates on the Strategic Risk Register will be reported to SMT, Audit Committee and Cabinet as part of the Council's quarterly performance management framework.</i></p>
<p>●</p> <p><b>Medium</b></p>	<p><b>2. Publication of the draft Annual Governance Statement alongside the draft Statement of Accounts:</b></p> <p>Under regulation 15(2)(a) of the Accounts and Audit Regulations 2015, there is a requirement to publish the Narrative Report and the draft Annual Governance Statement (AGS) alongside the draft Statement of Accounts.</p> <p>The Council published its draft Statement of Accounts and the Narrative Report on 30 June 2020. However, the draft AGS was not published at this time and was not placed on the Council's internet site until 14 October 2020.</p>	<p>In future years, the Council should publish its draft Annual Governance Statement alongside the draft Statement of Accounts and Narrative Report as required by the Accounts and Audit Regulations.</p> <p><b>Management response:</b></p> <p><i>Agreed. The draft AGS will be submitted to SMT &amp; Audit Committee and published at the same time as the draft annual accounts in future years.</i></p>

# Appendix A: Action Plan

Assessment	Issue and risk	Recommendations
<p>●</p> <p><b>High</b></p>	<p><b>3. Financial impact on Covid-19, budget monitoring 2020-21 and beyond:</b></p> <p>There have been significant financial challenges as the Council responded to the Covid-19 pandemic through additional costs to support operational services and lost income through reduced activities. In the Q1 budget monitoring report for 2020-21, the Council is already estimating a net overall impact of Covid-19 for 2020-21 to be £15.7m, after government funding.</p> <p>In addition, council tax and business rates income have reduced as lock down started, businesses closed, and staff furloughed. This is expected to continue during 2020-21 and beyond.</p>	<p>We recommend the Council continues to update its budget setting and budget projections as the challenges and impact from Covid develop. Officers should continue to report in a regular and transparent manner to Members in terms of any corrective actions required in delivering the budget, the impact of Covid on costs and income, achieving the required savings and in terms of liaising with MHCLG and the government.</p> <p><b>Management response:</b></p> <p><i>Agreed. Robust procedures are already in place to track the financial impact of the COVID 19 response and recovery effort. This is monitored daily and reported to SMT on weekly basis with periodic updates provided to Cabinet as part of the quarterly performance management cycle. A mitigation [financial recovery] plan is also in place to safeguard the Council's financial standing.</i></p> <p><i>Any known ongoing impacts have been factored into the Council's updated Medium-Term Financial Strategy and budget 21/22 budget proposition. This will be reported to SMT, Audit Committee and Cabinet as part of established budgetary procedures.</i></p> <p><i>The Council also continues to lobby Government for a needs based and sustainable funding package for the sector.</i></p>
<p>●</p> <p><b>Medium</b></p>	<p><b>4. Glassworks Development Project:</b></p> <p>Our continuing value for money review in this area has indicated the Council continues to have appropriate arrangements in place for informed decision making around the Glass Works development Project in 2019-20.</p> <p>However, continuation of the existing governance arrangements in relation to this project, including appropriate reporting to Members and key stakeholders until the completion of the project remains paramount. This is particularly the case given the prevailing economic climate for city centre retail sites in a Covid world.</p>	<p>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.</p> <p>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.</p> <p><b>Management response, responsible officer and implementation date:</b></p> <p><i>Agreed. The Board will continue its robust governance of the overall glass works programme with risks and issues continually tracked and updated in response to what is a fluid situation. These will be reported along with any mitigating proposals / action to SMT &amp; Cabinet as well as periodically through the Audit and Scrutiny Committees.</i></p>

