



# Doncaster Council

## Agenda

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To all Members of the

# AUDIT COMMITTEE

Notice is given that a Meeting of the above Committee is to be held as follows:

**Venue:** Council Chamber, Civic Office, Waterdale, Doncaster DN1 3BU

**Date:** Thursday, 28th July, 2022

**Time:** 10.00 am

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**Damian Allen**  
**Chief Executive**

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Issued on: Wednesday, 20 July 2022

**Governance Services Officer for this meeting:** Andrea Hedges  
01302 736716

**Doncaster Metropolitan Borough Council**  
[www.doncaster.gov.uk](http://www.doncaster.gov.uk)

## **Items for Discussion:**

## **PageNo.**

1. Apologies for Absence.
  2. To consider the extent, if any, to which the Public and Press are to be excluded from the meeting.
  3. Declarations of Interest, if any.
  4. Minutes of the meeting held on 28th April, 2022. 1 - 14
- A. Reports where the public and press may not be excluded.**
5. Audit Committee Action Log. 15 - 20
  6. Covert Surveillance - Regulation of Investigatory Powers Act 2000 (RIPA) Update. 21 - 26
  7. Audit Committee Prospectus, Terms of Reference and Work programme 2022/23. 27 - 38
  8. Internal Audit Progress Report for the period: April to June 2022. 39 - 58
  9. North Bridge Stores Transformation Project - Progress Report. 59 - 68
  10. Unaudited Statement of Accounts 2021/22. 69 - 110
  11. External Auditor (Grant Thornton) Audit Plan 2021/22 and Arrangements for the preparation of the 2021/22 Accounts. 111 - 138

## **Members of the Audit Committee**

Chair – Councillor Austen White

Vice-Chair – Councillor Glenn Bluff

Councillor John Healy, Barry Johnson and Dave Shaw

**Co-opted Member:** Dr Stuart Green

# Agenda Item 4

## DONCASTER METROPOLITAN BOROUGH COUNCIL

### AUDIT COMMITTEE

THURSDAY, 28TH APRIL, 2022

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 28TH APRIL, 2022, at 10.00 am.

#### PRESENT:

Chair – Councillor Austen White  
Vice-Chair – Councillor Glenn Bluff

Councillor Sophie Liu and Kathryn Smart, Co-opted Member.

#### APOLOGIES:

Apologies for absence were received from Councillors Barry Johnson and Dave Shaw.

#### ALSO IN ATTENDANCE

Debbie Hogg – Director of Corporate Resources  
Faye Tyas – Assistant Director of Finance  
Scott Fawcus – Assistant Director of Legal & Democratic Services & Monitoring Officer (Minute No. 42)  
Peter Jackson – Head of Internal Audit  
Holly Wilson – Head of Strategic Procurement (Minute No.43)  
Gareth Mills – Director, Grant Thornton (External Auditor)  
Perminder Sethi – Engagement Senior Manager, Grant Thornton (External Auditor)  
Scott Cardwell – Assistant Director of Development (Minute No. 45)  
Dave Stimpson – Head of Property Services (Minute No. 45)

#### 39 Declarations of Interest, if any

There were no declarations made at the meeting.

#### 40 Minutes of the meeting held on 26th January 2022

RESOLVED that the minutes of the Audit Committee meeting held on 26th January, 2022 be approved as a correct record and signed by the Chair.

#### 41 Audit Committee Action Log

Peter Jackson, Head of Internal Audit presented the Audit Committee Actions Log report which updated Members on actions agreed at previous Audit Committee meetings.

It was noted that all actions were completed and there were no actions outstanding from previous meetings.

RESOLVED that the Audit Committee note the progress being made against the actions agreed at previous Audit Committee meetings.

#### 42 Annual Report of the Monitoring Officer 21/22

Scott Fawcus, Monitoring Officer (MO), introduced his Annual report on matters relating to ethical governance, including details of complaint handling activity carried out in consultation with the Independent Person in relation to allegations of Member misconduct, details of disclosures made

under the Council's Whistleblowing Policy during the last 12 months, and reports made under the Money Laundering Policy.

The Monitoring Officer provided a brief overview of the complaint activity during the period 1st April 2021 to 31st March 2022, which remained mainly static; with 8 complaints received in relation to Borough Councillors, in comparison to 12 complaints received against Parish and Town Councillors (9 Parish Council complaints were received in the previous 12 months). Of the 12 Parish Councillor complaints received, 9 related to one particular Parish Council which was reflective of the fallout, tensions, and dissatisfactions regarding a decision which had been taken by the Parish Council which was locally controversial. Appendix A of the report provided a detailed summary of the anonymised complaints dealt with by the Monitoring Officer, in consultation with the Independent Person during 2021/22.

The Monitoring Officer positively reiterated his annual comments that the levels of complaints received and the number of breaches remained very low and that most Councillors and Town and Parish Councils did not appear on his radar. He highlighted that Doncaster has 37 Town and Parish Councils across the Borough and 350 serving Councillors which when put into this context, the total number of 20 complaints received remained proportionately extremely low.

It was noted that two Whistleblowing complaints had been received during this period, details of which were set out at paragraph 16 of the report. No reports had been made to the Money Laundering Reporting Officer in relation to Anti-Money Laundering returns for the period 2021/22. The Monitoring Officer reported that currently there was a reminder to all staff on the Intranet raising awareness regarding on-line training available on money laundering and their responsibilities in this respect.

The Vice-Chair made reference to the number of complaints received relating to one particular Parish Council and asked whether it would be possible for the Monitoring Officer, or a member of Legal Services to attend the a meeting of that Parish Council and to liaise with the public to inform them that the complaints have been investigated, and for the Monitoring Officer to observe how that Parish Council conducts its proceedings at meetings. The Vice-Chair felt that the Parish Council would benefit and welcome any guidance and assistance from the Council in respect of the rules and procedures required at meetings, in particular, in relation to the interpretation/application of their Standing Orders. He also highlighted that their Parish Clerk was newly established at the Parish Council.

The Monitoring Officer advised that he had spoken to members of the Parish Council and the complainant had received a full response to the complaint, setting out the rationale for any action, or any recommendations arising from the investigation of the complaint. He confirmed that he would be happy to attend a future meeting of the Parish Council to provide advice and guidance. The Vice-Chair welcomed this and gave an undertaking to advise the MO of the date of the next meeting.

Further to a question, the Head of Internal Audit confirmed that investigations into the Whistleblowing complaint regarding concern over a contractors use of Covid 'furlough funding' was still ongoing.

RESOLVED that

- (1) the Monitoring Officer's Annual report on complaint handling activity for the period 1st April 2021 to 31st March 2022, be noted;
- (2) the Whistleblowing return for 2021/22, be noted; and
- (3) the nil money laundering reports for 2021/2022, be noted.

43 Report on any non-compliance with Contract Procedure Rules.

The Committee considered a report of the Head of Procurement which detailed all breaches and waivers to the Contract Procedure Rules (CPR's) for the period 1st September 2021 to 28th February 2022.

The table at paragraph 2 of the report provided a summary of the number of new waivers and breaches recorded for each Directorate since the last audit report presented to the Committee in October and April 2021.

There were 2 new breaches, and 14 waivers reported to Contract Procedure Rules for this 6 month period, details of which were provided within Appendices 1 and 2 of the report, respectively. Updates on 2 existing unresolved breaches, and 4 resolved reported previously to the Committee were also provided. Details of the number and value of waivers granted against the amount of contracts awarded for this period were set out at Appendix 3.

The third wave of the Covid-19 had impacted on the Council resources and capacity, particularly with regard to the Adult Social Care teams. The impact of Covid-19 continued to cause challenges for the procurement and contracting of goods and services. The number of approved waivers had reduced from 18 to 14 compared to that of the previous quarter. The Strategic Procurement Team continued to be proactive and supportive in helping alleviate increased pressures with regular reporting and attendance at key stakeholder meetings.

There had been a change in Public Procurement thresholds on 1st January 2022, and that Council Procedure Rules had been updated to reflect this change. These details were set out at Paragraph 10 of the report.

In response to a question regarding the Breaches, as outlined on page 28 of Appendix 1 of the report, the Head of Procurement advised that there were no repeat offenders in terms of breaches to Contract Procedure Rules, and that training would be provided to those Officers who had been in breach of the rules.

Following further questions from the Vice-Chair, querying the high value of the Adult Substance Misuse Recovery System Waiver of £5.5m in the Adults, Health and Wellbeing directorate, as set out Appendix 2, the Head of Procurement confirmed that the waiver had undergone a rigorous examination process, particularly due to its high value. She explained that whilst the value of the waiver was above the Public Procurement threshold, the waiver had been granted as it had met the criteria set out in the Public Contracts Regulations 2015. Further to clarity being sought by the Vice-Chair, the Head of Strategic Procurement explained the circumstances that permitted the modification of a contract without any procurement procedure being required that could not be made for economic, or technical reasons. It was noted that a report relating to the Substance Misuse contracts within Public Health had been approved by Cabinet at the end of 2020. It was explained that there was a large number of pilot schemes taking place within this service area and that in order to allow the extension of pilot schemes to continue, the existing contracts had been approved.

The Head of Procurement informed Members about new regulations coming into force which proposed changes to the future of healthcare commissioning, called the 'NHS Provider Selection Regime'. This is to be introduced under the Health and Care Bill which was currently being enacted by Parliament and these regulations would replace the existing procurement rules. They will encompass health related contracts that would no longer fall under the Public Contract Regulations, which would have their own methodology. It was noted that currently, the rules that governed the arrangement of healthcare services contracts were complex and hindered the letting of certain health contracts. An update on the proposals would be provided to the Committee in October.

In answer to questions from Kathryn Smart, the Head of Procurement advised that she did not have any concerns regarding the existing breaches, which had arisen mainly due to officers misunderstanding of the contract requirements. She outlined the actions taken to address those

breaches and advised that Heads of Service were now provided with quarterly reports so they were fully aware of what contracts were coming forward. The Officer training programme on Contract Procedure Rules had since been reactivated due to the relaxation of rules.

The Monitoring Officer provided further assurance to the Committee, commenting that he gave serious consideration before signing off any waivers. He acknowledged that Covid-19 had impacted Council resources and capacity, which had brought challenges for the procurement and contracting of goods and services, in particular, for the health and social care sector, who had found difficulty responding correctly to tenders and that allowances had been made to accommodate this. However, he pointed out that as the Council moved to a more stable period in future, he and the Procurement team were taking a more robust approach regarding waivers and that the Covid-19 pandemic should not be cited as a reason for the waiver, unless there was a valid reason and he hoped to see a decrease in the number of waivers being sought. The Procurement Team would receive additional resource to ensure that the procurement of goods and services were planned properly and that waivers were not granted through lack of awareness, or lack of training, but due to genuine reasons.

Following a request from the Chair, the Head of Internal Audit provided an update on the ongoing storage breaches in relation to the Council's Archives offsite storage facility which was now based at the former Doncaster Museum.

The Chair was pleased to note that training was provided for potential repeat re-offenders in terms of breaches to CPRs, which he hoped would have a positive effect next year and in future years. He also welcomed that Heads of Service receive quarterly reports, as a timely reminder, giving advance notification of contracts within their service area, including the determination dates for the commencement and end date of contracts. He hoped this would remove the excuse for officers not having a new contract in place.

RESOLVED to

- (1) note the information and actions contained in this report regarding waivers and breaches in relation to the CPR's; and
- (2) note any new procurement and contracting activity matters.

44 Local Code of Corporate Governance review and production of the 2021-22 Draft Annual Governance Statement.

Consideration was given to a report which informed Members of a review that had been undertaken of Doncaster's Local Code of Corporate Governance to ensure that the guidance was relevant and up to date. A copy of the Local Code was appended to the report at Appendix A. The report also sought the Committee's approval of the outline draft Annual Governance Statement (AGS) for the 2021/22 financial year, which the Council was legally required to produce.

The report outlined the process for the preparation of the Annual Governance Statement, which the Committee was asked to review and to endorse the initial draft Statement, prior to publication of the Council's final Accounts in October 2022.

In introducing the report, the Director of Corporate Resources stated that the report was a positive report and further to last year's AGS which had contained 9 significant issues, it was proposed that only 2 of the issues identified on last year's plan would be carried forward into next year's plan. All other issues had been effectively managed and were considered complete, or could be stepped down from the plan. During this year's process, 1 new area of significant risk had been identified relating to Doncaster Inspection of Local Authority Children's Services, as detailed at page 6 of Appendix B of the draft AGS. Members were informed that 2 of the items represented on the AGS related to issues within Children's Services and the Doncaster Children's Services Trust. It was noted that the start of the financial year had been another very challenging environment for the

Council, as a result of the Covid-19 pandemic. Despite this, Doncaster Council continued to ensure that its internal control arrangements were relevant, appropriate, well governed and effective, as evidenced in the draft AGS. The AGS would be reviewed and updated throughout the year to reflect progress before the production of the final AGS, which was anticipated to be presented to the Committee in October 2022.

The Vice-Chair raised a query regarding two items that had been brought forward from the previous year and one significant issue that had been identified for improvement in relation to 'Doncaster Ofsted Inspection of Local Authority Children's Services'. In response, the Director of Corporate Resources explained the complex nature of this issue which related to two separate matters regarding the Ofsted inspection report. This report referred to both the sustainability of the Council providing quality, safe and secure care provision for the delivery of children's services and outlined the mechanisms in place for the transfer of the DCST function to the Council.

The Vice-Chair further sought assurance that the Council had the commitment, budget and resources in place to be able to deliver on the transformation of Children's Services programme, whether this would be included on the Internal Audit Work Programme, or whether assurance would be sought from External Audit. The Director of Corporate Resources outlined the governance arrangements in place for overseeing the transition of the DCST, with input from the DfE which was ongoing. The transition of the Trust would be overseen by 3 sub-groups, with 2 of the sub-groups focussing on Performance and Systems modifications, chaired by herself as Director of Corporate Resources and the third group to look at Practice Improvement, chaired by the Director of Learning and Opportunities and Skills. The Audit Committee would be kept informed of progress going forward.

In response to questions regarding the Adult Social Care Market Sustainability, the Director of Corporate Resources provided an update with regard to the work and engagement that was being undertaken by the Council with the NHS Commissioning teams, care providers and the Integrated Care Systems. This included funding and resources to support the Adult Social Care sector which had been a challenge due to the recruitment of staff to the sector. She spoke of the need to ensure that the Council had a sustainable market to deliver the needs of both Adults and Children's Services and confirmed that the Market Position Statement would be completed this year.

In relation to the extended timeframe of April 2023 for the completion of the Adult Social Care Market Sustainability work, it was reported that there was a significant amount of work required and changes to take place in this area through the coming year. The Council have been developing modules in terms of the Council's market position statement and extensively working with the market. The timeframe had been extended to allow more time, due to negotiations taking place regarding the implementation of the 2022 fee uplifts of care providers and commissioning of services, changes to the government's White Paper, and as a consequence of the Covid-19 pandemic.

Members were pleased to note the positive progress being made with regard to the 7 areas removed from the AGS. In response to questions regarding the cost pressures within the Dedicated Schools Grant (DSG) budget and implementation of the DSG deficit, as outlined in the External Auditor's report, which had increased during the year and was projected to increase to over £14m by the end of March 2022, and whether this item was to be included on the AGS, it was noted that these issues would be addressed as part of the improvement plan for Children's Services. It was explained that separate funding sources were involved which included the future Placement Strategy and the Special Educational Needs and Disability (SEND) strategy.

Following further questions, the Head of Audit confirmed that the AGS had been prepared in line with best practice guidance.

In relation to assurance regarding the Council's future Financial Sustainability following recovery from the Covid-19 pandemic, which had been removed from the AGS, but would remain on the risk register, due to the Council maintaining a stable budget, the External Auditor confirmed that this

area would continue to be an area of focus as part of External Audit's work for 2021/22. The rationale for removing this item from the AGS was based on the good financial performance of the Council over the years and the levels of Council reserves. In spite of the DSG challenge, no significant issues had been identified with the AGS, including the judgement on the Council's financial position. This would be kept under review and the AGS would remain a live document until the Statement of Accounts was signed later in the year.

The Head of Internal Audit confirmed that he was satisfied regarding the governance arrangements of the Council and that no items had been identified for inclusion on the AGS.

RESOLVED that the outline of the draft Annual Governance Statement be endorsed, prior to it being published for consultation as part of the 2021-22 Council Draft Accounts.

#### 45 Audit Committee Annual Report 2021/22.

The Chair, Councillor Austen White presented the draft Audit Committee Annual report, which set out key aspects of work undertaken by the Audit Committee during 2021/22.

The Annual report demonstrated that the Committee had fulfilled its Terms of Reference, had made a positive contribution to the good governance and internal control within the Council, and had shared its achievements with the Council, which had included:-

- Helping to maintain and improve the Council's system of risk, governance and control by reviewing internal and external audit work carried out during the year.
- Supporting improvement in the Council's control arrangements by ensuring appropriate action is taken to implement management actions and holding officers to account where explanations over any lack of progress are required.
- Critically assessing the Council's governance arrangements and supporting the production of an accurate Annual Governance Statement.
- Supporting the maintenance of the good standards achieved in producing the Council's Statement of Accounts and its Audit within timescales not achieved by many other Local Authorities.
- Supporting the Council's antifraud and corruption arrangements and noting progress in this area as set out in the annual fraud report.
- Ensuring the Council's surveillance policies are kept up to date and reviewing surveillance carried out by the Council.

The Chair thanked Members of the Audit Committee for their contributions to the work of the Committee throughout the year. He highlighted some of the positive outcomes achieved from the Committee's work during the year, including:-

- Trading Services, Standards and Food and Animal Safety Reviews progress in implementing the overdue actions and remaining overdue actions at the end of the year. It was noted that the Chair of the Audit Committee has had discussions with the Chief Executive to ensure that momentum is retained going forward.
- Improvements being made at North Bridge Stores Operations and Transformation Project, particularly in relation to the storage and distribution of Personal Protective Equipment in the 2020/21 year. Good progress was being made over this function through its Transformation Programme.

The Head of internal Audit drew Members' attention to a new section of the Committee's Annual report in relation to Evaluation of the Effectiveness of the Audit Committee, which was appended to the report at Appendix B.

To conclude, the Chair acknowledged that this was the last meeting that Kathryn Smart, would be attending as she would be stepping down from her position as Independent Member. The Chair



formally expressed his and the Committee's heartfelt thanks to Kathryn for her valuable contribution, help and support she had given to the Audit Committee over the last eight years.

RESOLVED that the Audit Committee Annual Report 2021/22, be approved and that it be published on the Council's website.

46 Annual Report of the Head of Internal Audit 2021/22.

The Committee considered a report which provided information on the role and work of Internal Audit during 2021/22, as set out at Appendix 1 of the report, including the Head of Internal Audit's overall opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. The report was also used to support the annual review of the Council's Governance arrangements and Annual Governance Statement.

Despite the challenges and changes to the work undertaken by the Internal Audit Team, the Head of Internal Audit confirmed that sufficient work had been carried out and that he was pleased to report a positive opinion with regard to the Council's governance, risk management and control arrangements, which were adequate and had operated effectively during the year. He highlighted that this achievement was a credit to the culture and tone from the top of a well-managed and governed authority.

The Head of Internal Audit outlined the significant progress made in relation to implementing the overdue management actions across the Authority, which at the end of the year, had since reduced to 7 actions overdue. This meant that the Authority was in a very strong position in relation to the follow up arrangements over agreed management actions which were considered effective. It was noted that the areas of concern during 2021/22 related to completion of remaining actions regarding the Trading Standards and Food and Animal Safety and progress on improving operations and revised arrangements at North Bridge Stores, which was still ongoing, as detailed in paragraphs 4 to 8 of the report. The Head of Internal Audit also highlighted the Covid-19 associated work which had been carried out, notably in the area of Business Rates post assurance checks.

