



# City of Doncaster Council

## Agenda

---

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, 27th July, 2023

**Time:** 10.00 am

### **BROADCASTING NOTICE**

This meeting is being filmed for subsequent broadcast via the Council's web site.

The Council is a Data Controller under the Data Protection Act and images collected during this recording will be retained in accordance with the Council's published policy.

Please be aware that by entering the meeting, you accept that you may be filmed and the images used for the purpose set out above.

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

---

Issued on: Wednesday, 19 July 2023

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

City of Doncaster Council

[www.doncaster.gov.uk](http://www.doncaster.gov.uk)

## **Items for Discussion:**

## **Page No.**

|    |   |         |
|----|---|---------|
| 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 27th April 2023.   | 1 - 12  |
| 5. | Audit Committee Action Log.   | 13 - 16 |
| 6. | Covert Surveillance - Regulation of Investigatory Powers Act 2000 (RIPA) Update.                            | 17 - 20 |
| 7. | Audit Committee Prospectus, Terms of Reference and Work Programme 2023/24.                                  | 21 - 28 |
| 8. | Internal Audit Report for period: April 2023 to June 2023.  | 29 - 46 |
| 9. | Unaudited Statement of Accounts 2022/23 incorporating Grant Thornton - Informing the Audit Risk Assessment. | 47 - 88 |

## **Members of the Audit Committee**

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

Councillors Sue Farmer, John Healy and Dave Shaw.

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

# Public Document Pack **Agenda Item 4**

CITY OF DONCASTER COUNCIL

## AUDIT COMMITTEE

THURSDAY, 27TH APRIL, 2023

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 27TH APRIL, 2023, at 10.00 am.

### PRESENT:

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

Councillor John Healy.

### APOLOGIES:

Apologies for absence were received from Councillors Barry Johnson, Dave Shaw and Co-opted Member, Dr. Stuart Green.

### 82 DECLARATIONS OF INTEREST, IF ANY

No declarations of interest were made.

### 83 MINUTES OF THE MEETING HELD ON 26TH JANUARY 2023

RESOLVED that the minutes of the meeting held on 26th January 2023 be approved as a correct record and signed by the Chair.

### 84 AUDIT COMMITTEE ACTION LOG

The Committee considered the Audit Committee's Actions Log that updated Members on the actions agreed at previous Audit Committee meetings, allowing Members to monitor progress against the actions, ensuring that satisfactory progress was being made.

It was noted that two actions from the Committee's meeting on 27th October had been completed.

RESOLVED that the progress being made against the actions agreed at the previous Audit Committee meetings, be noted.

### 85 BREACHES AND WAIVERS TO THE COUNCIL'S CONTRACT PROCEDURE RULES

Consideration was given to a report, presented by Holly Wilson, Head of Procurement, which detailed all breaches and waivers to the Council's Procedure Rules (CPRs) for the period 1st September 2022 to 28th February 2023. The report provided a summary of the number of new waivers and breaches recorded for each Directorate since the last audit reports presented to the Committee in October 2022 and April 2022 and a summary of the progress made in addressing breaches to Contract Procedure Rules.

The Head of Procurement provided an overview of the breaches and waivers. Sixteen waivers had been granted for the period, which was a slight decrease to the seventeen waivers reported during 2021/22. Five breaches have been resolved and the breach in relation to the Meat products contract were expected to be resolved very soon. There were four new breaches in the Economy, Environment directorate, two of which related to aggregated spend, and two related to the expiry of contracts. In relation to new breaches, one relating to the contract for ventilation supplies was due to be awarded and resolved in April 2023. Further to a request by the Committee at its last meeting, Members' attention were drawn to Appendix 3 of the report, which set out details of the percentage of waivers granted against the total value of

contracts. Paragraphs 21 to 27 of the report provided an update on the actions emanated from a previous meeting relating to reviewing the Procurement teams arrangements in terms of projects and enhancements, in particular, with regard to improvements compliance and contract mapping which have all been actioned.

In responding to questions regarding the resolved breaches, which related to the expiry of contracts, the Head of Procurement explained the reasons why they had occurred and provided assurances to the Committee that steps that had been taken by the Procurement team to ensure that administrative oversight did not occur in the future.

With regard to clarity being sought in respect of the two new breaches relating to aggregated spend, as detailed at sections 2.1 and 2.3 of Appendix 1 of the report, the Head of Procurement explained the process used to aggregate and to monitor the total amount spent in respect of contracts. It was noted that the minimum requirement for contracts to be procured was 3 to 6 months and that contracts exceeding the £25,000 direct award threshold would be a breach of CPRs. Any contracts reaching the threshold would be flagged up to the relevant Heads of Service and the Assistant Director as part of the quarterly monitoring process. It was further reported that the Council in recent years have spent less on supplies and that the Procurement team review historical data, which was used by Officers to dictate what CPRs Officers were to follow in terms of whether or not to tender for contracts. Whilst the Council endeavoured to get best value for money, more money has been expended on these contracts due to the cost of supplies, which was attributed to the significant rise in inflation. The Procurement team were to flag up any matters that were to reach the threshold at an earlier stage in order that Heads of Service and the Assistant Director to take action.

Following further questions from the Vice-Chair regarding whether the two new breaches regarding relating to kitchens and ventilation supplies could have been avoided if they had been closely monitored by Officers, it was acknowledged that the frequency for the monitoring of such contracts in future were to take place on a monthly basis, in advance of the quarterly monitoring report being presented to management. This would ensure that Officers could intervene at an earlier stage in the process. It was explained that the spending on materials and supplies varied dependent upon the need during the year.

In relation to the breaches where currently there were no contracts in place, Members were informed that the reasons for the expiry of those contracts were not due to lack of planning but mainly were due to a number of issues, in particular related to changes in capacity of staff which was currently being reviewed and supply chain issues. Due to inflation, building merchants were unable to guarantee the same prices and the same quality of materials as done previously. The Head of Procurement gave assurances that mitigations were in place to address this issue. She emphasised the need for a review to be undertaken by the Procurement team in relation to purchasing of materials and supplies to achieve better value.

In response to further questions, the Head of Procurement outlined the IT systems in place to improve contract compliance, including the new Procurement Planning module, which is part of the YorTender electronic tendering system, where information regarding procurement tender projects is stored, which allows for better planning and visibility of procurement projects. It was noted that periodic updates are provided to management on contracts relating to their service area and a spend analysis is carried out by the Procurement team, clearly setting out timescales, alerting contract owners when contracts where to expire. The Monitoring Officer provided further reassurance that arrangements were in place to improve procurement practices and effective controls to monitor breaches.

Arising from clarity being sought by the Chair as to whether implementation of the new procurement planning module was on target, the Head of Procurement confirmed that it was anticipated for completion on 30th April 2023. The Chair pointed out that some suppliers may not want to bid for fixed priced contracts and asked the Head of Procurement to consider a financial limit being set for each contract, which would avoid the occurrence of breaches to CPRs.

The Vice-Chair welcomed the recent changes made by the Procurement team in monitoring contracts and the assurance provided by the Monitoring Officer that arrangements to monitor contracts were robust and compliant. However, having previously discussed this issue with the Chair of the Committee and the Head of Internal Audit, felt that a zero-tolerance approach should be taken in respect of breaches. He therefore, requested that Officers be invited to attend Audit Committee meetings to provide an explanation as to the reasons for the breaches.

The Chair, whilst welcoming the continued improvement in terms of the low number of breaches and waivers, the work undertaken by the Procurement team, the Assistant Director for Finance and the Monitoring Officer to reduce breaches and monitor and refine the procurement process, as set out at paragraphs 21 to 27 of the report, highlighted his concerns that Officers procuring services should have an awareness of the Council's Contract Procedure Rules, and waivers should only happen in exceptional circumstances. To ensure Officer compliance of CPRs in the future, he requested that consideration be given to those Officers who have responsibility for procuring contracts to receive mandatory training on the Council's Contract Procedure Rules, so that they have a clear understanding of their responsibilities when tendering for contracts. The Chair in echoing the comments from the Vice-Chair agreed that there should be no breaches. He did however acknowledge the difficulties faced by the team in predicting and monitoring costs. However, in noting, the majority of the breaches related to existing contracts which had expired, or contracts that had come to an end, as detailed at Appendix 1 of the report, the Chair raised concerns regarding the reasons given by Officers for the breaches, which were the same reasons submitted in the previous update report to the Committee. He was also concerned regarding Officers deviating from the process.

In welcoming the feedback from the Chair and Members, the Monitoring Officer reassured the Committee that waivers were signed off by himself and the Head of Procurement and gave an undertaking to communicate to senior management the Audit Committee's concerns, and that Officer training to be reviewed to ensure that it was targeted to those service areas where there were problems. Officers would explore training with budget holders and joint training. He explained that the Council's contract requirements endeavoured to deliver both products and best value and spend locally and hoped that when the update report was presented to the next meeting, the Committee Members would see a further reduction in breaches. The Assistant Director for Finance added that the Procurement team could look at processes to escalate breaches.