# Appendix B: Follow up of prior year recommendations

Assessment	Issue, risk and recommendation previously communicated in 2018-19	Update on actions taken to address the issue
Partially completed	<p><b>Fixed Asset Register (FAR):</b></p> <p>The Council has a manual excel based spreadsheet FAR operated and maintained by one key finance officer. Due to the value and volume of Property, Plant and Equipment recorded in the FAR (over £1.1bn), the spread sheet management is complex, with a significant number of tabs and manually input formulae. There is a risk to the accuracy of the FAR should anything happen to the officer responsible for it and should any manual inputs be included in error.</p> <p>Our audit work also highlighted some complexities when trying to identify and sample additions, disposals, valuations and also when validating the depreciation charge for individual assets. This resulted in considerable additional audit time spent on the FAR and wider PPE audit testing.</p> <p>The spreadsheet based FAR is relying on various formulas manually inputted to obtain appropriate outputs and considering the amount of assets recorded in the FAR, such manually inputted formulas may increase the risk of error.</p> <p><b>Recommendation:</b></p> <p>Whilst we understand this manual FAR has been in use for a considerable number of years, capital accounting is becoming increasingly complex and is likely to continue to be a key area of focus for external audits in the future. We recommend management considers the feedback we have provided in our audit work this year and considers what options can be put in place to reduce the risks around the FAR and reduce the level of audit queries raised on the FAR in 2019-20.</p> <p>This could include:</p> <ul style="list-style-type: none"> <li>• Ensuring other colleagues in finance are trained to use and update the FAR</li> <li>• Meeting with external audit once the 2018-19 audit is concluded to further understand our interrogation requirements of the FAR in order to generate our various samples on PPE for testing, and how the Council can support with this in 2019-20</li> <li>• Consider whether other FARs may enhance the existing asset management and asset record keeping at the Council given the significant value and volume of the asset base</li> </ul>	<p><b>Management comment – progress</b></p> <p>More employees have been involved in the preparation of the Fixed Asset Register as part of the 2019/20 accounts process. This did prove difficult with lockdown in March and the requirement to work from home, however, this was undertaken remotely where necessary.</p> <p>We held a detailed workshop session with External Audit to run through the fixed asset register and its operation which has helped with understanding. Furthermore, a detailed process note which explains each element of the Fixed Asset Register was produced and provided well in advance of the audit process.</p> <p>Consideration continues to be given to implementing an automated fixed asset register. Time and resources have prevented progress on this. It will be considered further as part of the the Council's Digital First Programme, though it is worth noting that the current process is fit for purpose whilst being manual.</p> <p><b>GT comment</b></p> <p>We acknowledge management's comments regarding progress made and the workshop held with us. Considering the amount of manual information to be controlled and reported, automation considerations should be taken forward as part of Council's Digital First Programme.</p>

## Assessment:

- ✓ Action completed
- X Not yet addressed

# Appendix B: Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	<p><b>Prior period adjustment: communication between estates, legal and finance departments</b></p> <p>Our audit work identified a material prior period adjustment relating to an asset disposal. Our work and discussions with the senior finance team indicated that there had been a lapse of communication between the estate, legal and finance departments and, as a result, the disposal of a school was not recognised in the year ended 31 March 2018.</p> <p>The Council has a significant asset base with numerous transactions taking place each year, which need to be appropriately accounted for. Whilst we recognise this matter may have been a one-off issue, it is important for the Council to further strengthen and document the communication processes to mitigate the risk of such an event occurring again in the future. This is particularly important considering the significant capital expenditure taking place at the Council in the coming years.</p> <p><b>Recommendation</b></p> <p>We recommend the Council further strengthens and documents the communication and co-ordination between estates, legal and finance departments to ensure that significant capital transactions are accounted for in the appropriate financial reporting period. This should reduce the risk of material misstatements in the accounts.</p>	<p><b>Management Comment</b></p> <p>A new process of has been implemented between Legal Services, Assets and Finance where communications lines are clearer with all parties being informed of significant capital transactions. Furthermore, there is a three way verification between the financial transaction, the legal transaction and the additional / removal of the asset from the asset portfolio.</p> <p><b>GT comment</b></p> <p>Agreed and no further action required.</p>

# Appendix B: Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	<p><b>Glassworks Development Project:</b></p> <p>Although we have not noted any specific areas for concern at this point in time, given the capital investment involved, uncertainty around returns, and the significance for the Council, it is important that strong governance controls are maintained in relation to the Glassworks project.</p> <p>Considering this is one of the largest and most challenging projects that the Council has ever undertaken, the Council should continue to maintain appropriate governance, risk management and financial management arrangements in place to continue to make informed decision making regarding the Glassworks Project in 2019-20 and beyond. The Council should also consider ensuring the Audit Committee is kept up to date with governance arrangements on the scheme</p>	<p><b>Management Comment</b></p> <p>Governance of the Glassworks development remains of significant importance to the Council. The governance has been improved during the year with improvements to the project risk register and also prompt implementation of recommendations from an internal audit review of the governance arrangements.</p> <p>Audit Committee have been given assurance via updates on progress of the development, although it has been agreed that a more regular monthly /bi monthly update on the development may be beneficial as we enter the final year of construction. This will commence from November 2020 until October 2021 and beyond, where necessary. In addition, an Internal Audit review is just being scoped up, to provide assurance with regards to the contract and performance management arrangements.</p> <p><b>GT Comment</b></p> <p>See pages 22 and 23 of this report for our work done and conclusions made during 2019-20 work on Glassworks development project .</p> <p>This is expected to be a continuing piece of work as part of our VFM conclusion in 2020-21. From work performed in 2019-20, we have concluded that there are appropriate arrangements in place around governance and risk management of the scheme. We have made a further recommendation on page 26.</p>
	<p><b>IT General controls:</b></p> <p>We made a series of IT general control recommendations in our Audit Finding Report in 2018-19. All these were followed up during 2019-20 and the outcomes were reported to the Audit Committee on in September 2020 in a separate report.</p>	<p>We can confirm that all outstanding recommendations from 2018-19 have being now actioned.</p> <p>No further update required in this report.</p> <p>We reported our 2019-20 IT audit findings to the Audit Committee in September 2020.</p>