As part of the Internal Audit's work this year, the Head of Internal Audit reported that he had not identified any areas for inclusion in the Council's Annual Governance Statement and therefore, he was able to give a full and clear opinion over the Council's governance arrangements.

The Committee, in welcoming the report, was pleased to note the number of overdue management actions across the Council had reduced significantly and the arrangements to monitor the management actions were effective and that the Council was in a much stronger position in terms of the very low number of overdue actions which was a great achievement.

RESOLVED that

- (1) the Internal Audit Annual Report for 2021/22, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated effectively during the year, be noted; and
- (2) the Head of Internal Audit's self-assessment and the confirmation from the External Quality Assessment that the service is compliant with the Public Sector Internal Audit Standards and meets the highest assessment standard against their professional auditing standards in the external assessment, be noted.

47 Counter Fraud Activity report 2022/23.

The Head of Internal Audit, Peter Jackson, presented a report which sought the Committee's approval of the Council's Counter Fraud Plan for 2022/23 which had been constructed in line with the Council's Anti-Fraud, Bribery and Corruption Framework, (as approved by the Audit Committee

in April 2021) and in line with the Fighting Fraud and Corruption Strategy 2020 for Local Government.

The Counter Fraud Activity report outlined the Council's approach to counter fraud activity within Doncaster Council and St. Leger Homes of Doncaster for the 2022/23 financial year. The report contained the following elements:-

- An assessment of compliance with the Fighting Fraud and Corruption Locally Strategy 2020, as required by the Strategy;
- Horizon scanning for new fraud risks and the assessment of fraud risks for the Council;
- Assessments of Counter Fraud resource levels; and
- Presentation of the new Counter Fraud Plan for Doncaster Council and an assurance map mapping coverage of the Plan and activities to the risks on the fraud risk register, (as required by the new strategy).

Fighting Fraud and Corruption Locally Strategy 2020 had resulted in the Audit Plan last being presented in a different way to previous years, in that it has a plan for both non-fraud and fraud related work. This has been continued this year. Having a clearly set out Plan of proactive and reactive fraud work is designed to meet the requirements of the new Strategy and make the Counter Fraud Plan more transparent.

A self-assessment with the Fighting Fraud and Corruption Locally Strategy 2020 had been completed, which was attached to the report at Appendix 2. This was an updated version of the previous self-assessment which showed that the Council are compliant with the requirements of the Fighting Fraud and Corruption Locally Strategy.

Kathryn Smart made reference to bank mandate fraud which was prevalent in both public and private sector organisations and sought confirmation of where this risk was referenced in the report. The Head of Internal Audit was unable to direct Members to the section in the Counter Fraud Plan, however, he assured Members this issue had been considered and was included in the plan and that mitigation was in place to manage the risk.

In response to a query from the Vice-Chair seeking clarity regarding the level of available resources in relation to the 'Amber' rating, as part of the self-assessment evaluation, as set out at Appendix 1 of the report, Members were assured that currently sufficient resources were in place to deliver the Plan and respond to any risks

Following a further question, it was noted that the Council had arrangements in place to obtain external resources in the event of an emergency. The skills and expertise in the Internal Audit Team were utilised to deliver the priorities at the point of need for both the Internal Audit Plan and the Counter Fraud Plan, and that external support would be sought as and when required.

In response to a question from the Chair regarding the adequacy of the Council arrangements. The Head of Internal Audit confirmed that at the time of writing the report, the assessments were regarded as appropriate and that he did not have any particular concerns to raise and that the Authority had strong counter fraud arrangements in place.

RESOLVED that

- (1) the Fighting Fraud and Corruption Locally Self-Assessment, as appended to the Counter Fraud Activity report as Appendix 1; be supported and approved; and
- (2) the Counter Fraud Plan and the assurance map which maps all the proposed activities to fraud risks, as appended to the Counter Fraud Activity report, be supported and approved.

The Committee considered the Internal Audit Plan for 2022/23, which had been prepared in line with the requirements of the UK Public Sector Internal Audit Standards. The Plan had been created following a comprehensive review of all risks and controls of Council activities, including partnership activities. The report provided a summary of the 2021/22 Plan and the proposed plan for 2022/23 Municipal year, including a breakdown of the Plan by type of work and assurance and consultancy work by Directorate (excluding ongoing work).

The Head of Internal Audit drew Members' attention to the items currently on the Plan for each Directorate, as detailed at Section 6 of Appendix A of the report and the Counter Fraud Plan, as detailed in the report appended at Appendix B. Section 7 of the report was also highlighted, which set out the key factors taken into consideration when producing the plan, including, increased allowances for contingency and proactive and reactive work, works associated with Covid-19 grant verification work, and core work needed to discharge internal Audit responsibilities.

In answer to a questions regarding the continuous assurance work in relation to the use of data analytics to strengthen counter fraud activity, the Head of Internal Audit confirmed that this area of work had been included in the Internal Audit Plan for the last 5 years and that continued analytics were currently operating in some areas, as set out in the work plan. The Internal Audit team had expected to make progress in this area during the past year, however due to some members of the Team who were skilled in this area of work being involved in the post assurance checks on the business grants work, less progress has been made than planned. It was anticipated that this area of work would be developed further during the year and that discussions had taken place with data officers within directorates. The Head of Internal Audit emphasised the need to have capacity across the Council to further develop this area of work. Kathryn Smart spoke of the need to continue to develop this area of work which would provide the Committee with real time assurance throughout the year on the key controls working within the Council.

The Head of Internal Audit confirmed that Doncaster was operating as most progressive Internal Audit teams and had moved to more agile audit planning which was more responsive and had moved away from previous reporting over completion of the Audit Plan. The Assistant Director of Finance added that she had been assured by the positive report following the recent external assessment undertaken of the Internal Audit Team. The Chair endorsed her comments and noted that the Head of Internal Audit had entered into dialogue and had regular discussions with other Heads of Internal Audit Teams, in particular, those in the South Yorkshire region.

The Engagement Lead, Grant Thornton when asked to comment on the Plan, advised the Audit Committee of the key areas for the Committee to focus on when reviewing the Plan and reiterated the need for the Plan to be flexible and agile and to have the ability to change over the year in the event of any emerging risks, and that there was sufficient resources in place to deliver the Plan.

RESOLVED that

- (1) the Committee support the principles and strategy underpinning the 2022/23 Internal Audit Plan, as set out in Section 1 and expanded upon in Section 7 of the Internal Audit Plan report; and
- (2) the Committee consequently support the Plan itself as it stands, as set out in Appendix A, noting the necessity for future and ongoing reviews of the Plan whenever it is appropriate to do so and accordingly to approve the Plan.

#### 49 Order of Business

In accordance with Council Procedure Rule 4, the Committee agreed to the variation of the order of business that Agenda Item No. 14, 'External Auditor (Grant Thornton) Auditor Annual Report 2020/21' report be considered at the next part of the meeting. This was in order to await the

attendance of officers to present the report on North Bridge Stores Transformation Project – Progress Report.

RESOLVED that in accordance with Council Procedure Rule 4, the order of Business on the agenda be varied by considering Agenda Item 14, 'External Auditor (Grant Thornton) Auditor Annual Report 2020/21, before Agenda Item 13, 'North Bridge Stores Transformation Project – Progress Report', in order to await the attendance of relevant Officers to present the report.

50 North Bridge Stores Transformation Project - Progress Report.

The Committee received a report which provided Members with a quarterly progress update on North Bridge Stores operational activities instigated following the Stores Management Review, in response to the internal audit carried out in 2019, and their involvement in the Personal Protective Equipment (PPE) stocktaking in 2020. Scott Cardwell, Assistant Director of Development and Dave Stimpson, Head of Property Services were in attendance at the meeting and provided an overview of the positive progress made since the last update report to the Committee in January 2022, in particular in relation to:-

- The results of the analysis of the end of year stock - take had shown a significantly improved position from previous stock takes in year and from previous years. The October 2021 stocktake had showed variances of 18.8% and following the stock take carried out in December 2021, the variances had reduced further to 4.15%. The end of year stocktake in March 2022 had significantly reduced variances down to 0.2%, However, further work was required to reduce the number of variances further.
- 47 perpetual inventory stock takes will be carried out by the Stores team throughout the year.
- The format of the stock takes had been adapted to include the dates of the commencement and end dates of the stocktakes which would allow for larger stock takes to begin in a timely way.
- A full suite of Key Performance Indicators (KPIs) had been developed and implemented from 1st April 2022, which was to be reviewed monthly. The KPIs would be refined and the outcomes of which, would be reported monthly to management, the Transformation Board and the Audit Committee in order that the Committee can measure performance.
- A second Stores User Survey was to be carried out at the end of June and the results would be reported to the Audit Committee in June;
- Standard operating procedures continued to be embedded within the Stores team and with key stakeholders to ensure the most efficient practices were implemented into the Stores function.
- Stakeholder management meetings continued to take place which were now to meet on a quarterly basis and monthly meetings were to take place with team leaders which had been adapted and continued to be embedded;
- Recruitment of the permanent Stores manager post was ongoing and it was anticipated that the post would be advertised next week.
- Embedding of the standard operating procedures. - A work programme was to be established to have oversight of and in order to review the work being carried out which would be reported to the Transformation Board.

Since the writing of the report, the Head of Property Services provided an update to the Committee in relation to the Next Steps in terms of the ongoing operational activity of the Stores on a day to day basis and the improvement of the Stores across the board. It was noted that an analysis of the Stores stock holdings was to be carried out and work was currently underway on reviewing Metro Cleans stock holdings, which formed part of the Stores day to day stock, and would review obsolete stock and write offs. Operational admin trackers had also been established to allow a thorough understanding and analysis of the operation of the Stores.

To conclude the presentation, the Assistant Director of Development provided assurance to the Committee that when recruiting to the Stores manager post that the post holder would not only be

able to manage the efficient operation of the stores function, but also to manage the transformation of the service.

In noting the results from the key stakeholder survey of the stores where there had been a recognition from management of the importance of feedback from the workforce, Kathryn Smart asked whether management planned to get general feedback from the Stores team. The Head of Property Services advised that there was an understanding from the Stores staff regarding the purpose and circumstances of the transformation of the stores function and that staff had been provided the opportunity to engage in the process and had provided suggestions in terms of positive changes to the stores. Feedback would continue to be embedded through staff PDRs and one to ones throughout the year.

The Committee welcomed the positive progress made to the North Bridge Stores which had been a long standing area of concern and Members were pleased to observe that some improvements were being achieved. However, in order to provide further assurance to the Committee that progress continued to be made and to retain momentum on what has already been achieved, it was agreed that going forward two further progress reports be provided to the Committee at future meetings. The Head of Internal Audit gave an undertaking to include the update reports on the Committee's Work Plan for 2022/23. When the transformation of the Stores was completed and got back to business as usual, the Committee hoped that Internal Audit would be in a position to carry out an internal review of the Stores. If and when progress was maintained, the Committee would then consider stepping down this item at that time.

The Chair, on behalf of the Committee thanked Scott and Dave for presentation of the report.

RESOLVED that

- (1) the Audit Committee note the updates to the North Bridge Stores operational activities and support the outlined approach;
- (2) two further progress reports on the transformation of the North Bridge Stores be provided to the Committee at future meetings and further update reports be included on the Audit Committee's Work Plan.

51 External Auditor (Grant Thornton) Auditor Annual Report 2020/21.

Gareth Mills, Director, Grant Thornton introduced the External Auditor's Annual Report for the Council for 2020/21 which informed the Committee of the key matters arising from the audit of the Council's financial statements, and key recommendations as part of their work in delivering their responsibilities as the Council's External Auditor.

Members were informed that the report was a positive report and this was the first report presented to the Committee under the new approach introduced last year, following changes made to the reporting for External Auditors' on Value for Money arrangements resulting from a review undertaken by the National Audit Office Code of Audit Practice. The External Auditor was required to consider whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The External Auditor was no longer required to give a binary qualified/unqualified Value for Money conclusion. Instead, Auditors reported more in detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The External Auditor's work had focussed on 3 particular themes in relation to the Council's arrangements in respect of Financial Sustainability, Governance and how the Council was Improving Economy, Efficiency and Effectiveness of the performance arrangements of the Council and this was a more wide ranging review to the previous VFM money conclusion. An update report would be provided to the Committee in the autumn as part of the 2021/22 Value for Money work to monitor how the Council was progressing in these areas.

Perminder Sethi, Engagement Senior Manager, Grant Thornton provided an overview of the key messages from the report.

Overall, no risks of significant weaknesses and related key recommendations, including the Authority's response to Covid-19 had been identified under the risk assessment of the Council's Value for Money arrangements. However, the External Auditor had identified 5 suggested improvement recommendations to further enhance the Authority's arrangements, in respect of the following areas:-

- Financial Sustainability

Recommendation 1 - the Council should clearly identify statutory and discretionary spending in budgetary information which is provided to members and the public when setting the budget each year.

Recommendation 2 – The Council should routinely monitor the Dedicated Schools Grant (DSG) budget and implementation of the DSG deficit plan to ensure expected planned cost reductions and savings were delivered, and where slippage arises, remedial action is taken. Routine reporting should also take place to members.

- Governance

Recommendation 3 - the Council should formulate an action plan to address the issues identified in the Ofsted inspection of the Council's Children's Services. The action plan should include clear target dates and be formally reported to Ofsted and members, and monitored routinely by senior management with regular progress reports presented to the Cabinet.

- Improving economy, efficiency and effectiveness

Recommendation 4 - The Authority should further develop the Council's performance reporting by including performance indicators in tabular form showing the complete set of the Council's key performance indicators by service area and their current period performance, comparison from the prior period, RAG rating movement and comparison with the Council's stated targets.

Recommendation 5 - The Authority should finalise the procurement strategy which is currently being developed as soon as possible. This should set out the Council's objectives and approach to procurement.

In relation to the Council's arrangements in responding to the Covid-19 pandemic, no significant weaknesses had been highlighted and no recommendations made.

The Council's management had responded to the External Auditors Improvement Recommendations, which were set out at pages 11 to 21 of the report.

The External Auditors wished to place on record their thanks to the Director of Corporate Resources, Assistant Director of Finance and the Internal Audit team who had provided the External Auditors with the information required to enable them to undertake their work.

In response to a question from Kathryn Smart seeking clarity in relation to the action taken by the authority and management's response to the External Auditors Improvement Recommendation 1, as outlined above, the Assistant Director of Finance confirmed that if in future years, the Council was unable to balance the budget an assessment would be undertaken of the statutory and discretionary spending and publish the budget proposals, however she emphasised that this was dependent on the circumstances presented at the time. She explained that previously the Council had undertaken a detailed analysis of statutory and non-statutory services which had identified challenges for the Council in categorising costs and that the cost and the extent of provision for individual services could vary. The Assistant Director of Finance confirmed that presently the Council was comfortable with the budget setting process in terms of how pressures and savings had

been assessed, therefore it would continue on this basis, however, advised that in the event of further financial pressures in the future, the budget would need to be looked at more closely.

Following a further question, the External Auditor confirmed that it was at the Councils discretion with regard to what action it took to bring down the level of expenditure, or increase the level of income. He advised that based on the Council's Medium Term Financial Strategy, the Council was managing its financial pressures and therefore the External Auditor had not felt that this was a significant issue that they would wish the Council to take action on.

The Director of Corporate Resources highlighted one key area that had emanated from the External Auditor's report which was the Council's status and spending in comparison to that of other local authorities. It was noted that discussions had taken place with management in the Council in relation to how this information could be utilised as a starting point for the Council to look at the reasons for the Council's areas of high levels of spend. The Director of Corporate Resources highlighted areas the Council was already aware of, in particular, with regard to the proportion of the budget being spent on Doncaster Children's Services Trust (DCST) and that as part of the AGS the Council was to look at how better to improve service delivery.

The Director of Corporate Resources outlined the arrangements to monitor the implementation of the actions relating to the External Auditors' 5 Improvement recommendations. She highlighted the range of mechanisms of how these would be reported to the Committee and that implementation of the actions would possibly feature as standard monitoring reports, but would not feature as a separate report to the Audit Committee nor would be an action on the Internal Audit Work Plan.

In referring to the Improvement Recommendation 3 regarding the action plan to address the issues identified in the Ofsted inspection of Doncaster Children's Services Trust (DCST), given the significance of this issue, the Vice-Chair asked whether External Audit would be carrying out a review of the overall governance of the programme. In response, it was confirmed that the transition of services delivered by DCST which were to come back to the Council, would form part of the External Auditor's work in 2021/22.

In response to a query regarding the External Auditor's benchmarking of other local authorities with regard to their levels of spend, the External Auditor emphasised the importance of the benchmarking exercise, the purpose of which was to look at the reasons for any high or low levels of spending in an Authority, which provided the opportunity for management to be challenged and to be able to provide justifiable reasons for that spend, and to take into account the output and quality of the service delivered by the Council for that local authority spend. A good starting point for the Council would be to look at what was being delivered in Doncaster and whether that was important to the public and the region. In response to a further question, the External Auditor advised that of the reports he had issued recently, Doncaster's arrangements and recommendations were broadly in line with other local authorities and some smaller District authorities.

The Chair on behalf of the Committee thanked Gareth and Perminder for the report.

Members noted that overall the report was a positive one for the Council which had found no weaknesses in the Councils Value for Money arrangements and that effective processes and financial monitoring were in place. Despite the increasingly uncertain financial environment and challenges faced by the Council, in particular the Council's response to the Covid-19 pandemic, the Council had maintained a good financial position and had received a positive opinion on the Councils financial stability, which had forecasted a balanced budget for the next 3 years and had not had to use its general fund revenue reserves, as seen elsewhere from other local authorities across the country. As a consequence, the Council's general fund revenue reserves position remained healthy, the External Auditor confirmed that the future financial sustainability of the Council following recovery of the Covid-19 pandemic had been stepped down from the Annual Governance Statement, but would remain on the risk register.

With regard to the completion of the Audited Statement of Accounts for 2021/22, the External Auditor confirmed that he was confident that the Accounts would be signed off by the statutory deadline of the end of November and it was anticipated that the Value for Money work was to be completed at the end of January 2023.

RESOLVED that the External Auditor's Annual Report in respect of Doncaster Council for 2020/21, be noted.

52 Appointment of the independent Co-opted member of the Audit Committee

Members considered a report which sought the Committee's agreement to recommend to Full Council that approval be given to appoint Dr Stuart Green as a co-opted, non-voting, Independent Member to serve on the Audit Committee for a 4 year term to 31st May 2026.

The current co-opted Independent Member on the Audit Committee, Kathryn Smart's term of office comes to an end on 31st May 2022 and she does not wish to serve a third term. Accordingly, the position was advertised and interviews were held on 1st April 2022 by a Panel which comprised the Chair and Vice-Chair of the Audit Committee, supported by the outgoing Independent Member, Kathryn Smart, and the Head of Internal Audit.

The Chair confirmed that two excellent candidates had been interviewed for the role and after careful consideration the Panel recommended to full Council that Dr Stuart Green, be appointed to the position. Dr Green is currently Assistant Professor in Accounting at Durham University and serves on several other public sector Audit and Standards Committees and was looking forward to being a member of Doncaster's Audit Committee.

The Chair, on behalf of the Committee, gave thanks and appreciation to Kathryn Smart as outgoing Independent Member who for the last eight years has provided extremely valuable help, support and guidance to both him as Chair and previous and current members of the Audit Committee. Kathryn has brought a wealth of experience and knowledge on audit, finance and governance matters to the Audit Committee over this period and has performed the role as co-opted, non-voting Independent Member diligently and has been highly regarded by both Members of the Committee Members and DMBC Officers.

RESOLVED:

- (1) TO RECOMMEND TO FULL COUNCIL that Dr Stuart Green be appointed to serve as a co-opted, non-voting, Independent Member on the Audit Committee for a 4 year term to 31st May 2026; and
- (2) that the Audit Committee express its gratitude to Kathryn Smart as its outgoing Independent Member, for the eight years of highly valued guidance and support she has given the Committee.