During further discussion regarding breaches, it was noted that due to current inflation, the £25k threshold for contracts had been significantly devalued. The Director of Corporate Resources advised that the thresholds had been set some years ago, therefore, suggested that it would be an opportune time to review the level and nature of spend in relation to procurement activity taking place across the Council, and that a benchmarking exercise be undertaken of neighbouring authorities to determine whether amendments were required to the Council's thresholds. The Head of Procurement reported that she was aware that other local authorities in the region were enacting different thresholds for different categories of spend and gave an undertaking to provide the Committee with benchmarking information at a future meeting.

In response to a question from the Vice-Chair querying some of the purchases made under the new Purchasing Card Policy and whether these were compliant with the Policy. The Head of Procurement advised that the Policy had been approved, but the monitoring of compliance had not yet commenced. Following a request from the Vice-Chair, she agreed to provide the Committee with statistics in relation to the number of breaches under the policy at a future meeting.

In reference to the waivers, Officers responded to questions from Members seeking clarity and assurance was provided, in relation to the waivers in the Adults, Health and Wellbeing Public Health directorate relating to substance misuse and homelessness, document storage and Smart bins in the Corporate Resources and Economy Environment directorate, respectively, as outlined in the Appendix 2 of the report.

To conclude, the Chair highlighted the important role of the Procurement team who have provided assistance to the Audit Committee and stating that the Council was currently in a relatively good position which was attributable to the improvements of both the Procurement team and the Audit Committee.

RESOLVED that

- (1) the waivers and breaches recorded for the period between the 1st September 2022 and the 28th February 2023, be noted; and
- (2) the work undertaken by the Strategic Procurement Team (SPT) to ensure compliance and deliver services, be noted.

86 ANNUAL REPORT OF THE MONITORING OFFICER 2022/23

Scott Fawcus, Monitoring Officer presented his annual report on matters relating to ethical governance, including details of complaint handling activity in relation to allegations of Member misconduct, details of disclosures made under the Council's Whistleblowing Policy during the last 12 months, and any reports made under the Money Laundering Policy.

It was reported that the number of complaints relating to both Borough Councillors and Town and Parish Councillors remained proportionately low which evidenced that were very good standards of behaviour. No reports have been made to the Money Laundering Officer in relation to Anti-Money Laundering returns for 2022/23. During the last year, only two whistleblowing returns have been reported.

The Chair in welcoming the reduction in the number of complaints asked how Doncaster compared to that of other neighbouring authorities and whether there were national statistics available regarding Member complaints. The Monitoring Officer advised that Doncaster compared favourably to that of other authorities and complaints against Members and the number of breaches remained low which demonstrated good standards of behaviour for both Borough Councillors and Town and Parish Councillors. Complaints nationally generally related to when there were changes to the political make up of an authority. Complaints received by the Monitoring Officer in Doncaster mainly related to systemic complaints about changes in Council policy, or Members who had a difference of opinion in the actions of other Councillors, or were unhappy with how a Councillor was dealing with an issue in their ward. The complaints had not given rise to breaches of the Members' Code of Conduct.

In response to a question from the Chair regarding the detection of potential money laundering activities of the Council, Members were informed that as the world was operating in a less cashless society, money laundering was much easier to detect. The Committee was reassured that the Council have robust arrangements in place to prevent money laundering which complied with legislative requirements. Council staff received training in relation to the detection of money laundering. The Council's Financial Procedure Rules set out the Council's internal framework for the financial administration of the Council's financial affairs, including the handling of cash and that the Council will not accept cash income for the purchase of goods with a value greater than approx. £11,000. It was reported that the Council was to limit the use of cash across the Council and where possible, the method of cash paid for Council services going forward were to be paid electronically. However, the Council would retain the facility for customers to be given the option to pay in cash. It was recognised that there were some areas in the Council that payment could not be made digitally in respect of the use of petty cash in Care Homes.

Responding to a question, the Monitoring Officer confirmed that staff were periodically reminded about the process for raising an issue under the Whistleblowing Policy and that he was shortly to post a reminder on the staff Homepage of the Intranet. He indicated that he was also to speak to Doncaster College reminding them of the process and the requirements and principles of the policy. The Monitoring Officer provided assurance that the Council were

committed to maintaining standards of openness and transparency, and that staff were encouraged to report concerns through the Policy and other channels available to them. He cited examples of recent complaints, which clearly evidenced that there was an awareness by staff of the existence of the policy. He added that complaints raised under the policy were dependent upon what changes were taking place at the Council, in particular controversial changes. He reiterated that as consistent with previous years, the number of complaints were low.

The Vice-Chair asked whether the Council would inform those partners and organisations who worked closely with Council staff the outcome of any whistleblowing referrals and investigations that were to be found problematic within a service area and if these would be publicised. The Monitoring Officer advised that the Whistleblowing policy adopted by the Council was wider than the law required. The Council were duty bound to make available the Policy to Council employees and the Policy was accessible to partners and service users. The Monitoring Officer gave an undertaking to explore ways in which to communicate to partners and service users in terms of good practice and the requirements of having arrangements in place under the policy. The Monitoring Officer in responding to a further question from the Vice-Chair confirmed that details of the contact number for staff to be able to report concerns or malpractice within the Council was not displayed in staff break out areas, however, the contact details were available on the Council's Intranet.

RESOLVED that

- (1) the Monitoring Officer's Annual report on complaint handling activity for the period 1st April 2022 to 31st March 2023, be noted;
- (2) the whistleblowing return for 2022/23, be noted; and
- (3) the nil money laundering reports for 2022/23, be noted.

## 87 PRODUCTION OF THE 2022-23 DRAFT ANNUAL GOVERNANCE STATEMENT

Debbie Hogg, Director of Corporate Resources, gave a brief overview of the draft Annual Governance Statement (AGS) for the 2022/23 financial year, as appended to the report

The Council was required by virtue of the Accounts and Audit Regulations (England) 2015 to produce, approve and publicise an Annual Governance Statement. The Council's governance arrangements in place during 2022-23 have been reviewed and an Annual Governance Statement has been drafted which shows the Council's our governance compliance.

Responding to a question from the Chair, the Director of Corporate Resources outlined the process and provided an update in relation to the estimated timescale for completion of the draft accounts. It was explained that the Council was legally required to produce an AGS and to review the draft AGS. An outline of the draft AGS is then presented to the Committee for review and endorsement, prior to it being published for consultation and incorporated as part of the Council's draft accounts. The audit of the accounts would take place during the summer and a review of the AGS would be undertaken at that time to determine whether any significant matters would need to be incorporated into the final Statement of Accounts.

Gareth Mills, Director of Grant Thornton in commenting on the report, stated that it was good to see the draft AGS being presented to the Committee and stakeholders in advance of the year end audit of the accounts process which is good practice. He then provided a brief update on the draft accounts. It was noted that completion of the accounts by September 2023 was not achievable and that he would provide further details in this respect under Members consideration of the agenda item relating to the Council's Audit Plan for 2022/23. The Assistant Director of Finance further reported that the AGS would be updated to ensure that it aligned with the Audit Plan.

Further to clarity being sought by the Chair, the Head of Internal Audit confirmed that he was satisfied that the draft AGS reflected good governance arrangements in Doncaster and that no specific items had been identified through the work of the Internal Team for inclusion on the AGS.

RESOLVED that the outline draft Annual Governance Statement for 2022/23 be endorsed, prior to it being published for consultation as part of the 2022-23 City of Doncaster Council Draft Accounts.

## 88 AUDIT COMMITTEE ANNUAL REPORT 2022/23

The Head of Internal Audit introduced the Audit Committee's Annual report, which sets out the key aspects of the work undertaken by the Committee during 2022/23 and the positive impact and achievements made by the Committee. The Annual report demonstrates that the Committee has fulfilled its Terms of Reference and shared its achievements with the whole Council. The production of such a report also complies with current best practice for Audit Committees.

The Head of Internal Audit advised that this year's report did not include an assessment of the effectiveness of the Council's governance as done so in previous years, however the Audit Committee's Improvement Action Plan was appended to the report at Appendix B and identified three minor issues to be actioned.

It was noted that the report was a very encouraging report, recognising the positive outcomes achieved in an again challenging year, the positive assurance it has received over the Council's, risk, governance and control arrangements. The Committee's effective contribution to the audit function and its achievements during the year were set out in Appendix A of the report. The Committee was asked to note and approve the draft Audit Committee Annual Report for 2022/23, appended to the report.

Gareth Mills, Director of Grant Thornton highlighted a minor drafting error in relation to the second bullet point in Appendix 1 to the report (page 74 of the agenda papers), which incorrectly made reference to the 'External Auditor's Annual Audit Letter', which is no longer in existence and had been replaced with the 'Auditors Annual Report.' He also suggested that the report be expanded upon to make reference to place more emphasis that there were not many large metropolitan local authorities nationally in particularly the size of Doncaster to have concluded the accounts and the Value For Money conclusion by January 2023 which was a real achievement for the Finance Team. The Chair thanked the Director, Grant Thornton for his comments and in acknowledging the Finance Teams achievements, pointed out that other local authorities were not in the same position in as Doncaster in terms of completing the accounts in the timeframe achieved.