# Appendix C: Audit adjustments

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

**Impact of adjusted misstatements :** All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Other Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on Useable Reserves £'000
<b>Pension fund liability:</b>			
(1) Updating pension fund valuation to 31 March 2020 to reflect the updated pension fund asset return as at 31 March 2020. This results in a net increase in the pension fund liability of £6.4m.	Dr Actuarial (gains) / losses on pension assets liabilities £6.4m Cr The movement in Reserves Statement £6.4m	Cr Retirement Benefit Obligations (Long Term Liabilities) £6.4m Dr Pension Reserve (Unusable Reserves) £6.4m	- -

**Overall impact:** **No impact**

## Misclassification and disclosure changes

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1.	Disclosure	Updating the 'Events After the Balance Sheet Date' note in order to include the latest government funding in July and update on Covid-19 impact which was not included in the draft note.	Note 18, Events After the Balance Sheet Date	✓
2.	Disclosure	Further disclosure update on McCloud and Goodwin judgements as confirmed by the South Yorkshire Pension Fund Actuary.	Defined Benefit Pension Schemes Note 37	✓
3.	Disclosure	Minor amendments were made to the Narrative Report to ensure the content was consistent with the financial information and the Council's activities during year ended 31 March 2020.	Narrative Report	✓
4.	Disclosure	Amendments were made to the Annual Governance Statement in line with Code Guidance requirements. Updates also made to areas of the AGS which were not completed at draft stage.	Draft AGS	✓
5.	Disclosure	Fees to Grant Thornton regarding , External Audit, Housing Benefit, Teachers Pension and Pooling Capital Housing Receipts were updated to reflect the accurate fees for all non audit related services to be in line with those disclosed in Section Four of this report.	External Audit Costs Note 14	✓
6.	Disclosure	Other minor presentational amendments.	Throughout the financial statements	✓
7.	Disclosure	Update to the remuneration disclosures to capture the correct descriptions and enhance this note for further accuracy	Note 13	✓

## Appendix D: Fees

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

Audit fees	Proposed fee per Audit Plan £	Final fee £
Council Audit	125,568	TBC+
<b>Total audit fees (excluding VAT)</b>	<b>125,568</b>	<b>TBC</b>

+ We wish to note that there is the potential for further audit fees in relation to the additional work we have performed on pensions, PPE balances and finalising / updating our work from the interim audit. In addition, further costs have been incurred due to the additional time taken to deliver the audit this year as a result of the Covid pandemic. We have discussed the likelihood of an additional fee variation with the Chief Financial Officer, noting an expected variation of between 10-15% of the above fee. We will provide a full breakdown of proposed fees on completion of our audit and this will be included in the Annual Audit Letter later this year. Any fee variation will be subject to PSAA approval.

We expect the total audit fees above to reconcile to the updated note 14 in the revised accounts – we will confirm this upon receipt of the updated accounts.

Non-audit fees for other services	Proposed fee £	Final fee £
<b>Audit Related Services:</b>		
Housing Benefit Subsidy return 2019-20	19,000*	TBC
Certification of Teachers' Pension Return	6,000	
Pooling of Housing Capital Receipts	4,000	
<b>Non-Audit Related Services:</b>		
None	-	-
<b>Total non- audit fees (excluding VAT)</b>	<b>29,000*</b>	<b>TBC</b>

### NOTE:

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

£2,200 – where the work is completed by the Council

£4,200 – where the work is undertaken by Grant Thornton

# Appendix E: Draft Audit Opinion (TO BE CONFIRMED FOLLOWING RECEIPT OF THE ASSURANCE FROM THE PENSION FUND AUDITOR)

**We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19.**

## 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 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Notes to the Core Financial Statements, Housing Revenue Account Comprehensive Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement, Notes to the Group Accounts, 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 2019/20.

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 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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#### 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.

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Service Director for Finance, Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

#### 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:

# Appendix E: Draft Audit Opinion

**We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19.**

- 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; or
- 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.

In our evaluation of the Service Director for Finance, Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

## Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Technical Annex B comprising Critical Judgements, Assumptions, Estimations made within the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's non-current assets as at 31 March 2020. As disclosed in Annex B, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the Authority's land and buildings valuer's reports. Our opinion is not modified in respect of this matter.

## Other information

The Service Director for Finance, Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement 2019-20, other than 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.

## 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 2019-20 does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement 2019-20 addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

# Appendix E: Draft Audit Opinion

**We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19.**

## 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 published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement 2019-20 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

## 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 Section 3 - 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 2019/20, 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 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.

# Appendix E: Draft Audit Opinion

**We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19.**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **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 April 2020, 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 2020.

### **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 April 2020, 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 2020.

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 2020. 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 2020.

### **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.

# Appendix E: Draft Audit Opinion

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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