CHAIR: \_\_\_\_\_

DATE: \_\_\_\_\_





## Doncaster Council

### Report

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28<sup>th</sup> July 2022

To the Chair and Members of the AUDIT COMMITTEE

#### AUDIT COMMITTEE ACTIONS LOG

##### EXECUTIVE SUMMARY

1. The Committee is asked to consider the attached Audit Committee Actions Log, which updates Members on actions agreed during Audit Committee meetings. It allows Members to monitor progress against these actions, ensuring satisfactory progress is being made.
2. All actions are complete. There are no actions outstanding from earlier meetings.

##### EXEMPT REPORT

3. The report does not contain exempt information.

##### RECOMMENDATIONS

4. The Committee is asked to;
  - Note the progress being made against the actions agreed at the previous committee meetings, and
  - Comment if any further information / updates are required.

##### WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. Regular review of the actions agreed from the Audit Committee meetings enables the Committee to ensure it delivers against its terms of reference and is responding to important issues for citizens and the borough. The action plan update helps support openness, transparency and accountability as it summarises agreed actions from reports and issues considered by the Audit Committee.

##### BACKGROUND

6. The Audit Committee Actions Log, which is updated for each Audit Committee meeting, records all actions agreed during previous meetings. Items that have been fully completed since the previous Audit Committee meeting are recorded once as

complete on the report and then removed for the following meeting log. Outstanding actions remain on the log until completed.

## OPTIONS CONSIDERED AND RECOMMENDED OPTION

7. There are no specific options to consider within this report as it provides an opportunity for the Committee to review and consider progress made against ongoing actions raised during previous Audit Committee meetings.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

8.

	Outcomes	Implications
	<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	
	<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	

	<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes.</li> </ul>	
	<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	<p>Effective oversight through the Audit Committee adds value to the Council operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough</p> <p>The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.</p>

## RISKS AND ASSUMPTIONS

9. The Audit Committee contributes to the effective management of risks in relation to audit activity, accounts / financial management / risk management and other governance / regulatory matters.

## LEGAL IMPLICATIONS [Initials: SRF Date:30.06.22]

10. There are no specific legal implications associated with this report. Where necessary appropriate legal advice can be provided in relation to matters listed in the Appendix to this report

## FINANCIAL IMPLICATIONS [Initials: SJT Date:01.07.22]

11. There are no specific financial implications arising from this report

## HUMAN RESOURCES IMPLICATIONS [Initials: SH Date: 29.06.22]

12. There are no specific human resources issues associated with the contents of this report.

## TECHNOLOGY IMPLICATIONS [Initials: NR Date:29.06.22]

13. There are no specific technology implications associated with this report.

#### **EQUALITY IMPLICATIONS [Initials: PRJ Date:29/06/22]**

14. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

#### **HEALTH IMPLICATIONS [Initials: RS Date:29.06.2022]**

15. Good governance is important for healthy organisations and for healthy populations. Specific health implications should be addressed through individual audits and action plans.

#### **CONSULTATION**

16. The Audit Committee Action Log has been produced following consultation with members of the Audit Committee to address the risk of agreed actions not being implemented.

#### **BACKGROUND PAPERS**

17. None

#### **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

18. None

#### **REPORT AUTHOR & CONTRIBUTORS**

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**Faye Tyas**  
**Assistant Director of Finance**

AUDIT COMMITTEE ACTION LOG – 28<sup>th</sup> JULY 2022

Follow-up actions from previous meetings:-

Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
<b>Meeting 28<sup>th</sup> April</b>			
<p><b>North Bridge Stores Transformation Project Update Reports</b>            Audit Committee requested that the 2022/23 Audit Committee workplan includes further update reports for July and Octobers' Committee meeting so they could be aware of and assured over progress being made in this area.</p>	<p>Audit Committee workplan has these two reports scheduled as requested.</p>	<p>Peter Jackson</p>	<p>Y- 1<sup>st</sup> report provided alongside the second being scheduled within the Audit Committee Work plan</p>

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## Doncaster Council

**Date: 28<sup>th</sup> July 2022**

**To the Chair and Members of the  
AUDIT COMMITTEE**

### **COVERT SURVEILLANCE - REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE**

#### **EXECUTIVE SUMMARY**

- 1.1 The Council occasionally has a need to utilise covert methods in the investigation of matters for the purposes of detecting and preventing particular crimes. For several years, this power has been utilised by trading standards in the use of covert recordings for test purchases of illicit and counterfeit products such as alcohol, tobacco and branded goods, or for underage sales. The recording negates the need for a witness to attend court or can provide evidence in the event there is a dispute over the sale. On such occasions, the Regulation of Investigatory Powers Act 2000 (RIPA) provides a mechanism to make it lawful for public authorities to use directed (i.e. covert) surveillance and covert human intelligence sources ("CHIS") e.g. undercover officers and informants. The Council has a RIPA Policy and Procedures that govern the use of those powers. In addition, the Home Office issues statutory codes of practice on the use of RIPA powers that must be complied with, including requiring elected members to have oversight of the use of RIPA powers and to agree the RIPA Policy/Procedures on an annual basis.
- 1.2 At its meeting held on 27<sup>th</sup> July 2010, the Audit Committee agreed it should receive reports reviewing the Council's use of RIPA. These reports are brought on a six monthly basis due to the Council's limited use of the RIPA powers. A yearly report and a six monthly update report are brought each year; this is the yearly report.

#### **RECOMMENDATIONS**

2. To note that the Council has had one surveillance application authorised under RIPA since the last report to the Audit Committee on the 26<sup>th</sup> January 2022.
3. To note that the Investigatory Powers Commissioner's Office has carried out a remote inspection on 14<sup>th</sup> April 2022. The report dated 26<sup>th</sup> April 2022

states 'Your authority has been found to be in a good place' with no recommendations necessary.

4. To note that there are no changes proposed to the Council's RIPA policy and procedure. The last minor amendments were approved by the Committee in June 2019 following the Investigatory Powers Commissioner's Inspection recommendations and the recent inspection made no recommendations for changes.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

5. RIPA policies and procedures ensure that the Council has appropriate arrangements in place to comply with the law relating to RIPA authorisations and Covert Surveillance, and that it is properly and lawfully carrying out covert surveillance where it is required.

## **BACKGROUND**

6. RIPA was introduced in response to The Human Rights Act 1998 to ensure that Local Authorities could continue lawfully to carry out Covert Surveillance. The Government also set up the Office of Surveillance Commissioners who regularly inspects Local Authorities. The Office of Surveillance Commissioners subsequently became part of the Investigatory Powers Commissioner's Office ("IPCO"). The Council has been subjected to six inspections namely in, 2003, 2004, 2009, 2012, 2016 and March 2019.
7. The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012 came into force on 1<sup>st</sup> November 2012. This provides that directed surveillance can only be authorised under RIPA where the criminal offence sought to be prevented or detected, is punishable by a maximum of at least 6 months imprisonment, or would constitute an offence involving the sale of tobacco or alcohol to underage children.
8. The Protection of Freedoms Act 2012 also requires Local Authorities to have all their RIPA surveillance authorisations (both directed and Covert Human Intelligence Sources (CHIS)) approved by a Magistrate before they take effect.
9. Trading Standards regularly use directed surveillance for the purpose of their investigations, particularly to undertake test purchasing and subsequent monitoring of suspects and premises to determine methods of sale and supply, frequency of supply, identity of associates, and gathering evidence for enforcement action. One RIPA authorisation was authorised by Magistrates in March 2022 concerning illicit sales at 8 premises. The test purchase operation has confirmed that 5 out of the 8 premises are selling illicit tobacco products in contravention of legislation and appropriate enforcement action will be taken.
10. The Investigatory Powers Commissioner's Office has carried out a remote inspection of the Council in April 2022. Copies of our policies, Audit Committee reports, recent authorisations and training details had been provided to the Inspector for his consideration in advance. A video call on 14th April 2022 took place between the Inspector, Scott Fawcus, Assistant Director Legal & Democratic Services and Helen Potts, Principal Legal



Officer. The inspection report dated 26th April 2022 states ‘Your authority has been found to be in a good place’ with no recommendations necessary. The previous inspection had taken place on 25th March 2019 and this inspection confirmed the recommendations made then have been discharged. The Inspection report also made the following comments:

- ‘Five authorisations for directed surveillance have been undertaken since the last inspection. Authorisations viewed were well constructed and cited relevant intelligence cases, with the authorising officers each giving specific attention to the statutory considerations and clearly identifying which covert tactics had been authorised.
- Training has been undertaken, even during the current pandemic, with online training modules utilised. More focused training, for those staff more likely to utilise the covert powers, has been delivered by the RIPA coordinator, utilising the Microsoft Teams video facility. Another awareness training session is planned for 4th May for new members joining your authority. RIPA oversight is provided by the SRO through weekly meetings with Ms. Potts.
- Your SRO and Ms. Potts are experienced and fully aware of their responsibilities.
- A specific focus for the inspection was the retention, review, and destruction (RRD) of data gathered utilising the covert powers available. I note that section 19 of your RIPA policy deals with the safeguarding requirement for this material, including reducing the need to copy it, handling, and storage of this material, and ultimately the review and destruction of it. I am pleased that your policy has been updated to contain this level of detail. To ensure compliance with the policy it is important that RRD responsibilities are highlighted to new staff and woven into your regular training inputs.’

11. The yearly report considers if changes are needed to our RIPA policy and procedure. There are no changes proposed. The last minor amendments were approved by the Committee in June 2019 following the Investigatory Powers Commissioner’s previous Inspection recommendations and the recent inspection made no recommendations for changes. If any changes are required due to legislation or statutory guidance updates, these will be made and reported to this Committee.

## **OPTIONS CONSIDERED**

12. There are no alternatives considered.

## **REASONS FOR RECOMMENDED OPTION**

13. The update assists in ensuring that the Council has fit for purpose arrangements in place to comply with the law relating to RIPA authorisations, and ensure that it only makes use of those powers where it is necessary and proportionate to do so.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

14.

	<b>Outcomes</b>	<b>Implications</b>
	Working with our partners we will provide strong leadership and governance.	The work undertaken by the Audit Committee helps to ensure that the systems for RIPA powers used by the Council are overseen ensuring good governance arrangements and compliance with the law and statutory codes of practice.

## RISKS AND ASSUMPTIONS

15. Failing to have a fit for purpose RIPA Policy and Procedures compliant with statutory codes of practice will put the Council at risk of acting unlawfully, having evidence ruled inadmissible in prosecution proceedings, facing complaints to the Investigatory Powers Tribunal and receiving criticism at the next inspection by IPCO. This will cause reputational damage to the organisation

## LEGAL IMPLICATIONS [Officer NC Date: 30/6/22]

16. RIPA provides Local Authorities with the mechanism in which they can lawfully carry out covert surveillance without breaching individuals' human rights under Article 8 of the Human Rights Act 2000. Failure to follow the law and statutory codes of practice in particular cases could lead to any evidence obtained by covert surveillance being the subject of a challenge in subsequent court proceedings, and also would lead to criticism at the next inspection by IPCO.

The Covert Surveillance and Covert Human Intelligence Source Codes of Practice provide that elected members should consider internal reports on use of RIPA on a regular basis to ensure that the powers are being used consistently with the local authority's policy, and that the policy remains fit for purpose.

## FINANCIAL IMPLICATIONS [Officer PH 28/06/22]

17. There are no specific implications associated with this report. Any costs to implement the amendments and training will be met from existing budgets.

## HUMAN RESOURCES IMPLICATIONS [Officer SH : 23/06/22]

18. There are no specific HR implications associated with this report.

## TECHNOLOGY IMPLICATIONS Officer Initial NR 27/6/22]

19. There are no technology implications associated with this report.

## **HEALTH IMPLICATIONS [RS 23/06/2022]**

20. Public Health is in support of this recommendation in order to prevent and / or detect crime and prevent disorder. This recommendation is in the interests of public safety and protection of the health or the public.

## **EQUALITY IMPLICATIONS [Officer NC 30/6/22]**

21. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'Due Regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic. There are no specific equality implications arising directly from this report.

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

RIPA: Regulation of Investigatory Powers Act 2000

CHIS: Covert Human Intelligence Source

IPCO: Investigatory Powers Commissioner's Office

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**Assistant Director**

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## Doncaster Council

### Report

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28th July 2022

To the Chair and Members of the AUDIT COMMITTEE

#### AUDIT COMMITTEE PROSPECTUS, TERMS OF REFERENCE AND WORK PROGRAMME 2022/23

Relevant Cabinet Member(s)	Wards Affected	Key Decision
n/a	n/a	No

#### EXECUTIVE SUMMARY

1. The report contains a 'Prospectus' which sets out the scope and standards applicable to the Audit Committee, and shows how these and the Terms of Reference enable the Committee to comply with Local Government Audit Committee standards and the Council's requirements of the Committee.
2. The Prospectus includes a draft work programme, which demonstrates how the Committee will fulfill its Terms of Reference for the year. It also schedules an indicative programme of training and awareness sessions for Audit Committee members.

#### EXEMPT REPORT

3. The report does not contain exempt information.

#### RECOMMENDATIONS

4. The Audit Committee is asked:
  - to agree the Prospectus setting out the Audit Committee's scope, standards and work programme for the year and note the unchanged Terms of Reference for the Audit Committee for the 2022/23 Municipal Year.

## WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER

5. Effective oversight through the Audit Committee adds value to the Council operations in managing its risks and achieving its key priorities.

## BACKGROUND

### Terms of Reference

7. In 2018, CIPFA (Chartered Institute of Public Finance and Accountancy) issued a publication, "Audit Committees; Practical Guidance for Local Authorities and Police". This publication contained a model set of Terms of Reference for an Audit Committee. The Terms of Reference are in line with this CIPFA guidance but still reflect local requirements e.g. to discharge the role of the Standards Sub-Committee.
8. At its Annual Meeting on 17<sup>th</sup> May 2019, the Council approved the Terms of Reference for Council Committees and Sub-Committees, which included the Audit Committee. Only minor changes to the Audit Committee Terms of reference have been identified as being needed since then, the latest of which the Council approved at its Annual Meeting on 20<sup>th</sup> May 2022.
9. A link to the Terms of Reference for the Audit Committee is here for ease of reference to demonstrate how the work programme delivers the Terms of Reference of the Audit Committee.

<https://doncaster.moderngov.co.uk/mgCommitteeDetails.aspx?ID=146>

### Prospectus and Draft Work Programme

10. The Terms of Reference are augmented by the draft Audit Committee Prospectus, attached at **Appendix A**. The Prospectus is a public facing document that sets out the role, scope and standards of the Audit Committee, as well as some of the expected outcomes from its work during the year.
11. The Work Programme is also an integral part of the Prospectus and demonstrates the Committee's coverage of the areas identified in its Terms of Reference, as follows:
  - a. Internal Audit
  - b. External Audit
  - c. Regulatory Framework
  - d. Accounts
  - e. Ethical Governance
12. Within the work programme, it is proposed as a default to maintain reporting the following regular items to the Audit Committee on a six monthly basis:

- Regulation of Investigatory Powers Act 2000 (RIPA) surveillance.
  - Breaches and Waivers to the Council's Contract Procedure Rules
13. However, if there are any significant issues in any of these areas they will be reported immediately to the Audit Committee.
14. Update briefings and/or training for Members will be provided as required, an indicative programme is set out in the work programme.
15. Internal Audit Update reporting for 2022/23 is scheduled for July 2022, October 2022 and January 2023, with an annual report of the Head of Internal Audit in April 2023.

### OPTIONS CONSIDERED AND RECOMMENDED OPTION

16. In order to discharge its functions effectively, the Committee is required to operate within an agreed Terms of Reference.
17. The work programme is designed to ensure that, where appropriate, the Audit Committee is able to ensure the Council meets certain statutory deadlines and also discharge its responsibilities under its Terms of Reference, whilst achieving a balanced and manageable work load.
18. It should be noted that the programme of work may have to be varied in response to any issues emerging during the course of the year.

### IMPACT ON THE COUNCIL'S KEY OUTCOMES

19. The Audit Committee assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. The Audit Committee's work is, therefore, relevant to all priorities but in particular the following:

	Outcomes	Implications
	<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	
	<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of</p>	

	<p>opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	
	<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>	
	<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> </ul>	<p>Effective oversight through the Audit Committee adds value to the Council operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough.</p> <p>The work undertaken by the</p>



	<ul style="list-style-type: none"> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	<p>Audit Committee improves and strengthens governance arrangements within the Council and its partners.</p>
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## **RISKS AND ASSUMPTIONS**

20. The Audit Committee contributes to the effective management of risks in relation to audit activity, accounts / financial management / risk management and other governance / regulatory matters.

## **LEGAL IMPLICATIONS (SRF 07/07/22)**

21. There are no specific legal implications associated with this report.

## **FINANCIAL IMPLICATIONS (SJT 11/07/22)**

22. There are no specific financial implications associated with this report

## **HUMAN RESOURCES IMPLICATIONS SH 08/07/22)**

23. There are no specific human resources issues associated with this report.

## **TECHNOLOGY IMPLICATIONS (PW 06/07/22)**

24. There are no specific technology implications associated with this report.

## **EQUALITY IMPLICATIONS (PJ 29/06/22)**

25. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

## **HEALTH IMPLICATIONS (RS 11/07/22)**

26. Good governance is important for healthy organisations and for healthy populations. Specific health implications should be addressed through individual audits and action plans.

## **CONSULTATION**

27. The Council's Governance Group were consulted in the production of the Terms of Reference with the Chair of the Audit Committee being consulted on the changes to the Terms of Reference prior to these being presented to May 2019 Annual Council.

## **BACKGROUND PAPERS**

28. None.

**REPORT AUTHOR & CONTRIBUTORS**

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**Faye Tyas**  
**Assistant Director of Finance**



Doncaster  
Council

# Audit Committee Prospectus, Terms of Reference and Work Plan 2022/23

*The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.*

## The Audit Committee at Doncaster Council

The Audit Committee has primary responsibility for ensuring there are effective governance arrangements in place and operating throughout the organisation, and is the principal advisory function to the Council and Executive on governance related matters.

This Prospectus sets out the scope and the standards of the Audit Committee, which are consistent with Local Government standards. It also describes the approach that will be taken by the Audit Committee and outlines its 2022/23 work programme.

### Scope and Standards

In accordance with the Chartered Institute of Public Finance and Accountancy's Position Statement and guidance on Audit Committees, the Audit Committee will:

- ✓ Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position.
- ✓ Monitor the effectiveness of the risk, governance and control arrangements and assurances obtained about its operation.
- ✓ Consider the accuracy and effectiveness of risk management.
- ✓ Ensure Internal Audit is independent and effective. In particular the Committee will:
  - review and approve the responsibilities of the internal audit function and ensure the function has the necessary resources to enable it to perform in accordance with appropriate professional standards.
  - review and assess the annual internal audit work plan.
  - receive a report on the results of the internal auditor's work including management actions in response to audit recommendations and its compliance with its professional standards on a periodic basis.
- ✓ Review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (whistleblowing).

- ✓ Review the Council's arrangements for managing the risk of fraud.
- ✓ Review and approve the external auditor's annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- ✓ Review the findings of the external auditor's work with the external auditor, including a discussion of any major issues which arise during the audit.
- ✓ Review the financial statements and the external auditor's opinion on the statements. In particular, the Committee will review and challenge where necessary:
  - the consistency of, and any changes to, significant accounting policies.
  - the methods used to account for significant or unusual transactions where different approaches are possible.
  - whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
  - the clarity and completeness of disclosure in the financial reports and the context in which statements are made.
- ✓ Consider external audit and inspection recommendations and ensure these are fully responded to.