To conclude, the Chair wished to place on record his thanks to Dr Stuart Green for the contribution he had made to the work of the Committee during the past year.

RESOLVED that the Audit Committee approved the Audit Committee Annual Report 2022/23 as appended to the report and for it to be suitably published.

## 89 ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2022/23

The Committee considered a report, presented by Peter Jackson, Head of Internal Audit, which provided information on the work of Internal Audit during 2022/23, 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 also supported the annual review of the Council's arrangements and the subsequent preparation and publication of an Annual Governance Statement.

The Head of Internal Audit outlined the key points in the report, highlighting that there were low levels of overdue management actions and no particular areas of concern had been identified.



He reported that he was satisfied with the Council's governance, risk management and control arrangements, which were adequate and operated effectively during the year. Internal Audit's work this year had not identified any particular serious areas of concern or services to be considered for inclusion in the Council's Annual Governance Statement.

In answer to a question from the Chair, it was noted that the large number of overdue management actions relating to school audits had not been included within the mainstream management action figures of the Authority, as the figures would be distorted. This was due to the risk levels relating to individual schools and the audits undertaken had resulted in a large number of actions as was the nature of these audits. Internal Audit were working with Head teachers and School Governors at the schools to agree the management actions. Internal Audit had met with the new Head of Service who oversees all schools with regard to the processes in place to escalate implementation of the overdue actions and it was hoped that the numbers would be reduced in future.

The Vice-Chair welcomed the reduction in the number of overdue management actions, in particular, noting the positive results relating to high-risk level management actions, and in view of this asked whether Internal Audit should adopt a more agile approach in the future with regard to the audits. The Head of Internal Audit confirmed that Internal Audit endeavoured to adopt such an approach with less coverage given to assurance audits. Internal Audit were currently recruiting new staff to expand data analysis capacity within the team to increase the amount of data driven work so that real-time assurance is generated from the systems. In addition, work was also being undertaken in the Children Young People and Families directorate for Internal Audit to oversee the arrangements in place in relation to the Dedicated Schools Grant to ensure that preventative measures are in place. It was further reported that the Internal Audit risk based plan would direct resources into those areas where value can be most added. Audit software systems were also being developed to provide detailed assessments of audits and going forward would generate heat maps as seen in the Counter Fraud Plan, mapping out risks to cover all directorates across the Council.

RESOLVED to

- (1) note that the Internal Audit Annual Report for 2022/23, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated effectively during the year and
- (2) note that the Head of Internal Audit's self-assessment that the service is compliant with the Public Sector Internal Audit Standards, maintaining the outcome from the External Quality Assessment carried out during the 2021/22 year, which confirmed the highest level of conformance with the relevant Public Sector Internal Audit Standards.

90 INTERNAL AUDIT PLAN 2023/24

The Committee considered the Annual Internal Audit Plan for 2023/24, as attached at Appendix 1 of the report, which had been prepared in line with the UK Public Sector Internal Audit Standards (UKPSIAS). The Plan had been created following a review of the risks and controls of Council activities.

In presenting the report, the Head of Internal Audit outlined the following three areas of the Audit Plan:-

- Planned audit work
- Planned advice and consultancy work
- Separate Counter Fraud Plan

It was noted that contingencies were in place to allow for flexibility in the Plan and there was currently sufficiency of resource in the Internal Audit team.

In response to a question from Councillor Healy regarding Internal Audit's review of school audits, it was clarified that the names of the schools in the Audit Plan were not specified at an initial stage of the audit process, as this allowed the team more flexibility to determine from the intelligence received, as to whether an audit of the schools financial and governance controls was required.

Further to concerns raised by Councillor Healy, the Head of Internal Audit advised that Academies were outside the scope of the Council's Internal Audit Plan. Academies did not fall under the jurisdiction of the Local Authority and therefore, have their own auditing arrangements in place.

The Vice-Chair, Councillor Bluff in referring to the Internal Audit Plan noted that Salford Internal Audit Services were to undertake an audit review of ICT 3rd Party Suppliers. He asked whether the Council's overall exposure with the Council moving to a Cloud based computer system and general Cyber security had been reflected in the Internal Audit Plan and whether Salford Internal Audit Services would be carrying out a review of the Council's IT systems, including Ransomware. In response, the Head of Internal Audit advised that Salford had recently carried out a needs assessment and the outcome would be reported to Internal Audit next week. Discussions were taking place between Internal Audit and the Digital and ICT team regarding further planned coverage and Internal Audit would be making an assessment of the work required based on need.

Responding to questions from the Chair, the Head of Internal Audit reported that interviews were to take place next week to recruit to staff to expand data analysis capacity in the team. In relation to the delivery of the Internal Audit Plan, the Head of Internal Audit confirmed that he was confident that the Plan was sufficient for him to provide an annual audit opinion. The Head of Internal Audit also confirmed that the Council's Internal Audit's approach in terms of the Internal Audit Plan was consistent with other Local Authorities Internal Audit teams and had met professional standards following a Qualitative assessment undertaken of Internal Audit last year. He held the view that Doncaster was at a higher standard than the median Local Authority.

RESOLVED that

- (1) the principles and strategy underpinning the 2023/24 Internal Audit Plan. as set out in Section 1 and expanded upon in Section 7 of the Internal Audit Plan report be supported; and
- (2) the Plan, as set out at Appendix 1 of the report be approved.

## 91 COUNTER FRAUD ACTIVITY REPORT

Consideration was given to the Council's Counter Fraud Plan for 2023/24, 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 Head of Internal Audit summarised the following elements in the report:-

- Horizon scanning for new fraud risks;
- The assessment of current fraud risks for the Council;
- Information on counter fraud resource levels; and
- Presentation of the new Counter Fraud Plan for City of Doncaster Council and an assurance map mapping coverage of the plan and activities to the risks on the fraud risk register.

In responding to questions from the Chair, the Head of Internal Audit clarified that Horizon scanning relates to any regional, national, or local issues in respect of fraud that could potentially impact upon the Council which have been included as part of the Council's risk

assessment. In relation to the Fraud Risk Heat Map, the purpose of which was to provide clearer visibility of Internal Audits proposed coverage of work and ensured that resources are directed to the areas of need. It was anticipated that in future that the Heat map would be utilised by other areas across the Council.

Arising from a further question from the Chair, the Head of Internal Audit confirmed that he was satisfied in terms of the adequacy of arrangements in place in relation to the assessments undertaken in the Counter Fraud Plan. He advised that whilst a benchmarking exercise of neighbouring authorities in terms of the standard of the report had not been undertaken, he confirmed that the report met best practice.

Members made reference to the £52bn estimated costs by the Government relating to Public Sector fraud, as set out in the Appendix of the report and highlighted the limited resources available and insufficient funding for Local Authorities to combat Fraud, in particular cyber fraud. However, Members were reassured that the majority of these costs related to fraud at a national level in respect of Department of Works and Pensions and HMRC fraud. In terms of Cyber security risks for the Council, these related to the level of transactions taking place and the level of activity by the Council was low risk. The Committee was reassured that the Council have effective arrangements in place to minimise the risk from cyber fraud. The Council have recently established a Cyber Security Team who worked in conjunction with the Internal Audit Team to counter fraud activity thereby minimising the risk of cyber-attacks on its systems.

The Vice-Chair, in welcoming the controls in place to mitigate against cyber risks, asked whether the cyber risks identified on the Heat map included Authorised Push Payment (APP) fraud. The Head of Internal Audit confirmed that the audit needs assessment that had been undertaken by Salford Internal Audit Services provided a break down covering all areas of cyber fraud, including APP. The Council in recent years have invested significant resources into cyber fraud and was now in better position to the problems that were experienced by the Council in previous years.. Members were reminded that the Committee had received a presentation on the Council's arrangements for cyber fraud in 2021 to give assurance on the risk

RESOLVED that the Audit Committee support and approve the Counter Fraud Plan and the assurance map, which maps all the proposed activities to fraud risks.

92 EXTERNAL AUDITOR (GRANT THORNTON) AUDIT PLAN 2022/23 AND ARRANGEMENTS FOR THE PREPARATION OF THE 2022/23 ACCOUNTS

Perminder Sethi, Engagement Senior Manager presented the External Auditors Audit Plan 2022/23, which informed the Committee on key matters arising from the audit of the Councils financial statements for the year ending 31st March 2023, including arrangements for the preparation of the 2022/23 Accounts.

The Engagement Senior Manager provided an overview of the key matters in the report:-

- national context and relevant matters affecting the Council.
- The Council's financial position
- Doncaster Children's Services Trust being transferred back to the Council
- Doncaster Sheffield Airport closure, options to acquire the facility and CPO
- Doncaster City Status
- Audit Reporting Delays
- External Auditors response to matters as outlined above

He highlighted that the External Auditor remained committed to proving quality and would continue to monitor the Council's financial position with management and continue its work regarding Value for Money, governance, economy, efficiencies and effectiveness arrangements. He outlined some of the areas that the External Auditor were to focus on, in particular, in relation to the transition of DCST transferring back into the Council. It was noted that DCST had regular dialogue with the finance team regarding bringing accounts back to the

Council and payments to charges. The Engagement Senior Manager also referred to the ongoing work following the Ofsted Inspection taken place last year.

The following significant risks had been identified which were outlined in detail in the Plan:-

- Management over-ride of controls
- Valuation of land and buildings
- Valuations of the net pension fund
- Accounting for the transition of Doncaster Children's Trust back in to the Council on 1st September 2022

The External Auditors further outlined that a risk assessment regarding the Council's arrangements to secure Value for Money had not identified any risks of significant weaknesses, but would continue to update its risk assessment until the Auditors Annual report.

In relation to materiality, it was noted that this had been set at £10,648m for the group and £10,433k for the Council, with £532k being identified for trivial matters for the group. With regard to audit logistics, interim planning works had been completed and interim work takes place in July and from July onwards final accounts work commences. It was anticipated that the accounts audit work to be completed by end of October and a report be presented to the Audit Committee in November. Work on the Council's Value for Money arrangements was expected to be completed at the end of the year.

The Chair on behalf of the Committee, thanked the Engagement Senior Manager for his report. Further to a question from the Chair regarding the Council's progress made against prior year External Audit recommendations, the Assistant Director of Finance confirmed that the outstanding action to address the strengthening of the password settings for Northgate database administrators following the External Auditors 2020-21 assessment of the Council's risks have now been completed. The Chair welcomed that all of External Auditors 2020-21 recommendations were now complete.

In response to questions from the Vice-Chair, the Engagement Senior Manager, Grant Thornton advised that the External Auditor's IT Audit Strategy reviewed the key systems used by the Council to ensure integrity of the information produced on the systems. With regard to the Council's approach to IT general controls, External Audit when carrying out the audit assessed the adequacy and standards of the controls to confirm whether the controls were fit for purpose. An assessment of privileged access in respect of Council IT systems was carried out and the External Auditor assessed the Council's arrangements in terms of the security of data held by the Council. In terms of the Council's IT general controls regarding the Cloud environment, it was reported that Grant Thornton have a team of highly specialised technical experts who have extensive experience of IT risk management and control processes and have an understanding of the IT environment nationally across all their client base, working with the Public Sector, NHS and commercial bodies.

The Director of Corporate Resources further provided assurances that the Council have a duty in the first instance to ensure that new IT systems being introduced into the Council were checked for efficacy and the Internal Audit team have arrangements in place to review those systems.

The Vice-Chair highlighted the potential security risks to the Council in terms of IT systems being out of date, which could potentially lead to a material misstatement in the accounts. He requested that an assessment to be carried out with regard the potential risks of the Council's IT systems, in particular, in relation to the risk environment of the Cloud system in terms of third party risks. It was reported that the Council did not have the level of expertise to undertake an assessment, however, Salford Council's Internal Audit Services provided a variety of specialist skills in terms of auditing IT systems and were currently scheduled to undertake a review of the Council's third party suppliers, and could possibly carry out a review of the Cloud. This issue would be added to Internal Audit's assessment of risk. The Engagement Senior Manager, Grant Thornton pointed out that any potential weaknesses

identified in the Council's IT systems would be updated as part of the software updates, which would ensure the safeguarding of data and provided the ability for people to access the systems.

RESOLVED that Grant Thornton's Audit Plan for the 2022/23 financial year and Arrangements for the preparation of the 2022/23 Account, be noted.

93

#### EXTERNAL AUDITOR (GRANT THORNTON) AUDIT COMMITTEE PROGRESS REPORT AND SECTOR UPDATE

Gareth Mills, Director, Grant Thornton introduced the External Auditors progress report, highlighting the progress made on work carried out by External Audit in delivering their responsibilities in auditing the Council's accounts as at 18th April 2023. The report also provided a summary of emerging national issues and developments of relevance to the Council.

The Director, Grant Thornton highlighted the key headlines in the report. The External Auditor had concluded its work on the financial statements for 2021-22 by the end of early November as planned; with the exception of the national accounting issue relating to infrastructure assets, which had been resolved. The statutory instrument to override on the infrastructure assets was approved on 25th December 2022 and the audit had been concluded on 30th January 2023 issuing a 'clean' unqualified audit opinion on the Council's financial statements for 2021-22. The Director, Grant Thornton highlighted the achievements by both the Finance team and External Audit to conclude the audit within the deadline.

In relation to the financial statements for the 2022-23 audit, Members were informed that the current national statutory date of 30th September 2023 for sign off, of the audit of accounts 2022/23 was not achievable and it was now anticipated that the date for completion of the accounts would be November. The Director, Grant Thornton spoke of the challenges faced by External Audit in completing public sector audits due to the external audit market being under significant pressure, which had affected the timeliness of issuing the audit opinions across the local authority sector. In addition, the work of the External Auditor has also been impacted by the NHS Clinical Commissioning Groups audits having to be extended to a later date, which had created a significant number of part-year accounts audits to be delivered in 2023, largely by the same auditors and audit firms who deliver local authority audits. He provided assurances that the November completion date was consistent with the External Auditor 2019-20 and 2020-21 opinions, and with the 2021-22 audit work, with the exception of the national infrastructure matter, which had been concluded by the end of January. The Director, Grant Thornton emphasised that the proposed timetable was not a reflection of the Finance Team, or the wider Council, but it was because of the level of Public Sector audit work to be delivered by Grant Thornton across its NHS and local authority client base. He added that the Finance team's delivery and quality of the audit compared favourably to other local authorities.

In relation to the Council's Value for Money arrangements, it was anticipated that this was to be concluded by December 2023 and a report submitted to the Audit Committee in January 2024.

Members' attention were drawn to Grant Thornton's publication entitled 'About Time', which had been circulated to the Finance team and shared with the Audit Committee prior to the meeting. The publication provided an analysis regarding achievement of local authorities sign off, of the accounts covering the last six years. It was reported that the 12% figure quoted regarding local authorities attaining the statutory date for sign off, of the accounts on 30th September 2023 was not achievable and that it was expected that only a small number of local authorities would meet this deadline.

The Chair on behalf of the Committee, thanked the Director of Grant Thornton for his presentation of the report. In acknowledging that the sign off the accounts was not to be achieved by the deadline, the Chair sought assurance that the proposed sign off date of November would be met. It was reported that the ISA 260 was to be presented to the Audit

Committee meeting in early November and that the sign off, of the accounts before the end of November.

The Vice-Chair stated that he had spoken to the Assistant Director of Finance and the Head of Internal Audit regarding governance arrangements at the Council, particularly in respect of Cabinet decisions taken under Rule 16 Special Urgency provisions. In view of Grant Thornton having knowledge of the auditing of the public sector, he asked whether Grant Thornton could assist the Council in obtaining national benchmarking statistics to gauge how Doncaster compared nationally to that of other Local Authorities in terms of decisions being taken under the Special Urgency provisions for comparative purposes. The Assistant Director of Finance advised that Internal Audit was to undertake an initial review of this matter and the outcome would be shared with the Engagement Senior Manager.

The Vice-Chair acknowledged the excellent work undertaken by Grant Thornton and thanked them for their efforts on delivery of the accounts. The Director of Grant Thornton responded by thanking the Vice-Chair for his comments and said that he would communicate the feedback to the External Auditing team. The Chair echoed the comments made by the Vice-Chair. In commenting positively on the report, the Chair commended the Finance team for their achievements in completing the accounts within the deadline, given the recent and past challenges faced by the team in having to meet the changeable timeframes over recent and previous years to complete the accounts. The Chair in welcoming the positive feedback received from Grant Thornton regarding the quality and timing of the presentation of the accounts by the Finance team asked that the Committee's thanks be conveyed to staff in the Finance Team for their achievements.

The Director, Grant Thornton reiterated the importance that the delay in the completion of the accounts this year was due to them not being able to deliver the audits by the deadline and was not because of the Council's Finance team, adding that the Finance team had been proactive and had engaged in dialogue with the External Auditor. The Vice-Chair in noting the national public sector data in the External Auditors report regarding some local authorities deficits in funding for Special Educational Needs and Disabilities, was pleased to note that this was not applicable to Doncaster, which demonstrated that on a national level Doncaster was performing well.

The Chair reflected on last year's report and this year's report and commented that in view of the challenging timescales to meet the deadline this year, the Committee was assured that the Council's governance and control arrangements remained strong.

In closing the meeting, the Chair thanked everyone for their attendance.

RESOLVED that Grant Thornton's Progress report and Sector Update for the Year ending 31st March 2023 be received be noted.

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

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



### Report

---

**Date: 27<sup>th</sup> July 2023**

**To: The Chair and Members of Audit Committee**

**Report Title: 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. Three actions are complete and four others are all in progress in line with their timescales.