The Audit Committee has *Terms of Reference* that reflect the scope and standards, and agrees an annual work-plan showing how the Committee will deliver its responsibilities. The 2022/23 work-plan, which is a 'live' document that is updated throughout the year, is attached at **Appendix 1**.



The Audit Committee has a current membership of five Council Members and one independent Co-opted member. It will meet five times this year. The Committee's operating model ensures that it:

- ✓ Has clear rights of access to other committees and functions, for example scrutiny.

- ✓ Will have as regular attendees, the Director of Corporate Resources, the Assistant Director of Finance, the Head of Internal Audit and the External Auditor. Other attendees may include the Chief Executive and the Monitoring Officer.
- ✓ Is able to meet privately and separately with the External Auditor and with the Head of Internal Audit.
- ✓ Has the right to call on any other officers as required.
- ✓ Will report regularly on its work to the Council.
- ✓ Demonstrable implementation of agreed management actions arising from audit and inspection recommendations.
- ✓ A clear risk-based Internal Audit plan that is subject to regular ongoing review and is adequately delivered.
- ✓ The achievement of a positive opinion from the external audit on the Financial Arrangements.
- ✓ An Annual Governance Statement, external audit Value for Money opinion and Internal Audit opinion of the risk, governance and control arrangements that fairly reflect the Council's position.

## The Role of the Audit Committee

The Audit Committee has a lead role in ensuring risks are managed effectively across the Council. The Committee challenges the Council and its managers to demonstrate their awareness, reporting and controlling of any risks that could either prevent the Council from achieving its objectives or could cause major disruption of any nature.

For 2022/23, the Committee will:

- ✓ Keep an active interest in the maintenance of the Council's overall risk management framework, policy and strategy.

In addition, the Committee aims to strengthen its own contribution. It will:

- ✓ Receive regular, detailed, update sessions on relevant topics throughout the year.
- ✓ Receive other development and support as required, individually and/or collectively.

## How will we know we have succeeded?

The role of the Audit Committee is crucial. The Committee has primary responsibility for ensuring there are effective governance arrangements in place and operating throughout the organisation.

The Audit Committee will be accountable for meeting its responsibilities. We expect the following outcomes to be achieved:

- ✓ Comprehensive risk registers, including fraud risks, with risks demonstrably controlled.

The Audit Committee will produce an Annual Report which will show how the Audit Committee is delivering these success measures and contributing positively to improving risk, governance and control and adding value to the organisation.

.....  
**Councillor Austen White, Chair**

.....  
**Councillor Glenn Bluff, Vice-Chair**

**28<sup>th</sup> July 2022**

## APPENDIX 1

### Doncaster Council - Audit Committee Work Plan 2022/23

Objective and Agenda Item	July 2022	Oct 2022	Nov 2022	Jan 2023	April 2023
<b>Internal Audit</b>					
Internal Audit Charter and Strategy					
Internal Audit Progress Report for the period: April to June 2022	✓				
Internal Audit Progress Report for the period: July to September 2022		✓			
Internal Audit Progress Report for the period: October to December 2022				✓	
Annual Report of the Head of Internal Audit 2022/23 (includes Internal Audit Progress January 2023 to March 2023)					✓
Internal Audit Plan 2023/24					✓
<b>External Audit</b>					
Grant Thornton - Progress Report and Sector Update		✓			✓
Audit Findings Report (ISA260) 2021/22 and Letter of Management Representation			✓		
Grant Thornton Annual Audit Report 2021/22				✓	
External Auditor (Grant Thornton) Audit Plan 2021/22 and Arrangements for the preparation of the 2021/22 Accounts	✓				
External Auditor (Grant Thornton) Audit Plan 2022/23 and Arrangements for the preparation of the 2022/23 Accounts					✓
<b>Regulatory Framework</b>					
Audit Committee Actions Log	✓	✓	✓	✓	✓
Audit Committee Prospectus, Terms of Reference and Work programme 2022/23	✓				
Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA) Update	✓			✓	
North Bridge Stores Transformation Project - Progress Report	✓	✓			
Breaches and Waivers to the Council's Contract Procedure Rules		✓			✓
Audit Committee Annual Report 2022/23					✓
<b>Draft Annual Governance Statement 2022/23</b>					
Draft Annual Governance Statement 2022/23					✓

Objective and Agenda Item	July 2022	Oct 2022	Nov 2022	Jan 2023	April 2023
<b>Accounts</b>					
Unaudited Statement of Accounts 2021/22	✓				
Statement of Accounts and Annual Governance Statement 2021/22			✓		
<b>Ethical Governance</b>					
Monitoring Officer Annual Whistleblowing and Standards Report 2022/23					✓
Preventing and Detecting Fraud and Error - October 2021 to September 2022			✓		
<b>Proposed Committee Member Training/Awareness Session</b>					
Understanding the Council's Draft Accounts	✓				
Covert Surveillance – Regulation of Investigatory Powers Act 2000 and the Work of the Trading Standards Team					
Internal Audit / Audit Committee updates	✓	✓	✓	✓	✓
The Council's Contract Procedure Rules and topical procurement issues		✓			
Update on any changes to the Council's Final Accounts and the final Audit Opinion			✓		
Annual Governance Statement review and reporting			✓		
The Council's Counter Fraud Arrangements			✓		
Internal Audit Annual Opinion and Audit Plan Process					✓

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## Doncaster Council

### Report

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Date: 28<sup>th</sup> July 2022

To the Chair and Members of the AUDIT COMMITTEE

INTERNAL AUDIT REPORT FOR THE PERIOD: April 2022 to June 2022

#### EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work undertaken by Internal Audit for the period of April to June 2022.
2. The attached report is in four sections:
  - Section 1. The Audit Plan / Revisions to the Plan
  - Section 2. Audit Work Undertaken During the Period
  - Section 3. Implementation of Management Actions arising from Audit Recommendations
  - Section 4. Internal Audit Performance
3. A summary of the main points from each of the sections is provided in the following paragraphs:

#### Section 1: The Audit Plan / Revisions to the Plan

4. The original plan was approved at the April Audit Committee and will be continually reviewed throughout the year in accordance with our agile approach to auditing. Section 1 sets out further detail and changes to date.

#### Section 2: Audit Work Undertaken During the Period

5. During the period April to June, the majority of our work has been on our routine and planned audits as well as an increasing number of Covid related grants, needing auditing and sign off. A significant amount of work has also been carried out covering Post Payment Assurance Checks on Business Rates grants.
6. Work continued in supporting the North Bridge Stores Transformation Project which involved a further site visit following which detailed observations were provided to management for incorporation into their Service Improvement Plan.

### **Section 3: Progress on the implementation of Management Actions arising from Internal Audit recommendations**

7. The previously reported one high risk level overdue management action i.e. actions that have passed their original agreed implementation dates, has now been implemented. This was for Trading Standards and Food Safety. Details of this are recorded at Appendix B.
8. The total number of overdue medium and low risk level management actions has reduced to 6. Revised implementation dates have been agreed for these actions requiring a further extension of time. In total there are 15 Internal Audit recommendations awaiting implementation.
9. Having undertaken a thorough review of the risks in this area, we have assessed the situation as highly satisfactory and will continue to tightly monitor and manage this area.

### **Section 4: Performance Information**

10. Key operational indicators are over the timeliness of the issue of draft and final reports and these have all been issued within target timescales.
11. Results relating to major recommendations and customer satisfaction remain positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.
12. The plan for the remainder of the Financial Year has been assessed and the Head of Internal Audit considers that sufficient work will be delivered to be able to provide his opinion on the Council's risk, governance and control arrangements. Any changes to this situation will be alerted to members of the Audit Committee.
13. The work delivered by the audit team provides a source of intelligence for the Annual Governance Statement (AGS). The work delivered in the year to date, has not identified any new areas of concern that should be considered for inclusion in the Annual Governance Statement for 2021/22. Additionally, work for the year to date has not identified any reason to result in a negative or limited annual opinion over the council's risk, governance and control arrangements.

### **RECOMMENDATIONS**

14. The Audit Committee is asked to note:
  - the position of the Internal Audit plan
  - the Internal Audit work completed in the period
  - the position with regards the implementation of management actions arising from Internal Audit recommendations
  - the current position regarding the ability to deliver the annual opinion over the council's risk, governance and control arrangements

## WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

15. Effective Internal Audit arrangements add value to the Council in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough.

## BACKGROUND

16. This report provides the Audit Committee with information on the outcomes from internal audit work and allows the Committee to discharge its responsibility for monitoring Internal Audit activity.

## OPTIONS CONSIDERED

17. Not applicable – for information only

## REASONS FOR RECOMMENDED OPTION

18. Not applicable – for information only

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

19. Internal Audit assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. Internal Audit's work is, therefore, relevant to all priorities.

Outcomes	Implications
<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	
<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and</li> </ul>	

sporting heritage	
<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	
<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes.</li> </ul>	
<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	<p>Effective oversight through the Audit Committee adds value to the Council operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough</p> <p>The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.</p>

**RISKS AND ASSUMPTIONS**

20. The implementation of internal audit recommendations is a response to identified risks and hence is an effective risk management action.

**LEGAL IMPLICATIONS [SRF 12/07/22]**

21. There is a statutory obligation on the council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

Legal advice can be provided on individual items on the work plan as required.

## **FINANCIAL IMPLICATIONS [SJT 13/07/22]**

22. There are no specific financial implications arising from this report. Internal Audit's budget is monitored monthly and is not reporting any significant issues

## **HUMAN RESOURCE IMPLICATIONS [SH 12/07/22]**

23. There are no specific human resource implications associated with this report.

## **TECHNOLOGY IMPLICATIONS [PW 14/07/22]**

24. There are no specific technology implications associated with this report.

## **EQUALITY IMPLICATIONS [PJ 08/07/22]**

25. We are aware of the Council's obligations under the Public Sector Equalities Duties and whilst there are no identified equal opportunity issues within this report; all of the reports covered by the document will have taken into account any relevant equality implications.

## **HEALTH IMPLICATIONS [RS 12/07/22]**

26. Good governance is important for healthy organisations and for healthy populations. Specific health implications should be addressed through individual audits and action plans.

## **CONSULTATION**

27. There is consultation with managers at the outset, throughout and at the conclusion of individual audits in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate. Regular meetings are held with Senior Management to ensure there is effective and relevant Internal Audit coverage provided.

## **BACKGROUND PAPERS**

28. United Kingdom Public Sector Internal Audit Standards, audit working files and management information, customer satisfaction responses.

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

29. None

## **REPORT AUTHOR & CONTRIBUTORS**

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**Peter Jackson**  
**Head of Internal Audit**





**Doncaster  
Council**

**Doncaster Council**

**Internal Audit Progress Report**

**April to June 2022**

## Section 1: Revisions to the Audit Plan

1.1. The 2022/23 Internal Audit Plan was approved by the Audit Committee on 28<sup>th</sup> April 2022. As the audit year progresses, the plan is reviewed to take account of any new and emerging risks and any responsive work arising. Additional work undertaken is added to the plan and is resourced by the deletion or deferral of the assessed lowest risk items. The staffing resources available have reduced since the original Audit plan was approved due to one member of staff leaving and long-term sickness within the team.

1.2. Further, discussions have taken place with the Internal Audit provider for DCST to consider arrangements going forward post 1<sup>st</sup> September 2022. It has been agreed for the contract to novate to the Council until it ceases on 31<sup>st</sup> March 2023. We are working closely with the provider to ensure maximum value is obtained from their work, ensuring we work collaboratively, do not duplicate and complement, adding overall value.

1.3. Significant changes to the plan for the period are set out below, however, further amendment will be needed once the outcome of an ongoing resource review has been completed.

1.4. New significant pieces of work added to the work plan in the quarter are:

- Asylum Payments Review – requested by management for assurance over arrangements
- Local Child Safeguarding Practice Review (LCSPR) – requested by management for assurance over arrangements following transfer from the Children’s Trust
- Better Mental Health Grant Verification – required by Central Government
- Inpatient Detoxification Grant – required by Central Government
- Universal Drug Treatment Grant – required by Central Government

1.5. Items of work removed from the plan are set out below; all these will be reassessed as part of the ongoing planning process for the remainder of this financial year and the next financial year:

- North Bridge Stores Review – to allow the new Stores Manager time to embed ongoing arrangements. Performance and Project Management will continue with ongoing management oversight. A comprehensive audit will be carried out early in the 2023/24 year.
- Trading Standards and Food and Animal Safety Re-Review – to allow management to further embed improved arrangements and deliver against backlogs of work in these areas.



- Core Financial Processes - Payroll Processing – audit was recently completed and provided substantial assurance with no further work required in this Financial Year
- Schools Declaration of Interest Processes – Work carried out as part of the National Fraud Initiative identified improved arrangements are required in this area
- Gainshare Grant – grant verification cannot be completed this year as scheme completes in April 2024
- Homes and Communities Agency Grant (HCA) – not required as no grant funded schemes require auditing by the HCA
- Education Absence - Fixed Penalty Notices – delaying will provide additional time to resource training and raising awareness work arising from school audit reviews
- School Budgets – Surplus / Deficit Budgets – delaying will provide additional time to resource training and awareness work arising from school audit reviews

1.6. We continue to work with all relevant teams within the Council to ensure our ongoing planned work for the year remains relevant and adds maximum values to the Council. We also continue sense checking our planning and approach with other Audit Teams in the regions that are in our working network. This will ensure that audit resources continue to be targeted to reviewing the highest risks to the Council.

## **Section 2: Audit Work Undertaken During the Period**

2.1 During the period April to June, the majority of our work has been on our routine and planned audits as well as an increasing number of Covid related grants, needing auditing and sign off. A significant amount of work has also been carried out covering Post Payment Assurance Checks on Business Rates grants.

Work continued in supporting the North Bridge Stores Transformation Project which involved a further site visit following which detailed observations were provided to management for incorporation into their Service Improvement Plan.

2.2 Internal Audit provides an opinion on the control environment for all systems, services or functions, which are subject to planned audit review. The opinions given are taken into account when forming our overall annual opinion on the adequacy and satisfactory operation of the Council's governance, risk management and internal control arrangements at the end of the year.

### **Internal Audit Opinion**

2.3 A “*substantial assurance*” opinion is given where there are no or low levels of concern. A “*reasonable assurance*” opinion is given where there are issues of concern that need to be addressed which may put at risk the achievement of

objectives in the area audited. A “*limited assurance*” opinion is given in any area under examination where one or more concerns of a ‘fundamental’ nature are identified or where there are a considerable number of issues of concern arising which need addressing. A ‘*no assurance*’ opinion is given where immediate action is required to address fundamental gaps, weaknesses or non-compliance identified in the area under review, although ‘*no assurance*’ opinions are extremely rare.

## **Summary of Findings from Audit Reviews**

2.4 Summary conclusions on all significant audit work completed April to June 2022 and any completed work not previously reported, are set out in **Appendix A**.

### **Audits providing ‘limited’ assurance opinions**

2.5 There have been no ‘limited assurance’ opinions given this period.

### **Responsive Audit Work and Investigations**

2.6 In addition to our planned assurance work, we also investigate allegations of fraud, corruption or other irregularity and/or error, and respond to requests for assistance from services and functions in the Council. There is nothing to report upon in this progress report but any reportable issues will be included in future progress reports or in the Annual Fraud report as appropriate.

## **Section 3: Implementation of Management Actions arising from Audit Recommendations**

3.1 Following the completion of audit work, improvement plans are produced in consultation with service management containing details of actions and dates agreed by management for their implementation. Final reports, incorporating agreed improvement plans, are then formally issued to the appropriate Director, Assistant Director and Head of Service.

3.2 Internal Audit subsequently seeks assurance that agreed actions arising from audit work have actually been implemented and are effectively managing any risks previously identified. This involves contacting the officer allocated to complete the action to obtain evidence that agreed actions have been implemented or, where they have not, that appropriate progress is being made. Where fundamental weaknesses in internal control arrangements have been identified, more detailed follow up work is undertaken.

3.3 Any agreed management actions that are not implemented in line with agreed timescales require Assistant Director authorisation for a time extension and are reported as part of the Council’s Quarterly Resource Management processes and consequently monitored through that process. Additionally, Assistant Directors are provided each month with details of all actions outstanding in their area and these are then reviewed with Internal Audit and the Director and their management teams each quarter. Overdue high risk level management actions are reported routinely by Internal Audit to the Audit Committee as are numbers of outstanding lower-level management actions. This has also been further refined following concerns raised by the Audit Committee to that when it is clear that implementation of actions is proving problematic then future date revisions will be approved by the Director and escalated to the Chief Executive when necessary.

3.4 The total of actions which are overdue i.e. that have passed their original agreed implementation date has reduced to 6 and none of these are high risk. A breakdown of these by Directorate is detailed in the table below. All these management actions have had revised dates agreed by their relevant Assistant Directors and we will tightly monitor and report on the achievement of these revised dates.

3.5 The detail of the high-level management actions and revised implementation dates is provided in **Appendix B**.

Directorate	Number of high-risk level management actions overdue at 30/06/2022					Number of medium / lower risk level management actions overdue at 30/06/2022				
	At 31/12/2020	At 28/6/2021	At 31/12/2021	At 11/04/22	At 30/06/2022	At 31/12/2020	At 28/6/2021	At 31/12/2021	At 11/04/2022	At 30/06/2022
Adults, Health & Wellbeing (AHWb)	0	0	0	0	0	3	2	0	0	0
Economy & Environment (EE)	4	3	3	1	0	31	27	27	8	6
Corporate Resources (CR)	0	0	0	0	0	12	7	1	0	0
Learning Opportunities, Skills & Culture	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>46</b>	<b>36</b>	<b>28</b>	<b>8</b>	<b>6</b>

3.6 The main area where there had been significant delays is:

Trading Standards (Economy & Environment)

As previously reported, the work of the team had to be constantly reprioritised again during the 2021/22 year, but in quarter four, significant progress was made in implementing many actions such that at the end of the year there were only 7 actions overdue but all of which were in line with the revised implementation dates that had been authorised by the Chief Executive. The position at the end of the first quarter of the year is that there are now no high risk actions outstanding and only five lower level ones. There continues to be appropriate management arrangements for the completion of the remaining actions such that this continues to be no longer regarded an area of concern.

3.7 The spread of all management actions awaiting implementation including those not yet due is shown below:

Directorate	No. of actions at 31/12/2020	No. of actions at 30/06/2021	No. of actions at 31/12/2021	No. of actions at 30/06/2022
Adults, Health and Wellbeing	3	4	0	0
Economy & Environment	35	30	30	6
Corporate Resources	26	9	26	8
Learning Opportunities, Skills & Culture	0	3	0	1
<b>TOTAL</b>	<b>64</b>	<b>46</b>	<b>56</b>	<b>15</b>

3.8 Having undertaken a thorough review of the risk in this area, we have assessed the situation as highly satisfactory and will continue to tightly monitor and manage this area.

#### **Section 4: Internal Audit Performance**

##### Performance Indicators

- 4.1 The Audit Committee has previously agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service.
- 4.2 Key indicators are over the timeliness of the issue of draft and final reports and these have all been issue within target timescales.
- 4.3 Results relating to major recommendations and customer satisfaction remain positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.

The indicators are shown below along with current performance for the period April to June 2022:

Performance Indicator	Target	April to June 2022	Variance (positive is good)
Draft reports issued within 15 days of field work being completed	90%	100%	+10%
Final reports issued within 5 days of customer response	90%	100%	+10%
% of critical or major recommendations agreed	100%	100%	0%
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	+10%

## Rolling Audit Opinion over Risk, Governance and Control Arrangements and Annual Governance Statement Items

- 4.4 The plan for the remainder of the Financial Year has been assessed and the Head of Internal Audit considers that sufficient work will be delivered to be able to provide his opinion on the Council's, risk governance and control arrangements. Any changes to this situation will be alerted to members of the Audit Committee.
- 4.5 The work delivered by the audit team provides a source of intelligence for the Annual Governance Statement (AGS). The work delivered in the year to date, has not identified any new areas of concern that should be considered for inclusion in the Annual Governance Statement for 2021/22. Additionally, work for the year to date has not identified any reason to result in a negative or limited annual opinion over the council's risk, governance and control arrangements.