#### **EXEMPT REPORT**

3. The report does not contain exempt information.

#### **RECOMMENDATIONS**

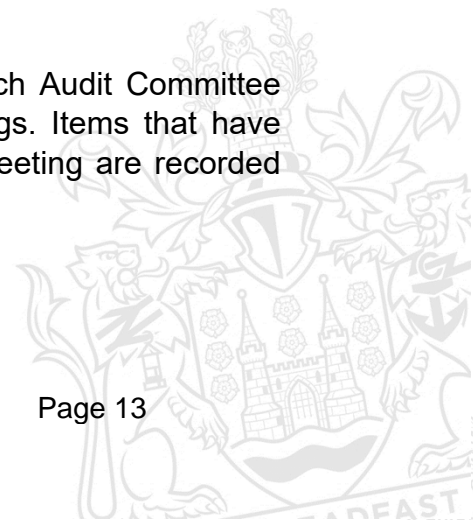
4. The Committee is asked to;
  - Note the progress being made against the actions agreed at the previous committee meetings, and
  - Comment if any further information / updates are required.

#### **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**

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

## **REASONS FOR RECOMMENDED OPTION**

8. Not Applicable.

## **9. Legal Implications**

Legal implications were not requested in relation to this report

## **10. Financial Implications**

Financial implications were not requested in relation to this report

## **11. Human Resources Implications**

Human Resources implications were not requested in relation to this report

## **12. Technology Implications**

Technology implications were not requested in relation to this report

## **RISKS AND ASSUMPTIONS**

13. 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.

## **CONSULTATION**

14. 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**

15. None

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

16. None

## **REPORT AUTHOR & CONTRIBUTORS**

**Peter Jackson, Head of Internal Audit**

01302 862938 | [peter.jackson@doncaster.gov.uk](mailto:peter.jackson@doncaster.gov.uk)

**Faye Tyas, Assistant Director of Finance**

01302 862606 | [faye.tyas@doncaster.gov.uk](mailto:faye.tyas@doncaster.gov.uk)



AUDIT COMMITTEE ACTION LOG – 27<sup>th</sup> APRIL 2023

Follow-up actions from previous meetings:-

| Meeting 27 <sup>th</sup> April 2023   |   |                     |  |
|---|---|---------------------|--|
| Minute/ Action  | Progress update   | Responsible Officer | Completed (Y/N)  |
| <p><b>Breaches and Waivers to the Council's Contract Procedure Rules</b></p> <p>The Monitoring Officer gave an undertaking to communicate to Senior Management the Audit Committee's concerns over Breaches and Waivers.</p>  | <p>Senior Management have been appropriately briefed over the Audit Committee's concerns around Breaches and Waivers.</p>   | <p>Scott Fawcus</p> | <p>Y - Complete</p>  |
| <p>The Head of Procurement is to review training with budget holders and assess mandatory training for all officers involved in procurement.</p>  | <p>The review is in progress and will be report at the November 2023 meeting of the Audit Committee.</p>  | <p>Holly Wilson</p> | <p>N – in progress – due for completion 2<sup>nd</sup> November 2023</p> |
| <p>The Head of Procurement is to review the level and nature of spend in relation to procurement activity taking place across the Council and that a benchmarking exercise be undertaken of neighbouring authorities to determine whether amendments were required to the Council's thresholds.</p> | <p>This review is complete and an extraordinary meeting of the Audit Committee also attended by members of the Elections and Democratic Structures Committee is to be held to consider the review and proposed changes to the Council's Contract Procedure Rules and Financial Procedure Rules.</p> | <p>Holly Wilson</p> | <p>Y – Complete</p>  |
| <p>The Head of Procurement is to report upon the number breaches against the purchase card policy at a future meeting of the Audit Committee.</p>   | <p>Monitoring of compliance against the new Purchase Card policy has now commenced and report will be brought to the November committee.</p>  | <p>Holly Wilson</p> | <p>N – in progress – due for completion 2<sup>nd</sup> November 2023</p> |

| Minute/ Action   | Progress update  | Responsible Officer  | Completed (Y/N)                   |
|--|--|----------------------|-----------------------------------|
| <p><b>Audit Committee Annual Report</b><br/> The External Auditor pointed out a minor drafting error in the report, referring to their Annual Audit Letter which should be an Auditors Annual Report.</p> <p>He also suggested the report should reflect the achievement of the Finance Team allowing the conclusion of the accounts and Value For Money conclusion by January 2023 which was unusual for Metropolitan authorities the size of Doncaster.</p>  | <p>Suitable amendments have been made to the Audit Committee Annual Report</p>                                       | <p>Peter Jackson</p> | <p>Y- Complete</p>                |
| <p><b>Annual Governance Statement</b><br/> The external Auditor highlighted an error in the date stated for completion of their audit and Value For Money opinion for correction in the final approved Annual Governance statement</p>   | <p>Revised dates have been entered onto the document in readiness for its approval at November's Audit Committee</p> | <p>Debbie Hogg</p>   | <p>Y- Amendments entered made</p> |
| <p><b>External Auditor Progress Report and Sector Update - Rule 16 review</b><br/> The Vice Chair requested national benchmarking information around Cabinet decisions taken under Rule 16 Special Urgency provisions. The Assistant Director of Finance advised that Internal Audit was to undertake an initial review of Rule 16 Special Urgency provisions to gauge how Doncaster compared nationally to that of other Local Authorities in terms of decisions being taken under Special Urgency provisions for comparative purposes.</p> | <p>A review has been undertaken by the Head of Internal Audit which confirmed satisfaction with our arrangements</p> | <p>Peter Jackson</p> | <p>Y – Complete</p>               |



**Date: 27<sup>th</sup> July 2023**

**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. Only covert surveillance requires authorisation; where techniques are used which are hidden or disguised so that the subject does not know they are being monitored or watched. Overt surveillance does not require RIPA authorisation.
- 1.2 At its meeting held on 27th 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 no surveillance applications authorised under RIPA since the last report to the Audit Committee on the 26<sup>th</sup> January 2023.

3. To agree to have yearly reports to Audit Committee rather than every six months due to the low number of authorisations under RIPA.
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 most recent inspection on 14<sup>th</sup> April 2022 made no recommendations for changes.

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

4. 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**

5. 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 seven inspections namely in, 2003, 2004, 2009, 2012, 2016, 2019 and 2022. Following the Investigatory Powers Commissioner's Office 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.
6. 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.
7. 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.
8. Trading Standards 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.
9. At the time that RIPA reports to Audit committee commenced in 2010, the RIPA Code of Practice recommended reports every 6 months. The updated 2018 Code of Practice amended this to yearly reports. It states at paragraph 4.47:  
*'4.47 Elected members of a local authority should review the authority's use of the 1997 Act and the 2000 Act and set the policy at least once a year.'*

*They should also consider internal reports on use of the 1997 Act and the 2000 Act on a regular basis to ensure that it is being used consistently with the local authority’s policy and that the policy remains fit for purpose.’*

The chart below shows the number of authorisations each year for the last 7 years.

| Year RIPA authorised | Number |
|----------------------|--------|
| 2017                 | 5      |
| 2018                 | 4      |
| 2019                 | 3      |
| 2020                 | 1      |
| 2021                 | 1      |
| 2022                 | 2      |
| 2023                 | 0      |

Due to the low number of authorisations now made, it is considered appropriate to move to a yearly report. If authorisation activity does increase or change, or specific concerns arise, the reporting frequency can be reviewed by the Audit Committee.

### **OPTIONS CONSIDERED**

10. There are no alternatives considered.

### **REASONS FOR RECOMMENDED OPTION**

11. 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**

- 12.

|  | <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**

13. 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: 30/5/23]**

14. 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 review the use of the surveillance powers and set the policy at least once a year. 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**

15. Financial implications were not requested in relation to this report.

## **HUMAN RESOURCES IMPLICATIONS**

16. HR implications were not requested in relation to this report.

## **EQUALITY IMPLICATIONS [Officer NC 30/5/23]**

17. 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

## **REPORT AUTHOR & CONTRIBUTORS**

Helen Potts

Principal Legal Officer

01302 734631 helen.potts@doncaster.gov.uk

**Scott Fawcus**  
**Assistant Director**



### Report

---

**Date: 27<sup>th</sup> July 2023**

**To: The Chair and Members of the Audit Committee**

**Report Title: AUDIT COMMITTEE PROSPECTUS, TERMS OF REFERENCE AND WORK PROGRAMME 2023/24**

#### **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 updated Terms of Reference for the Audit Committee for the 2023/24 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**

6. In late 2022, CIPFA published "Audit Committees: Practical Guidance for Local Authorities and Police" 2022 edition which contained model terms of reference for audit committees, updating the model terms from the previous guidance from 2018.

In the main, the new model terms have been reordered to reflect the core functions of the committee and provide greater clarity on the overarching responsibilities and accountability arrangements.

Where required, the model terms of reference have been expanded to incorporate City of Doncaster Councils specific local arrangements including responsibility for the Hearings Sub-Committee.

One minor change is also reflected in these proposed terms of reference whereby the monitoring of compliance with the Regulation of Investigatory Powers Act 2020 has been reduced from bi-annually to annually, as agreed by the Audit Committee on 26th January 2023. These changes were approved by Council at its Annual Meeting on 19th May 2023.

7. A link to the Terms of Reference for the Audit Committee is here for ease of reference to demonstrate how the work programme delivers on the responsibilities: <https://doncaster.moderngov.co.uk/mgCommitteeDetails.aspx?ID=146>

### **Prospectus and Draft Work Programme**

8. 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.
9. 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
10. Within the work programme, it is proposed as a default to maintain reporting the following regular item to the Audit Committee on a six monthly basis:
  - Breaches and Waivers to the Council's Contract Procedure Rules
11. However, if there are any significant issues in any of these areas they will be reported immediately to the Audit Committee.
12. Update briefings and/or training for Members will be provided as required, an indicative programme is set out in the work programme.
13. 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**

14. In order to discharge its functions effectively, the Committee is required to operate within an agreed Terms of Reference.



15. 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 workload.

16. 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.

### **REASONS FOR RECOMMENDED OPTION**

17. Not applicable – this report is primarily for noting.

### **Legal Implications**

18. Legal implications were not requested in relation to this report

### **Financial Implications**

19. Financial implications were not requested in relation to this report

### **Human Resources Implications**

20. Human Resource implications were not requested in relation to this report.

### **Technology Implications**

21. Technology implications were not requested in relation to this report

### **RISKS AND ASSUMPTIONS**

22. 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.

### **CONSULTATION**

23. The Chair and Vice of the Audit Committee were consulted on the changes to the Terms of Reference prior to these being presented to May 2023 Annual Council.

### **BACKGROUND PAPERS**

24. None

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

25. N/A

### **REPORT AUTHOR & CONTRIBUTORS**

**Peter Jackson, Head of Internal Audit**

01203 862938 | [peter.jackson@doncaster.gov.uk](mailto:peter.jackson@doncaster.gov.uk)

**Faye Tyas, Assistant Director of Finance and  
Technology**

01302 862606 | [faye.tyas@doncaster.gov.uk](mailto:faye.tyas@doncaster.gov.uk)



Doncaster  
Council

# Audit Committee Prospectus, Terms of Reference and Work Plan 2023/24

*Our Audit Committee is a key component of City of Doncaster Council's Corporate Governance. The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.*

**CIPFA 2022**

## 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 2023/24 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 financial 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.
- ✓ Review the findings of the external auditor's work, including a discussion of any major issues which arise during the audit. To also consider the external auditor's annual report, including their commentary on the Council arrangements for securing economy, efficiency and effectiveness in the use of resources.
- ✓ Consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code
- ✓ 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 2023/24 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 and Technology, 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.

### 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 2023/24, 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.
- ✓ 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, Auditor’s Annual report and Internal Audit opinion of the risk, governance and control arrangements that fairly reflect the Council’s position.

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 27<sup>th</sup> July 2023**

## APPENDIX 1

### Doncaster Council - Audit Committee Work Plan 2023/24

| Objective and Agenda Item   | July<br>2023 | Sept<br>2023* | Nov<br>2023 | Feb<br>2024 | April<br>2024 |
|---|--------------|---------------|-------------|-------------|---------------|
| <b>Internal Audit</b>   |              |               |             |             |               |
| Internal Audit Charter and Strategy   |              |               | ✓           |             |               |
| Internal Audit Progress Report for the period:<br>April to June 2023  | ✓            |               |             |             |               |
| Internal Audit Progress Report for the period:<br>July to September 2023  |              |               | ✓           |             |               |
| Internal Audit Progress Report for the period:<br>October to December 2023  |              |               |             | ✓           |               |
| Annual Report of the Head of Internal Audit<br>2023/24 (includes Internal Audit Progress<br>January 2024 to March 2024) |              |               |             |             | ✓             |
| Internal Audit Plan 2024/25   |              |               |             |             | ✓             |
| <b>External Audit</b>   |              |               |             |             |               |
| Grant Thornton – Informing the Audit Risk<br>Assessment   | ✓            |               |             |             |               |
| Grant Thornton - Progress Report and Sector<br>Update   |              |               | ✓           |             | ✓             |
| Draft Audit Findings Report (ISA260) 2022/23  |              |               | ✓           |             |               |
| Grant Thornton Auditor’s Annual Report<br>2022/23   |              |               |             | ✓           |               |
| External Auditor (Grant Thornton) Audit Plan<br>2023/24 and Arrangements for the<br>preparation of the 2023/24 Accounts |              |               |             |             | ✓             |
| <b>Regulatory Framework</b>   |              |               |             |             |               |
| Audit Committee Actions Log   | ✓            |               | ✓           | ✓           | ✓             |
| Audit Committee Prospectus, Terms of<br>Reference and Work programme 2023/24  | ✓            |               |             |             |               |
| Covert Surveillance – Regulation of<br>Investigatory Powers Act 2000 (RIPA) Annual<br>Report                            | ✓            |               |             |             |               |
| Review and Updates to Contract Procedure<br>Rules (CPRs) and Financial Procedure Rules<br>(FPRs)                        |              | ✓*            |             |             |               |
| Breaches and Waivers to the Council’s<br>Contract Procedure Rules   |              |               | ✓           |             | ✓             |
| Audit Committee Annual Report 2023/24   |              |               |             |             | ✓             |
| <b>Draft Annual Governance Statement 2023/24</b>  |              |               |             |             |               |
| Draft Annual Governance Statement 2023/24   |              |               |             |             | ✓             |

| Objective and Agenda Item   | July 2023 | Sept 2023* | Nov 2023 | Feb 2024 | April 2024 |
|---|-----------|------------|----------|----------|------------|
| <b>Accounts</b>   |           |            |          |          |            |
| Unaudited Statement of Accounts 2022/23   | ✓         |            |          |          |            |
| Statement of Accounts and Annual Governance Statement 2022/23                     |           |            | ✓        |          |            |
| <b>Ethical Governance</b>   |           |            |          |          |            |
| Monitoring Officer Annual Whistleblowing and Standards Report 2023/24             |           |            |          |          | ✓          |
| Preventing and Detecting Fraud and Error - October 2022 to September 2023         |           |            | ✓        |          |            |
| <b>Proposed Committee Member Training/Awareness Session</b>                       |           |            |          |          |            |
| Understanding the Council's Draft Accounts  | ✓         |            |          |          |            |
| 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                              |           |            |          |          | ✓          |

\* Please note this is an extraordinary joint Audit Committee / Elections and Democratic Structures Committee with a single item agenda



### Report

---

Date: 27<sup>th</sup> July 2023

To: The Chair and Members of the Audit Committee

Report Title: INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL 2023 to JUNE 2023

#### EXECUTIVE SUMMARY

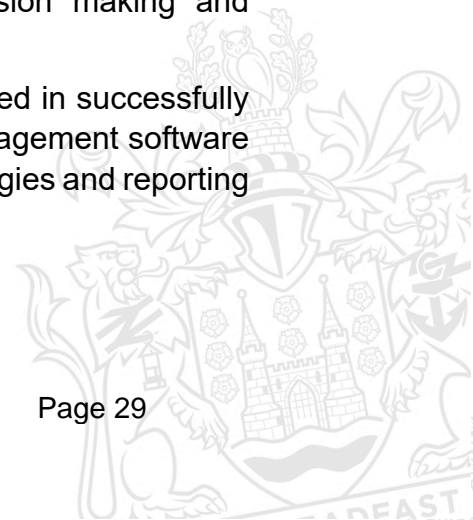
1. The report attached at **Appendix 1** updates the Audit Committee on the work undertaken by Internal Audit for the period of April to June 2023.
2. The attached report is in four sections:
  - Section 1. The Audit Plan / Revisions to the Plan
  - Section 2. Audit Work Undertaken During the Period
  - 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 best practice and our agile approach to auditing. Section 1 sets out further detail and significant changes to date.

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

5. During the period April to June, our work has been on our routine and planned audits and on the lessons learnt reviews requested by management.
6. Substantial advisory and consultancy work is ongoing covering placements within Children's Services and associated governance over decision making and ongoing support to several advisory boards.
7. Considerable resources, as planned, have continued to be used in successfully implementing a major upgrade to the teams Auditing and Management software and associated improvements to the team's auditing methodologies and reporting



arrangements. Our ongoing work in establishing and updating our detailed risk assessments is also helping to support the prioritisation of our work.

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

8. There is currently 1 high risk level overdue management action i.e., action that has passed its original agreed implementation date.
9. The total number of overdue medium and low risk level management actions has decreased slightly from 6 to 5. Revised implementation dates have been agreed for these actions requiring a further extension of time.
10. In total for all audit agreed management actions there are 20 Internal Audit actions awaiting implementation, 14 of which are not yet due.
11. Is clear from the current position that implementation of agreed management actions is operating well. We will continue to tightly monitor and manage this area.