**Planned Audit Work Completed in Period / Not Previously Reported**

**APPENDIX A**

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
<b>CORPORATE RESOURCES</b>				
Bus Service Operators Grant (June Claim)	Confirm expenditure and that it is in keeping with the conditions of the grant statement as true and fair as stipulated by the grant.	June 2022	Not Applicable – Grant Claim verification	Grant signed, no issues raised.
Core Financial Processes – Internet and Telephone Payments	Confirm that the controls for telephone and internet banking payments are effective.	May 2022	Reasonable Assurance	Employees who take payment via paye.net are still at risk of accusation of the misappropriation of card details along with the reputational and regulative risk to the Council if Data Protection regulations were to be breached. The housekeeping of paye.net users requires some attention.
Core Financial Processes – Treasury Management	Effective monitoring is undertaken on all bank accounts. All investments are good value for money and made at the right time and within Council’s financial means. Loans made are best value and appropriately accounted for and effectively monitored.	January 2022	Substantial Assurance	There were no significant issues raised.

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
Core Financial Processes – Back Office Income	Examine the processes undertaken by the Cashiers within the Revenues team, to ensure that they are fit for purpose and make recommendations for improvements in financial processes where weaknesses are identified.	May 2022	Substantial Assurance	There were no significant issues raised.
Core Financial Processes – Payroll Processing	Ensure that the systems and processes remain well controlled within the new MHR iTrent Payroll System.	June 2022	Substantial Assurance	There were no significant issues raised.
Property Flood Resilience Scheme	Provide reasonable assurance that the invoices submitted by the Authority for Claims fairly represent expenditure under the Scheme made in accordance with the provisions of the Memorandum of Understanding.	February 2022	Not Applicable – Grant Claim verification	Grant signed, no issues raised.
<b>ECONOMY AND ENVIRONMENT</b>				
National Productivity Infrastructure Fund	Confirm expenditure and that it is in keeping with the conditions of the grant statement as true and fair as stipulated by the grant.	February 2022	Not Applicable – Grant Claim verification	Grant signed, no issues raised.
Trade Waste Income Collection / Expenditure Monitoring	Give assurance that income and expenditure is both appropriate and correct, and that income is maximised.	June 2022	Substantial Assurance	There were no significant issues raised.

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
Local Area Delivery Grant (Phase 1B)	To ensure that expenditure was made in accordance with the grant conditions.	N/A	Not Applicable – Grant Claim verification.	Grant signed, no issues raised.
Core Financial Processes – Housing Rents	Examine the extent to which the operational risk and operational processes are effectively managed within the housing rents process to ensure that the right rents are collected from the right people, at the right time and that rents are properly accounted for and meet the rents standard.	February 2022	Substantial Assurance	There were no significant issues raised.
Corporate Landlord – Accounting for Leases	Ensure leases are accurately accounted for in the Councils accounts, in line with new standards (IFRS16) and that there are appropriate controls in the systems recording properties leased by the council.	June 2022	Partial Assurance	There were gaps in the quality of data recorded, which would have made it difficult to comply with new standards (IFRS16) had the adoption of the standards not have been delayed.
<b>ADULTS HEALTH &amp; WELLBEING</b>				
Troubled Families Grant - (April to June Claims)	Confirm expenditure and that it meets the conditions of the grant allowing Doncaster Council sign off.	N/A	Not Applicable – Grant Claim verification.	Grant signed, no issues raised.



<b>PUBLIC HEALTH</b>				
Homelessness Reduction Grant	Confirm expenditure and that it is in keeping with the conditions of the grant statement as true and fair as stipulated by the grant.	March 2022	Not Applicable – Grant Claim verification	Grant signed, no issues raised.
Protect and Vaccinate Grant	Confirm expenditure and that it is in keeping with the conditions of the grant statement as true and fair as stipulated by the grant.	April 2022	Not Applicable – Grant Claim verification	Grant signed, no issues raised.
Better Mental Health Grant Verification	Confirm expenditure and that it is in keeping with the conditions of the grant statement as true and fair as stipulated by the grant.	June 2022	Not Applicable – Grant Claim verification	Grant signed, no issues raised.
Test and Trace Contain Outbreak Management Fund Surge Funding grant (to March 2022 and then to June 2022)	Confirm expenditure and that it is in keeping with the conditions of the grant statement as true and fair as stipulated by the grant.	June 2022	Not Applicable – Grant Claim verification	Grant signed, no issues raised.
<b>LEARNING AND OPPORTUNITIES: CHILDREN &amp; YOUNG PEOPLE</b>				
Special Education Needs Placements Funding	To ensure that high value placements are not being double funded / cannot be funded from other sources.	February 2022	Not Applicable due to scope of work. However it concluded that from the in-depth analysis and testing undertaken from the reports produced from the data held within	One high level action was agreed that the following points will be built into the SEN Improvement journey strategy and action plan. <ul style="list-style-type: none"> <li>• Review the approval process for Tuition</li> </ul>

			<p>the Data and Intelligence Dashboard for the period 2020/21, we can confirm that there appears to be no duplication issue with the payments paid to settings for pupil's placements.</p>	<p>overlaps.</p> <ul style="list-style-type: none"> <li>• Review the budget monitoring processes to ensure that budgets are not overspent and only SEN expenditure is charged.</li> <li>• Review the base budgets to ensure they are realistically set.</li> <li>• Undertake a full end-to-end review of the SEN process.</li> </ul>
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Overdue High Risk Management Actions arising from Audit Recommendations

APPENDIX B

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
<b>ECONOMY AND ENVIRONMENT</b>						
Trading Standards and Food and Animal Safety RE Team Structure	<p>The Food and Animal Health team consists of 11 staff (2 vacant posts currently) all directly reporting to the Food and Animal Health Manager.</p> <p>The Trading Standards team consists of 22 staff all directly reporting to the Trading Standards Manager.</p> <p>These structures do not follow the HR Structure Review Policy and Procedure in terms of spans of control and are considered to be excessive.</p>	<p>Appropriate spans of control do not exist therefore the Managers are unable to support all staff adequately.</p> <p>The quality of work cannot be effectively reviewed with such minimal levels of supervisory time.</p>	<p>The Food and Animal Health and Trading Standards team structures will be reviewed to ensure appropriate spans of control exist to ensure Managers are able to fully support the staff within the teams.</p>	31/12/19	<del>31/03/21</del> <del>30/06/21</del> <del>30/09/21</del> 31/03/22 30/06/22	<p>The Trading Standards &amp; Licensing structure has been revised to reduce the number of direct reports to the manager from 22 to 12 and this has been in effect for the past 6 months.</p> <p>Food Safety, Animal Health and Health and Safety direct reports remains at 15 and this has been the case for the past 6 years. Structure of Food Safety, Animal Health and H&amp;S is under review – recruitment is underway for both permanent staff and consultants, although shortage of competent officers in the marketplace proving problematic. Vacancies have increased since initial audit. Once establishment populated move toward reducing spans can be completed.</p>

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
						<p>Interviews for the Food Team Manager post were held on Tuesday 28th and the successful candidate will take up her new post on Monday 4th July.</p> <p><b>Fully Implemented</b></p>



## Doncaster Council

### Report

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**Date: 28 July 2022**

**To the Chair and Members of the**

**AUDIT COMMITTEE**

**PROGRESS REPORT ON NORTH BRIDGE STORES TRANSFORMATION PROJECT**

<b>Relevant Cabinet Member(s)</b>	<b>Wards Affected</b>	<b>Key Decision</b>
N/A	N/A	No

#### **EXECUTIVE SUMMARY**

1. This report provides members a quarterly progress update on North Bridge Stores operational activities instigated following the Stores Management Review in response to the internal audit carried out in 2019 and their involvement in the Personal Protective Equipment (PPE) stocktaking in 2020.
2. This is the fifth update on the activities that have commenced. The original assessment of the Stores function has identified work that is required in many cross-functional operational links which lead into and work to compliment the Stores function and this work continues to progress. The work undertaken is Director led and the successful delivery of the project has senior management support and commitment.

#### **EXEMPT REPORT**

3. There are no exemptions in this report.

#### **RECOMMENDATIONS**

4. Audit Committee are asked to note the updates to the report and support the outlined approach.

#### **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

5. An efficient and effective Stores function will allow the Council to be able to support services to the people of Doncaster through our customer facing stores function in a timely way and at the best quality and price.

Full adherence to audit standards will provide financial protection and a stable and accurate stock management process.

## **BACKGROUND**

6. There has been historic and cultural non-compliance to agreed operating procedures for several years, despite previous internal audits and agreed management actions that have not either been implemented or maintained when put in place.

The general operating processes of the Stores changed in early 2020 due to the pandemic and focus was necessarily aligned to the processing of Personal Protective Equipment that was required across the Borough. As a result of this and also due to other mitigating factors (such as the floods) there has been impact upon the day to day processes.

The service offered by Stores was identified as falling short of the necessary standards. This shortfall encompasses operating processes, product/supplier pricing and management, stock control, stock management/storage and invoice processing.

The lack of thorough stock control and systems management is compounded by the suitability of the physical buildings used for Stores – many of which are in a poor state of repair and also the work streams currently been carried out by the Stores team – some of which do not fall within the scope of the operating procedures and is due, in part to historical decisions.

The Stores function, based at North Bridge is a long-established operation. In late 2017, a new ordering and stock control system was introduced which was not successfully embedded into the daily operating processes with current day to day custom and practice is not fully aligned to the requirements of the new system.

To address the issues identified by Internal Audit a Stores Management Review was implemented in May 2021 to ensure longer lasting/sustainable improvements for the Stores function moving forward.

The review has identified the key issues that are driving the shortfalls and a plan was executed to correct the issues and operate Stores by the correct operating processes by the end of December 2021, with a further review period to assess wider service area impacts to take place until the end of March 2022 with subsequent alignment of processes continuing throughout 2022. The lessons learnt during these further reviews will be implemented during this year and will form part of the Key Performance Indicators (KPI's) that the Stores team will deliver. The reviews are also looking at the interactions of other service areas and processes that are involved with the entire Stores process, either as a customer or a stakeholder.

## **7. PROCESS GOVERNANCE**

Given the previous history with lack of improvement a more focussed approach has been established to drive the delivery and provide assurance of the improvement project. Delivery of the North Bridge Stores review is overseen by a Transformation Board (as shown below) which monitors progress monthly against the activities identified from the Internal Audit review and subsequent Stakeholder Management monthly meetings. The Transformation Board is accountable to the Director of Economy & Environment for management reporting and service improvement and Audit Committee as part of the 2021/22 Audit Committee Work Programme.

Transformation Board meets monthly and representatives include:

- Assistant Director – Economy and Development
- Head of Service – Property
- Head of Service – Internal Audit
- Strategy and Performance Improvement Manager
- HR & OD Officer
- Other Heads of Service from SMM's by exception

Stakeholder Management meetings operate to both identify and address improvement activities, whether they fall within the Stores service or with the Stakeholder and to embed good practice and service improvement between the teams and these meetings have now been re-aligned to focus on operational issues alongside strategic issues. The former stakeholder monthly meetings are now once a quarter, whilst the operational meetings remain monthly.

The monthly Stakeholder Management operational meetings involve key stakeholders from:

- Procurement
- Transactional Processing
- Highways
- Metro Clean
- Professional Buildings Maintenance
- Street scene
- HR

## 8. **ACTIVITY**

Since May 2021 considerable activity has been carried out to look into the feedback given by the internal auditors and continued feedback from the Audit team is fed into the operational practices within Stores.

The Stores Transformation Project has identified key stakeholders within all of the work areas that impact, support or use the Stores function so that these issues can be fully investigated to allow a comprehensive understanding of the reasons why and the actions required to fix on a permanent basis.

This work includes stakeholders from across many functions in the Council. Stakeholders for Stores are customers from within the service areas that purchase goods via Stores and also staff that work within the associated areas such as Procurement, Transactional Processing and Finance who will manage the supplier contracts and the prices charged by the external suppliers from whom Stores purchase the items on behalf of the Council.

The launch of an initial six-month plan (which ran from July 2021 until December 2021) to bring operational concerns up to an acceptable standard has now been followed by a period of reconciliation and embedding of processes with a further review and update in quarter 3 2022.

Since the start of the year we have seen improvements in the overall operation of Stores and this on-going work will ensure that these improvements are embedded into the culture of the team. These continued improvements are reflected in the updates below.

There continue to be many strands being worked on concurrently and these will pull together the overall success of the Stores operation and this is supported by a detailed project plan that includes tasks and responsibilities across all stakeholder groups which will continue alongside business as usual operations once the overall project is closed.

The following key activities represent the on-going work in Stores, all of which are now moving significantly towards full embedding:

- Thorough clean, tidy and organisation of the physical Stores buildings to make best use of available space
- Labelling and identification of all stocks and locations
- Storage of all similar/related products in close proximity to ensure all stocks are available and are utilized
- Review of all supplier contracts and pricing/invoice agreements to ensure that we pay the agreed price and that invoice mis-matches are reduced to only the disputed lines and instances of supplier payments being delayed will be reduced
- Review of the product/supplier catalogue and products stocked to ensure all regular purchases are held within Stores to prevent teams purchasing directly themselves and paying a potentially higher price
- Review and agreement of operating procedures with training provided to bring all staff up to the required standards so that effective monitoring and management of the adherence to these procedures can be carried out
- Communication to the wider customer base to advise them on how the Stores function should and will operate - this will include emailing of processes and procedures being sent to all users to explain how the ordering process works
- Review of the processes used to manage non-stock items, including the implementation of a specific storage area and communication made to teams that purchase non-stock items to ensure the process is understood
- Two stocktakes annually (September and March) to be carried out with detailed investigation of all variances.
- Monitoring and follow-up activity for all issues that arise after the stocktakes to continue to develop and embed a culture of adherence.

#### 9. **PROGRESS UPDATE (MARCH 2022 – JUNE 2022)**

Since the previous Audit Committee, and following on from improvements and actions completed in the period up to the Audit Committee reporting in October 2021, January 2022 and April 2022, key milestones that were identified to be completed by the end of June 2022 were:



## Stores Perpetual Inventory Count Schedule

The Perpetual Inventory counts (ad-hoc stock counts on specific departments only) were implemented in March 2022, and the cycle identified counts that were due to have been completed by the end of June.

The results of these counts indicate improved accuracy in stock counted vs stock levels on the system and the results are shown below:



Doncaster  
Council

**STORES**  
Stock Management 2022

Stores Perpetual Inventory Count (PI Count) Results Tracker								
Group Details		Q1 Count						
Group	Description	System Expected Lines	Actual Lines Counted	Var Lines (Negative) (-)	Var Lines (Positive) (+)	Lines Var (+/-)	Group Lines Var %	System Reported Var Cost £
47	Brick Laying & Associated					0		
48	Pipes/Guttering etc					0		
49	Plumbing Materials	275	275	15	8	-7	8.4%	-6.61
50	Masking Tapes etc	3	3	1	1	0	66.7%	0.26
51	Ironmongery	56	56	2	4	2	10.7%	35.31
52	Cables					0		
53	Electrical					0		
54	Street Lighting	243	243	5	13	8	7.4%	-52.43
55	Kerbs					0		
56	Adhesives & Sealants	29	29	2	1	-1	10.3%	-4.93
57	Tools					0		
58	Metro Clean	176	176	23	25	2	27.3%	-14.39
59	Fitters Materials					0		
60	Clothing, Footwear & PPE					0		
61	Gas	13	13	0	0	0		0
62	Timber	6	6	0	0	0	0.0%	0
68	Sharps Bins etc					0		
72	Grounds/Mats etc	7	7	2	1	-1	42.9%	-2.56
73	Hand Tools	38	38	2	1	-1	7.9%	0.72
	<b>Totals</b>	<b>846</b>	<b>846</b>	<b>52</b>	<b>54</b>	<b>2</b>	<b>12.5%</b>	<b>(44.63)</b>

Overall 846 lines have been counted with a system variance of 12.5% (the target is 5%) and a total loss value of £44.63.

Before the end of Q3 full stocktake (the end of September 2022) a schedule of 35 PI counts will have been completed and this will help the total stocktake accuracy considerably. The PI count schedule will be an on-going continual task to help manage the entire stock control process.

### Standard Operating Procedures

Full SOP's were implemented for all staff, with agreement signatures, prior to the end of June 2022 to further improve standardisation of processes. Monitoring of staff compliance to SOPs will continue throughout July-Sept and any non-compliance will be investigated.

Operational admin trackers have been implemented to allow a thorough understanding and analysis of the workload at operational level, including analysis of the non-stock orders and purchase processes and the internal deliveries process currently operating.

## Stores Users Survey

A questionnaire was sent to key users of Stores to ascertain current opinion and user experience. The results of the survey have been built into the current priorities for improvement. A second survey is planned to be sent to all stakeholders in July for a late August response allowing a direct comparison between both surveys ahead of the fourth quarter of this year.

This survey will be supervised by the new Stores Manager.

## Key Performance Indicators (KPI's)

Following the implementation of the Standard Operating Procedures a full suite of Key Performance Indicators (KPI's) have been developed and were implemented in May 2022 in alignment with the original programme timetable, to provide both a baseline and a best practice operating standard for ongoing review and embedding as business as usual.

The agreed Stores KPI's are shown below:



Doncaster  
Council

**STORES**

Key Performance Indicators  
2022

Key Performance Indicators (KPI's)					
Description and Details					
Key Performance Indicator Description	Actual 2021	Target 2022	2022 Q2 Results	2022 Q3 Results	YEAR
<b>Orders to be fulfilled via Requisition</b> <i>90% of all stock orders will be placed through the official IT process and recorded correctly, in line with SOP's</i>	60%	90%	90%		
<b>Callbacks to customers for stock arrival</b> <i>Customers who place an order for 90% of received stock deliveries will receive a telephone notification within 48 hours of receipt</i>	25%	90%	30%		
<b>Same Day availability for orders before noon</b> <i>85% of stock orders placed (through E5) before midday will be available to collect the same working day before 15:30hrs</i>	70%	95%	75%		
<b>Next Day availability for orders post noon</b> <i>85% of stock items ordered (through E5) after midday will be available for collection from 07:30hrs the next working day</i>	65%	90%	70%		
<b>Perpetual Inventory Counts completed</b> <i>The agreed Perpetual Inventory (PI) count calendar of 47 counts will be completed as per the monthly schedule</i>	40%	100%	67%		
<b>PI Count stock variances</b> <i>Regular PI counts will reveal no more than +/- 2% variance and all issues will be corrected at the time of count</i>	5%	2%	12%		
<b>Goods Awaiting Pick-up managed</b> <i>85% of goods awaiting pick up will be collected within 14 days of receipt. Weekly chase-ups and logging will be carried out each Friday</i>	12%	85%	35%		
<b>Live Stock vs Total Stock</b> <i>85% of all stock within Stores will be live and operational. Any obsolete or un-logged stock will be corrected</i>	78%	85%	81%		
<b>Active Lines vs Issued Lines</b> <i>The Stores product inventory will consist of active stock lines representing 80% of the total inventory</i>	63%	80%	73%		

## Stores Manager Recruitment

Due to the issues identified during the first twelve months of activity, the role of Stores Supervisor has been upgraded to Stores Manager and recruitment activity is taking place. A Stores Manager will soon be appointed to take control of all of the tasks and recommendations highlighted in the project plan.

## Summary and Next steps:

At the date of reporting, some activities planned for implementation by the end of June 2022 have been progressed and have been completed with the

parameters agree by the Stores Transformation Board, whilst others have had to be rescheduled and are reflected in the updated plan for July to September, as shown below:

Next steps in the third three-month (July-Sept) implementation period include:

- Assessment of compliance to Standard Operating Procedures
- Follow-up training of Standard Operating Procedures as required
- Assessment and analysis of PI count schedule year to date
- Review and re-assessment of all current newly launched processes
- Continued reviews of 'minimum stock levels' and 're-order' levels
- Completion of full review of entire Metro Clean stock holding
- Completion of the Write-off of all redundant and obsolete stock
- Update and reporting of Key Performance Indicators (KPIs)
- Stakeholder Management Meetings to become business as usual

## 10. RISKS & ASSUMPTIONS

Risks associated with 'do nothing' or 'unsuccessful project' scenario:

Risk/issue	Outcome	Likelihood
Contracts with suppliers out of date	No agreements in place for stock Accounts could be placed 'on hold' and the supply chain could be compromised  Reputation of the Council could be damaged	High
Pricing charged by suppliers is not checked	Council pays a higher price for stock than expected	High
Stocks held are not matched to customer needs	Stocks held become obsolete. Internal customers purchase stock from outside Stores	High
Physical storage areas not organised and clean	Stock is damaged, not counted, mis-placed or stolen	Medium
Staff not fully trained on IT systems	Council does not benefit from processes and reporting functions that are available to make Stores more efficient	High
Operating Procedures not used	Impacts on all of the above and prevents accountability	High
Regular communications between Stores and internal customers	Lack of communications means that minor issues become significant problems	Medium

If the Stores function does not function effectively, residents of the borough would be impacted because many of our internal services (such as Highways, Streetscene, etc.) use materials purchased and supplied to them by Stores. If they are unable to obtain such material in a timely manner, then this will impact on the borough. This was highlighted during a previous Covid alert which resulted in Stores being closed for a day.

Failure to manage contractors and pricing of materials being bought into Stores will risk additional costs to the Council.

## 11. LEGAL IMPLICATIONS (OFFICER INITIALS - SRF DATE – 14.04.22)

There are no specific legal implications arising from this report. Legal advice can

be provided in relation to any matters raised by the Committee.

## 12. **FINANCIAL IMPLICATIONS (Officer Initials – LS Date 15/7/22)**

The financial implications of this report are not quantifiable, failure to implement the audit actions could result in:

- Customers being under/over charged resulting in fluctuations within the stores budget.
- Council not receiving the correct price/best value from suppliers.
- Stock being written off due to obsolescence or damage.
- Stock Control Account value being under/overstated.
- The service revenue position being adversely affected.

Regular stock takes will allow any significant variances to be identified, and allow timely action to be taken. The impact of future stock takes should continue to be reviewed to identify any impact on the service budget for 22/23.

The report also questions the suitability of the stores building and identifies the building is in need of repair. The nature, value and urgency of the works should be considered and if additional resources are required these should be requested through either the revenue or capital budget setting process. If there is an intention to undertake capital works the scheme should be outlined and included on the Council's pipeline of capital schemes for consideration

## 13. **HUMAN RESOURCES IMPLICATIONS (Officer Initials – AA Date 15/7/22)**

There are no direct HR Implications in relation to this report, but continuation of consultation with HR via the board transformation meetings will still be required. If in future staff are affected or additional specialist resources are required, then further consultation will need to take place with HR.

## 14. **TECHNOLOGY IMPLICATIONS (Officer Initials - ET Date 14/7/22)**

There are no specific technology implications in relation to this progress report

## 15. **HEALTH IMPLICATIONS (Officer Initials – CH Date 15/7/22)**

The safe and effective operating of Stores is important to protecting the health and wellbeing of the workforce. The pandemic and the need for an effective process to manage Personal Protective Equipment (PPE) is a case in point. The activities identified in this report should improve the performance of the service area. Committee members will want to ensure that these activities do not widen or cause any inequalities.

## 16. **EQUALITY IMPLICATIONS (Officer Initials - IK Date 14/07/22)**

In line with the corporate approach for compliance against the Equality Act 2011 due regard must be shown across all activity within the Council. After considering the equality implication for the Stores Transformation Project none have been identified so a full due regard assessment was not required.

## 17. **CONSULTATION**

The project has consulted a broad group of stakeholders to ensure that feedback

is as wide ranging as possible. The Board was implemented in May 2021 to oversee the decisions. The Board includes Assistant Director and Head of Service level individuals and this meets monthly. To support this, there are fortnightly or monthly stakeholder meetings that include representatives from Procurement, Transactional Processing, Finance and also key service areas including Streetscene, PBM, Highways and Metro Clean in addition to the Stores Supervisor.

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

The following acronyms and abbreviations are used above:

- SOP – Standard operating procedures
- IT – Electronic support systems
- KPI's – Key Performance Indicators

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## Doncaster Council

### Report

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Date: 28<sup>th</sup> July, 2022

**To the Chair and Members of the  
AUDIT COMMITTEE**

### **UNAUDITED STATEMENT OF ACCOUNTS 2021/22**

#### **EXECUTIVE SUMMARY**

1. This report presents the Council's unaudited Statement of Accounts for the 2021/22 financial year. The report highlights the overall financial position for the year, a summary accounts closure timetable and information on performance including improvements achieved in accuracy and quality.
2. The Accounts and Audit (England) Regulations 2015 apply to the preparation, approval and audit of the Statements of Accounts and other financial statements. These regulations are based on International Financial Reporting Standards (IFRS) which attempt to standardise accounts in a consistent format across both the public and private sectors with the aim of achieving greater transparency.
3. Whilst there is no longer a requirement to present the unaudited accounts to Members before the external audit process commences, the Council has continued this practice as it gives Members early notification of the financial outcome of the previous financial year and is considered to be good practice.
4. The Accounts and Audit (Amendment) Regulations 2021 have extended the publication date for unaudited 2021/22 accounts from 31<sup>st</sup> May to 31<sup>st</sup> July and the audited 2021/22 accounts from 31<sup>st</sup> July to 30<sup>th</sup> September 2022 for all local authority bodies. In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention to further extend the deadline for publication of the audited statement of accounts to 30<sup>th</sup> November, 2022.
5. Grant Thornton have informed the Council that they will be able to meet the amended deadline. The approval of the final Statement of Accounts will take place at Audit Committee in October 2022.

6. Grant Thornton are required to consider some important areas of the auditor risk assessment where they are required to make inquiries of the Audit Committee under auditing standards. The 'Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2021/22' report has been completed by Management and should be reviewed by Audit Committee to note that those charged with governance are satisfied with the responses proposed.

## **EXEMPT REPORT**

7. Not applicable.

## **RECOMMENDATIONS**

8. Members are requested to:
  - a. note the 2021/22 Statement of Accounts;
  - b. review and be satisfied with the responses in the 'Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2021/22' report.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

9. An unqualified audit opinion on the Council's financial statements and a good Value for Money (VfM) conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources.

## **BACKGROUND**

10. The Council's 2021/22 accounts have been prepared in accordance with IFRS and the appropriate accounting codes of practice and were approved by the Council's responsible financial officer on the 6<sup>th</sup> July ahead of the revised statutory deadline.
11. To give local authorities more flexibility, the Accounts and Audit (Amendment) Regulations 2021 have removed the requirement for the public inspection period to include the first 10 working days of June. Instead, local authorities must commence the public inspection period on or before the first working day of August 2022. This means that accounts that must be confirmed by the responsible finance officer (RFO) must be published by 31<sup>st</sup> July 2022 at the latest. They may be published earlier.
12. The accounts are available for public scrutiny from 7<sup>th</sup> July to 17<sup>th</sup> August. This was advertised on the Council's website on 6<sup>th</sup> July. The unaudited accounts were placed on the Council's website on 6<sup>th</sup> July in line with the Government's policy of increased transparency in the public sector with public scrutiny of the accounts being a key feature of the financial governance framework of local authorities.



13. The accounts will be subject to external audit commencing in July 2022 and it is expected that the audit opinion will be finalised (subject to the continuing work on the Whole of Government Accounts) in time for Audit Committee in October. Members of the Audit Committee will be aware that the Council would normally be required to produce the audited Statement of Accounts for the 2021/22 financial year by 31<sup>st</sup> July 2022, with the unaudited 2021/22 accounts being produced by 31<sup>st</sup> May 2022. The Accounts and Audit (Amendment) Regulations 2021 have amended those deadlines to 30<sup>th</sup> September 2022 and 31<sup>st</sup> July 2022 respectively. In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention to further extend the deadline for publication of the audited statement of accounts to 30<sup>th</sup> November, 2022.
14. Grant Thornton have informed the Council that they will be able to meet the amended deadline of 30<sup>th</sup> November 2022. The accounts and a report will be presented by Grant Thornton to this Committee in October 2022 setting out the result of the external audit in the form of their 'Communication with those charged with governance' report (ISA 260 report), which formally sets out the findings of their audit of the financial statements.
15. Members of this Committee have a key role in scrutinising the accounts in order to maintain strong governance over financial reporting. Early production of the accounts enables the Members of this Committee sufficient time to review the statements and ask challenging and pertinent questions.

### **The 2021/22 Financial Statements and Supporting Disclosure Notes**

16. The style and format of the accounts is largely prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (The Code) and 2021/22 is similar to that used last year, the main changes are described in the following section.

### **Narrative Report**

17. The Narrative Report is 'to' rather than 'in' the Statement of Accounts – the Narrative Report is not formally part of the Statement of Accounts. It contains key facts about Doncaster and about the Council's performance, an explanation of the Accounting Statements, a financial outlook and any significant changes in accounting policy.
18. Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.
19. At the meeting on 8<sup>th</sup> June, Cabinet was presented with the final outturn positions for both revenue and capital for the 2021/22 financial year. In 2021/22 the COVID-19 pandemic continued to provide significant volatility and ongoing financial challenges. The final outturn position was an underspend of £8.9m, which represents 1.6% of the gross budget. This is an extremely positive year-end position given the financial pressures, however it also highlights the continued significant volatility. The underspend position enables the Council to allocate resources to provide targeted funding towards priorities.

### **The Core Financial Statements**

20. These are: -
  - a. Comprehensive Income and Expenditure Statement (CIES)
  - b. Movement in Reserves Statement (MiRS)

- c. Balance Sheet
- d. Cash Flow Statement

### **Comprehensive Income and Expenditure Statement (CIES)**

- 21. The CIES follows accounting standards as per the CIPFA Code of Practice (the 'Code') and ensures all local authorities are reporting on a standardised and consistent basis.
- 22. There is no direct comparison from the CIES to budget and outturn position. The CIES is not a management account but rather a historical document recording past transactions. It includes costs that do not have to be "funded", e.g. depreciation and asset valuation movements.
- 23. The CIES shows the Council Structure – Directorates, Net cost of services and the Surplus or deficit on provision of services.
- 24. The CIES is shown in Appendix A with an explanation of what it shows. Some issues to note: -
  - a. The decrease in Economy & Environment net expenditure is due to increases in income generally due to recovery from COVID-19 restrictions.
  - b. The increase in Public Health net expenditure is due to a one-off credit for the reversal of previous year revaluation losses in 2020/21 relating to leisure assets.
  - c. There was a decrease of £10.7m in the loss on disposal of non-current assets. This was caused by a smaller number of schools converting to academy status in 2021/22 than converted in 2020/21.
  - d. There was an increase of £10.2m in non-domestic rates redistribution. This was due to a lower deficit in 2021/22 compared to 2020/21 largely due to lower levels of retail relief granted.
  - e. There was a decrease of £26.3m in non-ring fenced Government grants. This was largely due to a reduction in COVID-19 grants issued in 2021/22 by Government to assist the Council in dealing with the COVID-19 pandemic and the lower business rates related grants to fund the expansion of the retail relief scheme in 2021/22. The details are contained in Note 33 Grant income.
  - f. There was an increase of £15.6m in Capital grants and contributions. This was largely due to the South Yorkshire Mayoral Combined Authority - Getting Building Done grant and Department for Transport grants for Footways Refurbishment and Pot hole Challenge. The details are contained in Note 33 Grant income.
  - g. There was a increase of £44.3m in the surplus on revaluation of non-current assets caused by an increase in housing valuations.
  - h. There was an increase of £175.7m in the actuarial gains on pension assets / liabilities caused mainly by fall in the return on plan assets and a change in financial assumptions. The details are contained in Note 39 Defined Benefit Pension Schemes.

### Notes relating to the CIES

- 25. The main changes and issues to note (not covered in the previous section) are covered in the following paragraphs: -

- a. Note 1 The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used / funded from resources by local authorities in comparison with those resources consumed / earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates / services / departments. There was a deficit in 2021/22 of £1.4m (see paragraph 26a).

### **Movement in Reserves Statement (MiRS)**

26. For Members, probably the most important issue will be whether the Council has a surplus or deficit compared to its budget for the year. The (increase)/decrease in 2021/22 on the Movement in Reserves Statement (MiRS) gives this information for both the General Fund and the Housing Revenue Account (HRA). An extract of the MiRS is shown in Appendix B with an explanation of what it shows. Some highlights to note: -
- a. The General Fund balance increased by £0.2m and HRA reserves decreased by £1.6m, resulting in the overall deficit shown on the Expenditure and Funding Analysis of £1.4m.
- b. Statutory adjustments (shown in Note 10 and mainly capital related) convert the Council's movement in reserves performance from the £1.4m decrease to a £34.8m deficit (General Fund £29.6m and the HRA £5.2m) shown in the Comprehensive Income and Expenditure Statement (CIES). This represents the position that would have been reported under 'commercial accounting' rules.

### Notes relating to the MiRS

27. The main changes and issues to note are covered in the following paragraphs: -
- a. Reserves are an indication of the temporary resources available to assist an authority to deliver services. Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves have increased by £10.4m or 5.3% from £197.3m to £207.3m (these are shown on page 18), largely due to the Major Repairs Reserve and Capital Grants Unapplied reserve (both capital financing).

<b>Usable Reserves (see Movement in Reserves Statement)</b>	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2022</b>	<b>Movement in year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund (including Earmarked reserves)	131.5	131.7	0.2
Housing Revenue Account	8.3	6.7	(1.6)
Capital Receipts Reserve	17.8	18.7	0.9
Major Repairs Reserve	21.4	28.0	6.6
Capital Grants Unapplied	18.3	22.6	4.3
<b>Total Usable Reserves</b>	<b>197.3</b>	<b>207.7</b>	<b>10.4</b>

Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have increased by £222.2m to £565.0m mainly reflecting the changes in the Revaluation Reserve, Capital Adjustment Account (due to the disposal of academies), Pension Reserve (due to changes in assumptions from the Actuary) and the Collection Fund Adjustment Account (see paragraph 34a below).

<b>Unusable Reserves (Note 24)</b>	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2022</b>	<b>Movement in year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revaluation Reserve	299.9	387.0	87.1
Capital Adjustment Account	543.7	533.0	(10.7)
Financial Instruments Adjustment Account	(0.5)	(0.4)	0.1
Pension Reserve	(469.5)	(331.5)	138.0
Deferred Capital Receipts Reserve	4.8	4.8	0.0
Collection Fund Adjustment	(24.5)	(11.1)	13.4
Accumulated Absences Account	(1.8)	(2.4)	(0.6)
Financial Instruments Revaluation Reserve	(0.2)	(0.8)	(0.6)
Dedicated Schools Grant Adjustment Account	(9.1)	(13.6)	(4.5)
<b>Total Unusable Reserves</b>	<b>342.8</b>	<b>565.0</b>	<b>222.2</b>

### Balance Sheet

28. The Balance Sheet shows the value of assets and liabilities at the reporting date, 31<sup>st</sup> March 2022. The net assets are matched by reserves held by the Council. The largest asset is Property, Plant and Equipment which includes all the Council's property asset portfolio.
29. Long term assets / liabilities are those expected to provide benefits to / be settled by the Council beyond 12 months. Current assets / liabilities are those that are anticipated to be consumed / settled by the Council within the next 12 months.
30. The key questions to ask are: -
- How the balances have changed over the year?
  - Are the balances still adequate?
  - What the balances mean in terms of future budgets and services?
31. The Balance Sheet is shown in Appendix C with an explanation of what it shows. Some issues to note: -
- a. The Council's net worth has increased by £232.5m to £772.7m since the previous financial statements (see 'Balance Sheet' on page 19 of the accounts). This is mainly due to a number of factors: -
    - i. An increase in the liability related to the defined benefit pension scheme (the pension liability is volatile from year to year as it is based on the Actuary's assumptions and performance of the fund);
    - ii. An increase in Property, Plant & Equipment largely due to a valuation increase in the housing stock;
    - iii. A decrease in Short Term Borrowing and a decrease in Long Term Borrowing. This is because the council continues to be underborrowed, i.e. the council's borrowing is less than the council's unfinanced expenditure. This means that the council can use its own cash balances rather than borrow.

## **Cash Flow Statement**

32. The Cash Flow Statement details the in and out movements of cash during the year and links to the opening and closing balances presented in the Balance Sheet. It is very important for private sector companies but less so for local government bodies.
33. Cash shown in the Balance Sheet tends to move around from year to year due to timing. The optimum position is circa. £20m. When salaries fall due on a date before the 15<sup>th</sup> of the month, i.e. when the 15<sup>th</sup> falls on a weekend, the Council has to pay out of cash on Friday before the main grant funding is received on the Monday. Salaries cost circa. £13m per month.

## **Other Notes to the Statement of Accounts**

34. The style and format of the accounts used for 2021/22 is similar to that used last year, the main changes and issues to note are covered in the following paragraphs: -
  - a. Collection Fund
    - i. The National Non-Domestic Rates (NNDR), more commonly known as Business Rates, element of the Collection Fund has seen a large increase of £19.7m in income. This is partially due to a recovery from the COVID-19 pandemic in 2021/22 but mainly due to the granting of less Retail Relief in 2021/22 compared to 2020/21 due to a reduced scheme (less relief granted means more business rates payable). Even though the retail relief scheme was at a reduced level in 2021/22 compared to 2020/21, the NNDR element of the Collection Fund still made a deficit of £18.5m in 2021/22. The Council's share of NNDR is 49% therefore the Council's share of the deficit was £9.1m.
    - ii. The accumulated deficit attributable to the Council is £10.9m (there was an opening deficit balance of £1.8m relating to previous years). Most of this has to be recovered from the Council during 2022/23.
    - iii. As the change to NNDR was a national policy decision, Central Government reimbursed Councils for this lost income via a section 31 grant in 2021/22. By statute, this grant income has to be credited to the CIES not the Collection Fund. In order to smooth the impact on the budget, the Council placed these grants (£10.5m) into an ear-marked reserve so they can be used to offset the recovery of the accumulated deficit in 2022/23. The reduction in income from the Collection Fund in future years was addressed in the budget and will continue to be monitored.
  - b. Group Accounts
    - i. A reminder that since 2019/20 the Doncaster Children's Services Trust (DCST) are included in Group Accounts following their conversion to an Arms Length Management Organisation (ALMO) fully controlled by the Council. The DCST accounts are deemed to be material.

## **Informing the audit risk assessment**

35. Grant Thornton are required to consider some important areas of the audit risk assessment where they are required to make inquiries of the Audit Committee under auditing standards. The 'Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2021/22' report provides an understanding of management processes and the council's oversight of the following areas: -

- a. General Enquiries of Management;
  - b. Fraud;
  - c. Laws and Regulations;
  - d. Related Parties;
  - e. Going Concern; and
  - f. Accounting Estimates.
36. The report has been completed by Management and is attached as Appendix D. Audit Committee should review to note that those charged with governance are satisfied with the responses proposed.