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

12. Key operational indicators are over the timeliness of the issue of draft and final reports and these have all been issued within target timescales.
13. 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.
14. 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. He will however be placing additional reliance on other wider sources of assurance to support this opinion in addition to the planned audit work.
15. The work delivered by the audit team provides a source of intelligence for the Annual Governance Statement. 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. Additionally, work completed in 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.

### **EXEMPT REPORT**

16. The report does not contain exempt information

### **RECOMMENDATIONS**

17. 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?**

18. 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**

19. 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**

20. Not applicable – for information only

## **REASONS FOR RECOMMENDED OPTION**

21. Not applicable – for information only

## **Legal Implications**

22. Legal implications were not requested in relation to this report

## **Financial Implications**

23. Financial implications were not requested in relation to this report

## **Human Resources Implications**

24. Human Resources implications were not requested in relation to this report

## **Technology Implications**

25. Technology implications were not requested in relation to this report

## **RISKS AND ASSUMPTIONS**

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

## **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**

**Peter Jackson, Head of Internal Audit**

01302 862938 | [peter.jackson@doncaster.gov.uk](mailto:peter.jackson@doncaster.gov.uk)

**Faye Tyas, Assistant Director of Finance**

01302 862606 | [faye.tyas@doncaster.gov.uk](mailto:faye.tyas@doncaster.gov.uk)



**City of  
Doncaster  
Council**

**Appendix 1**

## **Doncaster Council**

### **Internal Audit Progress Report**

**April to June 2023**

## Section 1: Revisions to the Audit Plan

1.1 The 2023/24 Internal Audit Plan was approved by the Audit Committee on 27<sup>th</sup> April 2023. 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 work items. This is well established best practice and in line with our agreed Strategy. The staffing resources available have reduced since the original Audit plan was approved due to unsuccessful recruitment exercises and the future impact of these on the plan continue to be assessed.

1.2 Significant changes to the plan for the period are set out below, and further changes will continue to be made as the year progresses in accordance with our strategy to reflect new and emerging risk, changing priorities and to reflect resources available within the team.

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

- School Recruitment Lessons Learnt Review – A review to identify best practice around governance over recruitment processes in schools following an unsuccessful recruitment exercise.
- Kinship Placement Lessons Learnt Review – A review to identify improvement in practice following a complaint raised around a Fostering placement.
- Out of Area Provision Lessons Learnt Review – A review to identify better practice improvements from a governance and value for money perspective over out of area education placements.
- Investigation – Virtual Schools Looked after Children DPA Breach – Provision of information to support management investigation.

1.4 Items of work removed from the plan include those set out below: -

- SEN Placements – School Placement Review – review and support arrangements now being provided by the Policy Insight and Change team mean Internal Audit Resources can be applied elsewhere.
- Family Hubs and Start for Life Programme Grant 2023/24 – this grant audit is deferred into quarter 1 2024/25 due to date changes by the relevant government department.
- Safeguarding Adults Review – this review is deferred into the 2024/25 year to allow assessment of forthcoming changes of service delivery.
- Social Housing Decarbonisation Fund – Wave 1 & 2 2023/24 - this grant audit is deferred into quarter 1 2024/25 due to date changes by the relevant government department

- Test and Trace Grant and Contain the Outbreak Funding – Grant verification 2023/24 – cancelled as no requirement for Internal Audit sign off

1.5 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. Our ongoing work in establishing and updating our detailed risk assessments is also helping to support the prioritisation of our work. This ensures 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, our work has been on our routine and planned audits and on the lessons learnt reviews requested by management.
- 2.2 Substantial advisory and consultancy work is ongoing covering placements within Children’s Services and associated governance over decision making and ongoing support to several advisory boards.
- 2.3 Considerable resources, as planned, have continued to be used in successfully implementing a major upgrade to the teams Auditing and Management software and associated improvements to the team’s auditing methodologies and reporting arrangements.
- 2.4 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 considered 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**

2.5 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**

2.6 Summary conclusions on all significant audit work completed April to June 2023 and any completed work not previously reported, are set out in **Appendix A**.

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

2.7 There have been no ‘limited assurance’ opinions given this period and considerable improvements have been made in the area set out below resulting in a more favourable opinion being given.

## Taxi Licensing Review 2022/23

A partial assurance opinion was given over the Taxi Licensing Service. A limited assurance opinion would have been given, due to weaknesses identified during the audit, but this was not necessary as significant progress has been made rectifying matters brought to the attention of management through the audit. This has, however, resulted in delays in finalising and issuing the audit report as officer resource has been targeted at rectifying the matters raised.

The main issues to note are:-

- Routine Operator inspections, or spot checks on taxi vehicles standing in taxi ranks were not being done, even though the City of Doncaster Council Policy does state that this is an integral part of the enforcement strategy. The 3 main operators have since been inspected (covering approximately 80% of journeys) and a strategy for inspecting the remainder of the operators this financial year has been developed.
- Some DBS rechecks had not been undertaken when they had become due, for several reasons, but primarily due to inadequate system reporting processes. Significant manual work has since been undertaken corresponding with both taxi drivers and operators and it is pleasing to report that this issue has now been rectified. Indeed, far superior processes of routinely checking of all taxi drivers current DBS status on a fortnightly basis have been instigated.
- Additionally, 10 more recommendations were made. These were of varying significance, but all have been agreed and all except one are in the process of being implemented. The one which has not yet started relates to written procedural documentation and therefore rightly, awaits all system / process changes before being started.
- As a result of the audit observations, a consultant's services have been procured to undertake a wider health check on the Licencing Service. Additionally, a service review is underway, and a rapid improvement plan is being developed, which will include the procurement and implementation of an improved software system.
- Internal Audit have had ongoing oversight and input during this period of internal review.

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

2.8 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. This area is covered in detail within the Annual Preventing and Detect Fraud and Error Report which forms part of a future Audit Committee meeting's agenda. There are no items of significance to report in advance of that report.

### 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 number of actions which are overdue i.e. that have passed their original agreed implementation date has remained stable at 6 in total, being 1 high level management action and 5 medium / lower level management actions. 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. There are no areas of concern covering the 5 medium / lower level overdue management actions.
- 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 |               |               |               |               | Number of medium / lower risk level management actions overdue |               |               |               |               |
|-----------------------------|--|---------------|---------------|---------------|---------------|--|---------------|---------------|---------------|---------------|
|                             | At 30/06/2022  | At 30/09/2022 | At 31/12/2022 | At 31/03/2023 | At 30/06/2023 | At 30/06/2022  | At 30/09/2022 | At 31/12/2022 | At 31/03/2023 | At 30/06/2023 |
| Adults, Wellbeing & Culture | 0  | 0             | 0             | 0             | 0             | 0  | 0             | 0             | 0             | 0             |
| Place                       | 0  | 0             | 0             | 0             | 1             | 6  | 3             | 1             | 3             | 3             |
| Corporate Resources         | 0  | 0             | 0             | 0             | 0             | 0  | 1             | 2             | 3             | 2             |

| Directorate                         | Number of high-risk level management actions overdue |          |          |          |          | Number of medium / lower risk level management actions overdue |          |          |          |          |
|-------------------------------------|--|----------|----------|----------|----------|--|----------|----------|----------|----------|
|                                     |  |          |          |          |          |  |          |          |          |          |
| Children, Young People & Families * | 0  | 0        | 0        | 0        | 0        | 0  | 0        | 0        | 0        | 0        |
| <b>TOTAL</b>                        | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>1</b> | <b>6</b>   | <b>4</b> | <b>3</b> | <b>6</b> | <b>5</b> |

\* These figures do not include the number of actions arising from the 4 school audits / investigation completed as these traditionally generate a high number of action and have different ratings for the school to work to and therefore reporting these figures would disproportionately misrepresent the Council's position.

3.6 Reviews have been carried out at three schools to assess the adequacy of both governance and financial arrangements. Two schools were given reasonable assurance opinions and the other, limited assurance. School 4 is the Primary school that was subject to a fraud investigation. The status of the agreed actions is set out below. The high number of overdue management actions is recognised and escalations have taken place within the schools and Council management.

| School   | Assurance Opinion    | Total Number of Issues Raised |        |     | Number of Management Action Overdue as at 30/06/23 |        |     | Number of Management Actions Not Yet Due |        |     |
|----------|----------------------|-------------------------------|--------|-----|--|--------|-----|--|--------|-----|
|          |                      | High                          | Medium | Low | High   | Medium | Low | High                                     | Medium | Low |
| School 1 | Reasonable Assurance | 9                             | 13     | 0   | 6  | 10     | 0   | 0  | 0      | 0   |
| School 2 | Limited Assurance    | 10                            | 13     | 1   | 1  | 5      | 0   | 0  | 0      | 0   |
| School 3 | Reasonable Assurance | 13                            | 5      | 1   | 0  | 0      | 0   | 0  | 0      | 0   |
| School 4 | N/A Investigation    | 31                            | 14     | 5   | 1  | 3      | 0   | 0  | 0      | 0   |
| Totals   |                      | 63                            | 45     | 7   | 8  | 18     | 0   | 0  | 0      | 0   |