## OPTIONS CONSIDERED

37. Not applicable.

## REASONS FOR RECOMMENDED OPTION

38. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2021/22. The Council has a statutory obligation to submit its unaudited 2021/22 Statement of Accounts to the External Auditor by 31<sup>st</sup> July. Failure to do so could result in an audit qualification and consequential reputational damage.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

39. These are detailed in the table below: -

	<b>Outcomes</b>	<b>Implications</b>
	<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	<p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p>
	<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting</li> </ul>	<p>An unqualified audit opinion from Grant Thornton on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</p>

	heritage	
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	
	<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>	
	<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	

## RISKS AND ASSUMPTIONS

40. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them: -

<b>Risks / Assumptions</b>	<b>Probability</b>	<b>Impact</b>	<b>Proposed Action</b>
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included senior officer quality assurance review and control; and internal verification and checks by finance and technical officers.
The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with Grant Thornton throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings.

**LEGAL IMPLICATIONS [Officer Initials...NC... Date...20/07/22]**

41. The Statement of Accounts is prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and the Council is subject to statutory external audit and performance evaluation by Grant Thornton.

**FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...15/07/22]**

42. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.

**HUMAN RESOURCES IMPLICATIONS [Officer Initials...SH... Date...19/07/22]**

43. There are no specific HR implications relating to the content of this report.

**TECHNOLOGY IMPLICATIONS [Officer Initials...PW...Date...19/07/22]**

44. There are no technology implications in relation to this report.

**HEALTH IMPLICATIONS [Officer Initials...RL...Date...19/07/22]**

45. Strong governance is important for good health and wellbeing and producing a statement of accounts is one element of good governance. The way the Council spends its resources will directly and indirectly impact on health and health inequalities.

**EQUALITY IMPLICATIONS**

46. This report has no specific equality implications.



## CONSULTATION

47. Not applicable.

## BACKGROUND PAPERS

48. Following background papers: -

- Unaudited Statement of Accounts 2021/22 published on the Council website: - <http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
- Accounts and Audit Regulations 2015
- Accounts and Audit (Amendment) Regulations 2021
- The Code of Practice on Local Authority Accounting 2021/22 ('The Code') - based on IFRS

## GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ALMO	Arm's Length Management Organisation
CFAA	Collection Fund Adjustment Account
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance & Accountancy
DCST	Doncaster Children's Services Trust
DSG	Dedicated Schools Grant
EFA	Expenditure and Funding Analysis
EMR	Earmarked Reserves
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
ISA260	International Standard on Auditing 260 'Communication with those charged with governance' report
MiRS	Movement in Reserves Statement
NNDR	National Non-Domestic Rates, more commonly known as Business Rates
RFO	Responsible Finance Officer
The Code	CIPFA Code of Practice on Local Authority Accounting 2020/21
VfM	Value for Money

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**Faye Tyas**  
**Chief Financial Officer**  
**& Assistant Director of Finance**

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# Comprehensive Income and Expenditure Statement (CI&ES)

	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adults, Health & Wellbeing	149,689	(85,733)	63,956
Corporate Resources	129,362	(94,805)	34,557
Council Wide Budgets	18,163	(1,234)	16,929
Economy & Environment	91,215	(26,029)	65,186
Learning & Opportunities, Skills & Culture	222,161	(132,102)	90,059
Public Health	33,370	(29,247)	4,123
Housing Revenue Account	51,601	(77,719)	(26,118)
<b>Net Cost of Services</b>	<b>695,561</b>	<b>(446,869)</b>	<b>248,692</b>
Other operating expenditure			49,297
Financing and investment income and expenditure			29,590
Taxation and non-specific grant income			(292,771)
<b>(Surplus) / Deficit on Provision of Services</b>			<b>34,808</b>
(Surplus) / Deficit on revaluation of non current assets			(102,320)
Actuarial (gains) / losses on pension assets / liabilities			(165,549)
(Gains) / Losses on revaluation of financial instruments			603
<b>Other Comprehensive Income and Expenditure</b>			<b>(267,266)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(232,458)</b>

Income and expenses allocated to Directorates per management reporting structure

Income and expenses not allocated to service lines, e.g. council tax, capital grants (which would distort service lines if included there)

In the private sector this would be the profit / loss of a company. Agrees to Movement in Reserves Statement

Gains / losses in the measurement of assets and liabilities. Arise due to changes in market valuations, interest rates or measurement assumptions in relation to pensions assets and liabilities

Agrees to movement in the Balance Sheet

# Movement in Reserves Statement

(only 2 columns shown for illustration)

	General Fund £'000	HRA £'000
Balance at 31 <sup>st</sup> March 2021 brought forward	(131,502)	(8,267)
<b><u>Movement in reserves during 2021/22</u></b>		
Total Comprehensive Income and Expenditure	29,650	5,158
Adjustments between accounting basis and funding basis under regulations	(29,816)	(3,581)
<b>(Increase) / Decrease in 2021/22</b>	<b><u>(166)</u></b>	<b><u>1,577</u></b>
Balance at 31 <sup>st</sup> March 2022 carried forward	<b><u>(131,668)</u></b>	<b><u>(6,690)</u></b>

(Surplus) or deficit for the year. Note the joint position for GF and HRA of £34,808 (which equals the figure in CI&ES)

Statutory adjustments such as replacing depreciation with MRP, pension liabilities with contributions (IAS19) etc.

Gives the change in the General Fund balance over the year. This agrees to the final GF outturn position as reported to Cabinet in June and contribution to Earmarked and General Reserves.

# Balance Sheet – Assets and Liabilities

The largest asset. PPE includes all the Council's property asset portfolio.

	31 <sup>st</sup> March 2022		31 <sup>st</sup> March 2021	
	£'000	£'000	£'000	£'000
Property, Plant & Equipment	1,504,952		1,419,642	
Heritage Assets	9,050		9,120	
Investment Property	1,696		1,710	
Intangible Assets	2,478		3,891	
Long Term Investments	3,238		3,841	
Long Term Debtors	6,894		7,024	
<b>Long Term Assets</b>		<b>1,528,308</b>		<b>1,445,228</b>
Short Term Investments	25,010		25,007	
Assets Held for Sale	21,829		31,084	
Inventories	1,253		1,071	
Short Term Debtors	88,765		96,400	
Cash and Cash Equivalents	67,558		64,413	
<b>Current Assets</b>		<b>204,415</b>		<b>217,975</b>
Cash and Cash Equivalents	(27)		0	
Short Term Borrowing	(63,790)		(103,070)	
Short Term Creditors	(83,078)		(73,913)	
Provisions	(1,593)		(1,722)	
Revenue Grants Receipts in Advance	(31,749)		(16,228)	
Capital Grants Receipts in Advance	(1,860)		(8,917)	
<b>Current Liabilities</b>		<b>(182,097)</b>		<b>(203,850)</b>
Provisions	(16,282)		(14,720)	
Long Term Borrowing	(398,902)		(419,357)	
Deferred Liabilities	(40,400)		(41,846)	
Donated Assets Account	0		0	
Revenue Grants Receipts in Advance	0		(1,044)	
Capital Grants Receipts in Advance	(6,063)		(2,541)	
Liability related to defined benefit pension s	(316,316)		(439,641)	
<b>Long Term Liabilities</b>		<b>(777,963)</b>		<b>(919,149)</b>
<b>Net Assets</b>		<b>772,663</b>		<b>540,204</b>

Long term assets i.e. those expected to provide benefits to the Council beyond 12 months.

Current assets i.e. those anticipated to be consumed in 12 months, the normal operating cycle for the Council

Current liabilities i.e. those liabilities anticipated to be settled within 12 months

The largest liability. This figure is highly volatile and is dependent upon the actuary's assumptions e.g. a 0.1% increase in the inflation rate would result in a £30.0m increase.

Long-term liabilities i.e. these liabilities that are anticipated to be settled beyond 12 months.

Agrees to total reserves figure. The balance as at 31<sup>st</sup> March 2022 of £772,663 has INcreased by £232,458 which is the surplus in the CI&ES for 2020/21

# Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2021/22



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

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Doncaster Metropolitan Borough Council's external auditors and Doncaster Metropolitan Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

**Please consider the questions in this document from both a standalone Council and group accounts perspective**

### Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

### Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Doncaster Metropolitan Borough Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	The COVID-19 pandemic and the recovery from it continued to affect the Council during 2021/22.
2. Have you considered the appropriateness of the accounting policies adopted by Doncaster Metropolitan Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Accounting policies are reviewed on an annual basis, there have been no significant changes in accounting policy during 2021/22
3. Is there any use of financial instruments, including derivatives? If so, please explain	Yes all financial instruments are shown in the note in the Statement Of Accounts (SOA). There are no derivatives.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	COVID-19 funding received from Government used to pay out business grants and many other forms of support

# General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None
6. Are you aware of any guarantee contracts? If so, please provide further details	Only those disclosed in the Financial Instruments note in relation to pension guarantees
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
<p>Other than in house solicitors, can you provide details of those solicitors utilised by Doncaster Metropolitan Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>BrowneJacobson  Forbes  Geldards  Kennedy's  Womble Bond Dickinson  Trowers  Shoosmiths</p> <p>Through Insurance Team</p>

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Doncaster Metropolitan Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- Assessment that the financial statements could be materially misstated due to fraud,
- Process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Doncaster Metropolitan Borough Council's management.

# Fraud risk assessment

Question	Management response
<p>1. Has Doncaster Metropolitan Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the council's risk management processes link to financial reporting?</p>	<p>Annual audit report completed on an annual basis that sets out potential fraud risk.</p> <p>Annual assessment also provided by Head of Internal Audit and Chair of Audit Committee – previous low risk assessment still stands</p> <p>Fraud risks are identified in the annual audit plan and risk assessment. Annual fraud report identifies low incidence of fraud and nothing of impact on the financial statements</p> <p>Risk of fraud impacting upon financial reporting is classified as low.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>These are all set out in the Fraud risk register – cyber fraud is identified as the highest risk.</p> <p>There are a series of measures to manage all risks identified</p>
<p>Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Doncaster Metropolitan Borough Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>Not aware of any significant instances</p>

## Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>These are identified, collated and then raised and rated through the Governance Group before being considered further as part of quarterly Finance and Performance Reporting. Significant weakness or risk are ultimately reported through to Audit Committee.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Doncaster Metropolitan Borough Council where fraud is more likely to occur?</p>	<p>The is a detailed fraud risk register maintained by Internal Audit</p> <p>These are identified in the Fraud Risk Register</p> <p>These are identified in the Fraud Risk Register</p>
<p>6. What processes does Doncaster Metropolitan Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Internal audit plan and progress reports and annual reports all cover both proactive and reactive work covering fraud</p> <p>Some proactive fraud work covers data matching, continual analytics, fraud awareness training, specific anti-fraud and corruption reviews</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Doncaster Metropolitan Borough Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Positive opinion given in previous Head of Internal Audit Annual reports and will be for 21/22 year</p> <p>Positive opinion given in previous Head of Internal Audit Annual reports the Annual Governance Statement and again for 21/22 year</p> <p>These are set out in Internal Audit progress reports and individual internal audit reports and other forms of correspondence</p> <p>All are covered in previous responses</p> <p>There is always this risk present especially with collusion but this is low risk and especially in the public sector</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Yes – but minimised reporting structure Assessed as low risk</p>



# Fraud risk assessment

Question	Management response
<p>9. How does Doncaster Metropolitan Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Monitor Contract Procedure Rules and elements of the Financial Procedure Rules and report to audit committee. Annual Modern Slavery Statement published</p> <p>Communication through the annual Performance and Development Review (PDR) scheme, Doncaster charter and sections of the council constitution states the code of conduct for employees.</p> <p>Members of professional bodies agree to ethical standards. Staff are expected to report their concerns to their manager or if inappropriate , elsewhere as set out in whistleblowing policy / Antifraud and corruption policy Such concerns have been low level for several years and have remained so throughout 21/22</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>All set out in the Fraud risk Register</p> <p>All set out in the Fraud risk Register</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p> <p>Declaration of interest completed by all officers and members.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Annual Report of the Head of Internal Audit and Annual Fraud report</p> <p>Has oversight and awareness through the above report and seek assurance over the outcomes of these including management implementing actions to address weaknesses</p> <p>These arrangements have continued as normal during the 21/22 year.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Whistle blowing has traditionally been very low and this has continued in 21/22. All such incidents follow the appropriate processes.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Doncaster Metropolitan Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Doncaster Metropolitan Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?</p>	<p>Service managers ensure service is compliant with relevant laws and regulations. Annually, assurances provided to this for the Annual Governance Statement (AGS) which is then thoroughly checked and challenged as required</p> <p>Service managers ensure service compliant with relevant laws and regulations. Legal services team help and support as required</p> <p>None</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through the AGS, Internal Audit progress and annual reports. Reports on compliance with Contract and Financial procedure rules and other reports from management</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None identified</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>All potential items are shown in the contingent liabilities note in the Statement of Accounts</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does Doncaster Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?	These are referred to Legal Service team and Insurance teams as required
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None

# Related Parties

## Matters in relation to Related Parties

Doncaster Metropolitan Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Doncaster Metropolitan Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the council, or of any body that is a related party of the council.

Disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the council's perspective but material from a related party viewpoint then the council must disclose it.

CA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Doncaster Metropolitan Borough Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Doncaster Metropolitan Borough Council</li> <li>whether Doncaster Metropolitan Borough Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>Process the same as in previous years looking at all members and Heads of Service and above Officers declaration forms. Please refer to related parties working paper for members and Officers for more details.</p>
<p>2. What controls does Doncaster Metropolitan Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Declarations of Interest completed by all officers annually or when a change in circumstance arises. Reviewed and approved by line management. Members complete the form termly or when a change in circumstance arises.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Forms are reviewed and approved by line management any issues will be highlighted</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>As above</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.



# Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Doncaster Metropolitan Borough Council will no longer continue?	
2. Are management aware of any factors which may mean for Doncaster Metropolitan Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by Doncaster Metropolitan Borough Council, does Doncaster Metropolitan Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Doncaster Metropolitan Borough Council to cease to exist?	It is expected these services will be delivered by the Council for the foreseeable future
4. Are management satisfied that the financial reporting framework permits Doncaster Metropolitan Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Material classes of transaction - Property, plant and equipment and pension.</p> <p>Material conditions – Pandemic, natural disaster</p>
2. How does the council's risk management process identify and address risks relating to accounting estimates?	<p>Appendix A lists all the significant uses of accounting estimates, e.g. valuations, provisions, accruals etc. All are reviewed as part of the closure of accounts process. The possibility of misstatement is mitigated by quality assurance checks. Provisions are reviewed regularly and reserve balances are in place to mitigate any potential shortfall.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Evidence and assumptions used to form the basis of estimates is reviewed to ensure it is still relevant and suitable for use.</p>
4. How does management review the outcomes of previous accounting estimates?	<p>Rolling reviews of assets, review asset population not revalued in year based on current year revaluations, asset verification exercise carried out on a rolling programme. Schools identified as a large value asset group and are therefore now revalued annually.</p> <p>Pension assumptions reviewed annually.</p> <p>Provisions reviewed annually</p>
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	<p>No</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Use actuary for pension information.            Qualified officers used for asset valuations.            District valuer used for dwelling valuations.            Link used to supply fair value for financial instruments.</p>
<p>7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Valuers are issued with instruction letter and contract with requirements is in place with the district valuer.            Pension – DMBC participate in the annual bulk exercise to obtain the IAS19 disclosures.            Quality Assurance is carried out.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Valuations – variances over a certain % are reviewed and challenged, district valuer beacon sheets reviewed            Pensions – finance officers review assumptions to ensure they are in line with expectations            Quality Assurance is carried out.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Audit committee – unaudited and audited accounts presented to audit committee with report highlighting high risk areas            Audit Committee chair – briefed before meeting            Training offered to new audit committee members and refresher training offered to existing members</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	None
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	Audit committee – unaudited and audited accounts presented to audit committee with report highlighting high risk areas Detailed training and awareness sessions also provided

## Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of other land & buildings	DRC, EUV, Fair Value, Historic Cost. Valued as at 31 <sup>st</sup> March	BCIS rates, local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	No
Valuation of council dwellings	current value, determined using the basis of existing use value for social housing (EUV-SH). Valued as at 31 <sup>st</sup> March	Value based on achievable sale prices then reduced	Yes – District Valuer	41% EUV – use of this % is supported by local evidence.	No
Fair value of debt instruments	Valuations made using comparable investments or for PWLB loans new borrowing (certainty) rates	PWLB rates published by Debt Management Office	Yes – fair value estimates provided by Link (treasury advisors)	Accrued interest included – assuming PWLB rates are comparable with market rates	No
Depreciation (useful economic life)	Straight line method, based on opening value as at 1 <sup>st</sup> April.	Treatment of asset classifications and UEL applied as per policy	Only in obtaining the most recent asset valuations used.	Asset is still in use, useful economic life.	No

## Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Liabilities have been assessed on an actuarial basis using the projected unit credit method.	An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.	The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council fund being based on the latest full valuation of the scheme	Rates of inflation, longevity, increase in salaries, increases in pension and rate for discounting liability.	No
Page 109 Expenditure accruals	Automatic system accruals, manual – guidance provided	Budget holder monitoring, significant variances, review of new year transactions	N/A	Potential uncertainty around value Most appropriate estimate used	No
Provisions estimate (specifically business rates & insurance fund)	Appeals provision model based on previous appeals success %.  Insurance – based on previous claims data	Insurance Team	N/A	Methods used and associated % used is changed each year.	No
<sup>26</sup> PFI liabilities	Waste – based on Rotherham due to being lead authority	Based on model used	N/A	PFI model is most appropriate estimate	No

## Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowance (bad debt provision)	Rules based around age of account and indicators on account.	All information is system generated	N/A	Provision provided based on age and indicators reviewed by officers and can be over ridden based on additional information	N/A



# Doncaster Metropolitan Borough Council 2021-22 Audit Plan

Year ending 31 March 2022

6 July 2022



# Contents



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

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# 1. Key matters

## Factors

### Financial developments, Covid-19 and the overall economic environment

The Authority continues to operate in an uncertain financial environment. Doncaster Council, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term whilst also recovering from the impact of the Covid-19 Pandemic.

The 2021-22 Quarter 4 Finance and Performance Improvement Report presented to Cabinet on 8 June indicates an outturn underspend of £8.9m, mainly due to reduced expenditure in Adults, Health and Wellbeing (£3.8m), Corporate Resources (£2.3m), Economy and Environment (£2.2m) and Council wide budgets (£5.8m). These underspends were offset by increased costs within Doncaster Children's Services Trust (£4.8m) and other overspends (£0.4m).

In February 2022, the Council set a budget based on closing a budget gap of £13.1m in 2022-23 increasing to £21.7m over 2022-23 to 2024-25. This was a significant challenge in the context of COVID-19, ongoing demand for services and considerable cost pressures with no reduction in statutory obligations to provide services.

The savings proposals identified amount to £19.8m over the 3 years, with £12.1m in 2022-23. Like many other local authorities, the Council also plan to review and reduce their use of assets, utilising the new ways of operating and blended approach to working. The government's Spending Review announcement in October 2021 only covered the spending period 2022-23. The Secretary of State for Levelling Up, Housing and Communities announced on 28 June 2022 that he will be introducing a 2-year financial settlement to give local authorities more certainty and confidence.

Since the approval of the budget the financial outlook has worsened with inflation posing a significant risk to the budget. The impact of rising energy, fuel and other prices is impacting on both revenue and capital budgets. In addition, the Council is seeing increased demand for children's social care and special education. The increase in the cost of living could also impact on collection rates for council tax and business rates. The Council plans to update its MTFs during the summer to pick up the longer-term impact in preparation for the 2023-24 budget setting process.

### Children's Services

The Council is accountable for the delivery of effective children's services which are provided by Doncaster Children's Service Trust through an arms length delivery model with the Council. Following a period of discussions, a decision was made to bring children's services back in-house by the Council during September 2022 and to close the Trust. The Council considers the transfer will also assist in improving the quality of services provided which following the Ofsted Report in April 2022, downgraded children's services from 'Good' to 'Requires improvement to be good'. The Council is currently formulating an action plan to address the issues identified by the Ofsted report.

### Climate Change

A recent report commissioned by the Council's Local Strategic Partnership (Team Doncaster) concluded that action was required to tackle climate change with the period to 2030 being the most crucial. Doncaster is already experiencing the impact of climate change including flooding as a result of much greater rainfall in the region and wildfires on Thorne and Hatfield Moors peatlands. The impact of climate change also has a direct financial impact not only in the additional costs of dealing with the impact severe weather events and their aftermath, but also the related costs for example of higher insurance premiums.

In September 2019, the Council with the support of Team Doncaster partners, declared a climate and biodiversity emergency. The report makes a number of recommendations and includes plans to transition towards green transport, improve energy efficiency in homes and a significant increase in Doncaster's tree cover.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Chief Financial Officer and Assistant Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We will continue to review the Council's financial position and the on-going impact of Covid-19 and the economic environment, through our regular discussions with the Chief Financial Officer and Assistant Director of Finance
- We will consider progress in the transition of Doncaster Children's Services Trust back into the Council through our regular meetings with senior management. As part of our VFM work, we will consider the actions being taken by the Council to address the issues identified in the Ofsted inspection report and the progress in implementing the action plan
- Our VFM work will also consider the actions being taken by the Council to address the issues identified by the report on climate change commissioned by Team Doncaster and the impact this is having on the Council's current and future plans.

# 2. Introduction and headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

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

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

## Group Audit

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

- St Leger Homes of Doncaster Ltd (SLH)
- Doncaster Children's Service Trust (DCST).

We understand, Doncaster Children's Service Trust (DCST) will be brought back in-house during September 2022, this change will impact on the group accounts in 2022-23.

## Significant risks

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

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

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

## Materiality

We have determined planning materiality to be £9,419k (PY £11,711k) for the group and £9,247k (PY £11,525k) for the Council, which equates to 1.5% of your prior year gross expenditure on net cost of services. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £470k (PY £575k) for the group and £462k (PY £575k) for the Council.

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have not identified any risks of significant weakness at this time. We will keep this under review as our audit progresses.

# Introduction and headlines cont.

## Audit logistics

Our interim visit has taken place in March and April and the bulk of our final visit will take place in July to September. Our finalisation and completion work will take place in advance of the national deadline for audited accounts of 30 November 2022.

Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report (due to be presented to the Audit Committee on 27 October) and Auditor’s Annual Report on the Council’s VFM arrangements (targeted to be presented to the Audit Committee on 26 January 2023).

Our fee for the audit will be £212,680 (PY: £212,430) for the Council, subject to the Council delivering a good set of financial statements and working papers.

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



# 3. Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Doncaster Metropolitan Borough Council	Yes	Audit of the financial information of the component using component materiality	<ul style="list-style-type: none"> <li>Please refer to the significant risks identified in this Plan on pages 7 to 10.</li> </ul>	Full scope audit performed by Grant Thornton UK LLP.
St Leger Homes of Doncaster Ltd (SLH)	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	<ul style="list-style-type: none"> <li>The SLH net pension fund liability is not considered a significant risk at group level because we do not consider there is a material estimation uncertainty in the pension fund liability. However, we set out our audit approach in the next column.</li> </ul>	<p>We will adopt a targeted approach to the statutory audit performed by Beever and Struthers focussing on material classes of transactions, account balances or disclosures at group level. Where appropriate, we will undertake targeted testing of material balances and transactions outside of the group boundary.</p> <p>Our work will focus on the net pension liability, total income and cost of sales which are the more significant account balances and transactions at SLH.</p>
Doncaster Children's Service Trust (DCST)	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	<ul style="list-style-type: none"> <li>The DCST net pension fund liability is not considered a significant risk at group level because we do not consider there is a material estimation uncertainty in the pension fund liability. However, we set out our audit approach in the next column.</li> </ul>	<p>We will adopt a targeted approach to the statutory audit performed by Smith Craven focussing on material classes of transactions, account balances or disclosures at group level. Where appropriate, we will undertake targeted testing of material other balances and transactions outside of the group boundary.</p> <p>Our work will focus on turnover, administrative expenses and the net pension liability which are the more significant account balances and transactions at DCST.</p>

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Note: We will review our audit approach on receipt of the draft accounts for SLH and DCST.

## Key changes within the group:

There are no key changes to the group structure or components for the year ended 31 March 2022. However, we will continue to discuss the group structure and components with management. At the time of this Audit Plan, we can confirm that these are the only components within the group that form part of the group consolidation process. We have requested a paper from management assessing other entities with which the Council has an interest in, to consider whether there are any other components which would be required to form part of the group.

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

# 4. Significant risks identified

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

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure	Council	<p><b>Revenue</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. 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 the Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p><b>Expenditure</b></p> <p>Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds</li> <li>• there is no significant pressures on general fund reserves of the Council</li> <li>• Covid -19 funding has been sufficiently provided for additional expenditure and loss of income during 2020-21 and into 2021-22.</li> </ul>	<p>As we do not consider this to be a significant risk for the Authority, we will not be undertaking any specific work in this area other than our normal audit procedures which include:</p> <p><b>Accounting policies and systems</b></p> <ul style="list-style-type: none"> <li>• Evaluate the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code</li> <li>• Update our understanding of the Council's business processes associated with accounting for income and expenditure.</li> </ul> <p><b>Fees, Charges and other service income</b></p> <ul style="list-style-type: none"> <li>• Agree, on a sample basis, income and year end receivables from other income supporting evidence.</li> </ul> <p><b>Taxation and non specific grant income</b></p> <ul style="list-style-type: none"> <li>• Income for national non –domestic rates and council tax is predictable and therefore we would conduct substantive analytical procedures</li> <li>• For other grants we will sample test items for supporting evidence and check the appropriateness of the accounting treatment in line with the CIPFA Code.</li> </ul> <p><b>Expenditure</b></p> <ul style="list-style-type: none"> <li>• Agree, on a sample basis, non pay expenditure and year end payables to supporting evidence</li> <li>• Undertake detailed substantive analytical procedures on pay expenditure</li> </ul> <p>We will also design and carry out appropriate audit procedures to ascertain that recognition of income and expenditure is in the correct accounting period using for example cut off testing.</p>

# Significant risks identified

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



# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Council	<p>The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £1.42bn) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the closing valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• discuss with the valuer the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• engage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> <li>• consider, where the valuation date is not 31 March 2022 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2022.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£440m in the Council's balance sheet {Group £534m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary</li> <li>• undertake 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</li> <li>• obtain assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# 5. Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified one recommendation in our 2020-21 audit in relation to the Council's estimation process for the valuation of land and buildings.

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## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments.

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures, we previously sent letters of enquiry to management during April 2022. We recommend management responses are provided to us shortly and considered by the Audit Committee at its meeting on 28 July 2022.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# 6. Other matters

## Other work

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

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021-22 financial statements, consider and decide upon any objections received in relation to the 2021-22 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act

We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# 7. Materiality

## The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £9,419k (PY £11,711k) for the group and £9,247k (PY £11,525k) for the Council, which equates to 1.5% of your prior year gross expenditure on net cost of services.

We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £15,000 for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

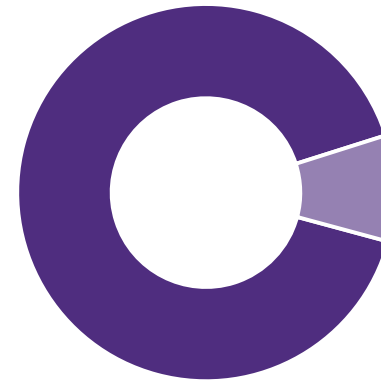
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £470k (PY £575k) for the group and £462k (PY £575k) for the Council.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

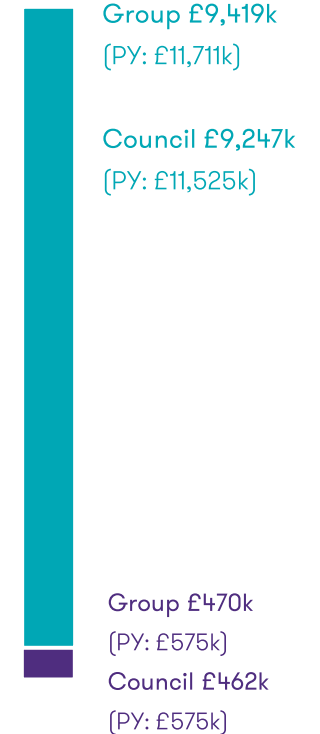
## Forecast gross operating costs

£628m group  
(PY: £781m)  
£617m Council  
(PY: £768m)



■ Forecast gross operating costs

## Materiality



Misstatements reported to the Audit Committee

# 8. IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
E5 ERP Finance system	Financial reporting	<ul style="list-style-type: none"> <li>Detailed ITGC assessment (design and operating effectiveness)</li> <li>Application controls assessment (Revenue, Procurement, Payroll)</li> </ul>
Northgate (Revenues & Benefits system)	Council Tax, Business Rates, Benefits	<ul style="list-style-type: none"> <li>Detailed ITGC assessment (design and operating effectiveness)</li> <li>Application controls assessment (Interface to finance system)</li> </ul>
Payroll: Doncaster MBC Payroll is processed by Rotherham MBC	Payroll	<ul style="list-style-type: none"> <li>We will liaise with our GT audit colleagues as part of their assessment of the payroll system at Rotherham MBC to consider the ITGCs and application controls in place.</li> </ul>



# 9. Value for Money arrangements

## Approach to Value for Money work for 2021-22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are set out below:



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

### Areas of focus for VFM work

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report. Whilst we have not identified any possible significant weaknesses in arrangements, we will as part of our VFM audit work consider, the actions being taken by the Council to address the issues identified in the Ofsted inspection report of Children's services and the progress in implementing the action plan.

In addition, other areas of focus for our VFM work will include progress in actioning the DSG deficit recovery plan and the actions being taken by the Council to address the issues identified by the report on climate change commissioned by Team Doncaster. We are also aware of the recent peer assessment of the Council and we will consider the actions being taken by the Council to address any improvement opportunities identified.

# 10. Audit logistics and team



## Gareth Mills, Key Audit Partner & Engagement Lead

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

## Perminder Sethi, Senior Engagement Manager

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

## Greg Charnley, Engagement Manager

Greg assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. Greg supervises and co-ordinates the audit team.

## Audited body responsibilities

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

## Our requirements

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

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

# 11. Audit fees

In 2017, PSAA awarded a contract of audit for Doncaster Metropolitan Borough Council to begin with effect from 2018-19. The fee agreed in the contract was £126,930. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021-22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed in section five in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our latest results in our inspections with the FRC are included at Appendix A. Furthermore, we have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2021-22, as set out below, is detailed overleaf and has been agreed with the Chief Financial Officer and Assistant Director of Finance.

	<b>Actual fee 2019-20</b>	<b>Actual fee 2020-21</b>	<b>Proposed fee 2021-22</b>
Doncaster MBC Audit	£172,930	£212,430	£212,680
<b>Total audit fees (excluding VAT)</b>	<b>£172,930</b>	<b>£212,430</b>	<b>£212,680</b>

## Assumptions

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

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

## Relevant professional standards

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

# 12. Independence and non-audit services

## Auditor independence

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

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

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

## Other services

No other services provided by Grant Thornton in respect of 2021-22 were identified at this time.

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

Service	Fees £	Threats	Safeguards
Audit related:			
NONE			
Non-audit related:			
NONE			
Total	-	-	-

# Appendix A: Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018-19	Number 2019-20	Number 2020-21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

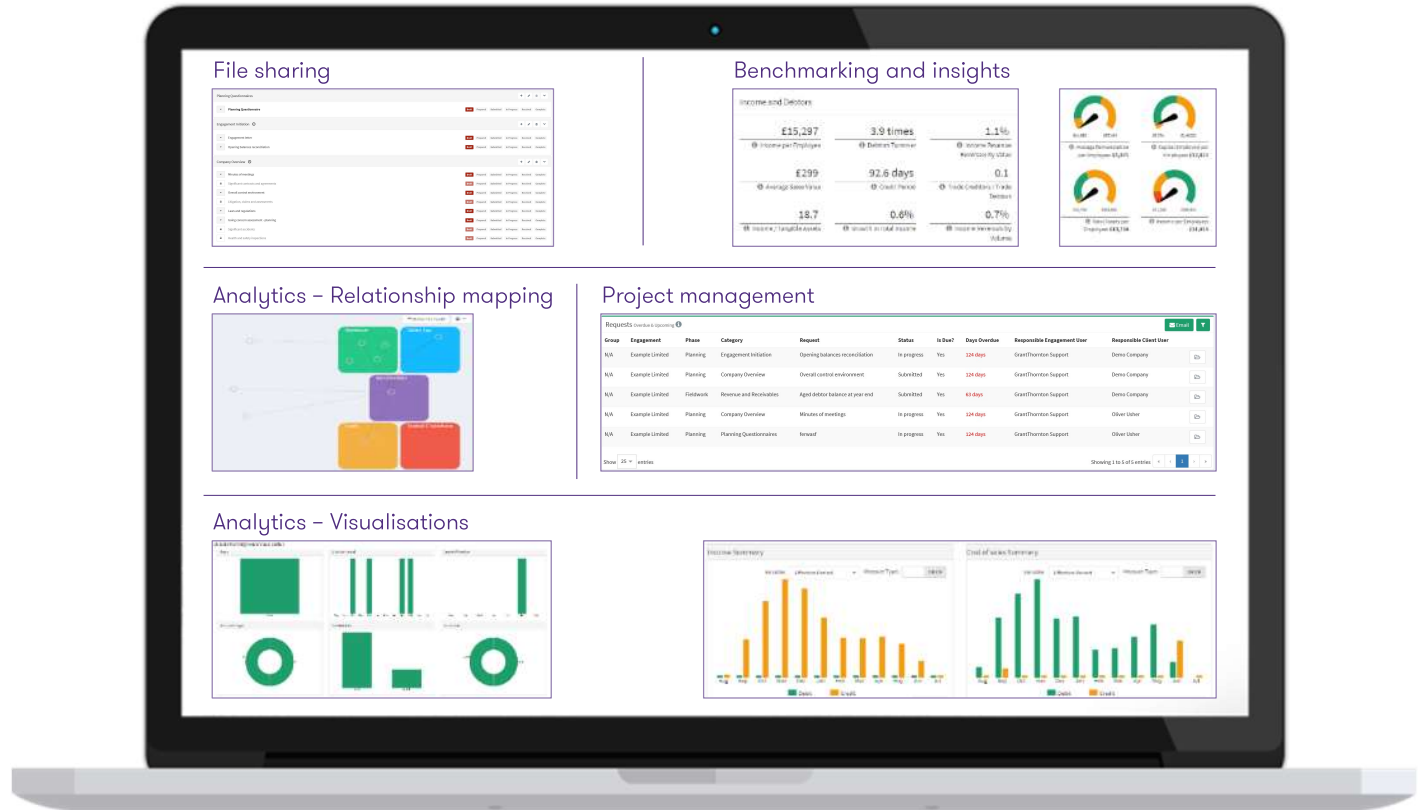
## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Appendix B: Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



# Appendix B: Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix C: Progress against prior year audit recommendations

We identified the following issues in our 2020-21 audit of the Council's financial statements, which resulted in three recommendations being reported in our 2020-21 Audit Findings Report. We are unable to follow up on these recommendations until we commence the final accounts audit and our IT review at the Council. We will report our findings in the 2021-22 Audit Findings Report in October 2022.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	TBC	<p><b>Management Challenge of experts and stand back review</b></p> <p>A number of assets had been inappropriately valued or recorded in the financial statements including:</p> <ul style="list-style-type: none"> <li>the valuation of the Doncaster Dome, Cast Theatre and some Leisure Centres, incorrectly applying an adjustment factor of 75%</li> <li>recording the recently built Cinema within assets under construction when it had been completed before the year end</li> <li>including the Adwick Social Education Centre at full valuation when it had been earmarked for demolition.</li> </ul> <p>There is a need for management to be more challenging of its valuation experts to ensure the basis of valuation is considered appropriate and reasonable, particularly where a valuation is considered unusual for example when using an adjustment factor.</p> <p>Management should also take a step back and consider the appropriateness of valuations when new developments are nearing completion or buildings have been earmarked for demolition to ensure they are appropriately valued and recorded correctly in the accounts</p>	<p><b>Management response</b></p> <p>Accepted. Strategic Asset Management will ensure that they sense check their valuations for consistency and reasonableness. Financial Management will also step back and consider consistency, e.g. whether similar types of assets are valued in the same way. Financial Management will also raise awareness within its own staff to ensure that when assets change use or are made surplus this information is communicated to the technical team to allow further challenge.</p> <p><b>Audit update – June 2022</b></p> <p>We will consider the revised arrangements in place once we commence the 2021-22 final accounts audit. We will report our findings in the Audit Findings Report.</p>



# Appendix C: Progress against prior year audit recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2	TBC	<p><b>Weaknesses in password settings for Northgate database administrators</b></p> <p>During our audit, we noted that all accounts assigned administrator access on the database underlying the Revenues and Benefits system (Northgate) were not automatically required to select strong passwords.</p> <p>When systems are not set to automatically require passwords to be of an appropriate strength the risk is increased of unauthorised access being gained to the system. This increases the risk of controls being bypassed and / or unauthorised modifications to data. The risks are further increased where affected accounts are assigned an elevated level of access.</p> <p>Management should review the profiles assigned to privileged database accounts and / or the relevant profile configuration to ensure appropriate protection of these accounts. This could include updating database profile configuration to align with good practice such as:</p> <ul style="list-style-type: none"> <li>• Enabling password complexity, for example requiring a combination of numbers and letters</li> <li>• Setting an appropriate minimum password length, for example 8</li> <li>• Not allowing frequent password reuse, for example only after 10 different passwords.</li> </ul>	<p><b>Management response:</b></p> <p>The admin accounts that we are responsible for at the database level were deployed at the time of Northgate’s Oracle database / application install, any modifications of these accounts would need to be raised with Northgate and an agreed process put in place to reset the password initially, and then periodically reset them. We doubt that we can make any changes to the default profile that they use.</p> <p>We are very happy to co-operate with this request but feel that this work should be progressed once the lockdown is lifted and when less pressure is placed on this critical system to be available 24/7. Resetting built in sys / system accounts at this time could cause considerable issues with the application or some of its processes, which we need to avoid.</p> <p><b>Update September 2021</b></p> <p>At this time the risk has been accepted. We needed to keep the system up as much as possible so the Covid backlog can be dealt with. We will, however, still aim to update the passwords as part of our ongoing security project.</p> <p><b>Audit update – June 2022</b></p> <p>We will consider the revised arrangements in place once we commence the 2021-22 IT review. We will report our findings in the Audit Findings Report.</p>

# Appendix C: Progress against prior year audit recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3	<p><b>TBC</b></p> <p>Leaver access is not disabled on the Northgate system in a timely manner</p> <p>During our audit, we noted on the Revenues and Benefits system (Northgate) that leaver accounts are not disabled in a timely manner. Specifically, for the sample leaver we reviewed it was noted that it took their line manager over a month (38 days) to notify IT.</p> <p>Where access is not revoked from accounts allocated to leavers in a timely manner the risk is created that enables, no-longer-needed user accounts to potentially be misused by valid system users to circumvent internal controls.</p> <p>Management should review guidance and / or training given to line managers to ensure prompt notification of leavers and appropriate understanding of the relevant risks. This should be done so that access permissions for terminated employees can be disabled in a timely manner.</p>	<p><b>Management response</b></p> <p>Team managers/supervisors will be reminded to complete the necessary leaving form as soon as a member of staff is known to be leaving. In this case the manager had raised a call with ICT to have network access removed and assumed that the RBLIVE user would be covered by this.</p> <p><b>Update September 2021</b></p> <p>We have re-enforced the policy of notification of leavers within the council.</p> <p><b>Audit update – June 2022</b></p> <p>We will consider the revised arrangements in place once we commence the 2021-22 IT review. We will report our findings in the Audit Findings Report.</p>	



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