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

| Directorate                           | No. of actions at 30/06/2022 | No. of actions at 30/09/2022 | No. of actions at 31/12/2022 | No. of actions at 30/06/2023 |
|---------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Adults, Wellbeing and Culture         | 0                            | 0                            | 0                            | 0                            |
| Place                                 | 6                            | 3                            | 5                            | 12                           |
| Corporate Resources                   | 8                            | 9                            | 11                           | 6                            |
| Children, Young People and Families * | 1                            | 0                            | 0                            | 2                            |
| <b>TOTAL</b>                          | <b>15</b>                    | <b>12</b>                    | <b>16</b>                    | <b>20</b>                    |

\* These figures do not include the number of actions arising from the 4 school audits / investigation completed as these traditionally generate a high number of action and have different ratings for the school to work to and therefore reporting these figures would disproportionately misrepresent the Council's position

3.8 It is clear from the current position that implementation of agreed management actions is operating well. We 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 October to December 2022:

| <b>Performance Indicator</b>  | <b>Target</b> | <b>April to June 2023</b> | <b>Variance (positive is good)</b> |
|---|---------------|---------------------------|------------------------------------|
| 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 rest 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. He will however be placing additional reliance on other wider sources of assurance to support this opinion in addition to the planned audit work.
- 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 2023/24. Additionally, work completed in 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

| Audit Area                 | Assurance Objective  | Final Report to Management. | Overall Audit Opinion | Summary of Significant Issues |
|----------------------------|--|-----------------------------|-----------------------|-------------------------------|
| <b>CORPORATE RESOURCES</b> |  |                             |                       |                               |
| Housing Rents 2022/23      | <p>A new housing management system Open Housing went live November 2020. A full key control and transactional testing review due to this system change was done in 20/21, straight after the implementation to identify any immediate concerns. Neither the 20/21 or 21/22 audits identified any significant concerns. As a result, the objectives of this audit were to:</p> <p>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</p> <p>Make value added recommendations to improve the service, its efficiency and effectiveness or further mitigate or control risk exposures.</p> | January 2023                | Substantial Assurance | None                          |

| Audit Area  | Assurance Objective   | Final Report to Management. | Overall Audit Opinion                      | Summary of Significant Issues   |
|---|---|-----------------------------|--|---|
| Data Management Review 2022/23 (undertaken by external Internal Audit provider) | The objectives of this review were to ensure that the key risks associated with the management and security of data across the council are managed appropriately.   | March 2023                  | Reasonable Assurance                       | No high risk findings although improvements are required to further mitigate risks, particularly around data retention and storage. |
| <b>PLACE</b>  |   |                             |  |   |
| Taxi Licensing Review 2022/23   | Review the processes and systems in place for the granting or refusal of licences in relation to Hackney Carriage, Private Hire Driver, and Operators ensuring that the Council fulfils its obligations in respect to passenger safeguarding whilst not unduly restricting local transport provision. | July 2023                   | Partial Assurance                          | See main body of report   |
| Bus Service Operators Grant 2023/24 (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.   | December 2022               | N/A – grant Claim verification             | Grant signed, no issues raised.   |
| <b>ADULTS WELLBEING AND CULTURE</b>   |   |                             |  |   |
| Supporting Families Grant Q4 2022/23 - (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.   |

| Audit Area   | Assurance Objective   | Final Report to Management.            | Overall Audit Opinion          | Summary of Significant Issues                                     |
|--|---|--|--------------------------------|---|
| <b>PUBLIC HEALTH</b>                                   |   |  |                                |   |
| No Planned work was reported in this period            |   |  |                                |   |
| <b>CHILDREN YOUNG PEOPLE &amp; FAMILIES</b>            |   |  |                                |   |
| Big Picture Learning Grant Qtr 4 2022/23               | To ensure that outputs made and claimed for are in accordance with the grant conditions | April 2023                             | N/A - grant Claim verification | Grant signed, no issues raised                                    |
| Investigation – Virtual Schools Data Protection Breach | Provide evidence as required with regards to the potential severity of the breach.      | Our element of work completed May 2023 | N/A                            | Unable to provide summary due to the confidentiality of the work. |

**Overdue High Risk Agreed Management Actions**

**APPENDIX B**

| Audit Area                                 | Finding   | Risk Exposure | Action Agreed   | Estimated Impl'n Date | Revised Impl'n Date | Current Status   |
|--|---|---------------|---|-----------------------|---------------------|--|
| <b>PLACE</b>                               |   |               |   |                       |                     |  |
| Strategic Properties / Land Income 2021/22 | No checks are currently undertaken to ensure that an invoice is raised for all income due. This issue was originally identified in the previous audit of 2017, when it was agreed that quarterly reconciliations of income due to income billed would be undertaken. A 2019 follow up audit found that these reconciliations had not yet been introduced and work was subsequently undertaken to facilitate the reconciliations and a year end reconciliation exercise was completed. No reconciliations have been completed since. | High          | Regular reconciliations of income due to bills will be undertaken in the future. The first full reconciliation of all accounts is currently being worked on, along with implementing actions to enable more efficient reconciliation exercises in the future. | 31/05/2023            | 30/09/2023          | This area was given a "limited assurance" rating, and reported early 2023 as it could not be verified that all income due had been billed, and billed accurately. This is a recurring issue which was first identified and reported in 2017 when it was agreed that regular reconciliations of income due to income billed would be undertaken. Audit follow up work in 2019 identified that these reconciliations had not been completed. The first full reconciliation was subsequently completed, although obtaining the correct data for the reconciliation to be completed was found to be problematic. No further reconciliations have been completed since. |

| Audit Area | Finding | Risk Exposure | Action Agreed | Estimated Impl'n Date | Revised Impl'n Date | Current Status   |
|------------|---------|---------------|---------------|-----------------------|---------------------|--|
|            |         |               |               |                       |                     | <p>In February 2023 it was agreed that a full reconciliation would be completed and this has now been done. The majority of transactions have been identified as having been billed correctly or any anomalies arising have now been sorted. The remaining transactions (valued in total at less than £100k) are currently in various stages of being queried. This does not raise a concern, at this stage, as some of these anomalies are complicated to resolve.</p> <p>In order to facilitate this reconciliation, a significant amount of data has had to be updated on system records. Additionally, further work has been undertaken to try to make the reconciliation process less cumbersome for future reconciliations to be carried out. This revised reconciliation process now needs documenting.</p> |

| Audit Area | Finding | Risk Exposure | Action Agreed | Estimated Impl'n Date | Revised Impl'n Date | Current Status  |
|------------|---------|---------------|---------------|-----------------------|---------------------|---|
|            |         |               |               |                       |                     | <p>It is Audits intention to work alongside the Section during the next reconciliation exercise, in order to gain full assurance that the reconciliation process is effective in identifying any potential anomalies.</p> |





### Report

---

Date: 27<sup>th</sup> July, 2023

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

### **UNAUDITED STATEMENT OF ACCOUNTS 2022/23 INCORPORATING GRANT THORNTON – INFORMING THE AUDIT RISK ASSESSMENT**

#### **EXECUTIVE SUMMARY**

1. This report presents the Council's unaudited Statement of Accounts for the 2022/23 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. There is a requirement to obtain certification of the accounts by the Responsible Financial Officer (RFO); for the Council this is the Chief Financial Officer & Assistant Director – Finance & Technology. The statutory deadline for the date of approval and publication of the final Statement of Accounts is 30<sup>th</sup> September.
5. Grant Thornton have informed the Council that they will not be able to meet the statutory deadline. The approval of the final Statement of Accounts will take place at Audit Committee on 2<sup>nd</sup> November, 2023.
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 City of Doncaster Council 2022/23' 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 2022/23 Unaudited Statement of Accounts;
  - b. review and be satisfied with the responses in the 'Informing the audit risk assessment for City of Doncaster Council 2022/23' 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 2022/23 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 statutory deadline of 31<sup>st</sup> May.
11. The statutory 6-week period in which the accounts are available for public scrutiny must include the first 10 working days of June. The accounts are available for public scrutiny from 1<sup>st</sup> June to 12<sup>th</sup> July. This was advertised on the Council's website on 31<sup>st</sup> May. The unaudited accounts were placed on the Council's website on 31<sup>st</sup> May 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.
12. The accounts will be subject to external audit commencing in July 2023 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 on 2<sup>nd</sup> November. Members of the Audit Committee will be aware that the statutory dates for the approval and publication of the Statement of Accounts have varied over the last few financial years: -

| <b>Financial Year</b> | <b>Unaudited Accounts</b> | <b>Audited Accounts</b>    |
|-----------------------|---------------------------|----------------------------|
| 2018/19               | 31 <sup>st</sup> May      | 31 <sup>st</sup> July      |
| 2019/20               | 31 <sup>st</sup> August   | 30 <sup>th</sup> November  |
| 2020/21               | 31 <sup>st</sup> July     | 30 <sup>th</sup> September |
| 2021/22               | 31 <sup>st</sup> July     | 30 <sup>th</sup> November  |
| 2022/23               | 31 <sup>st</sup> May      | 30 <sup>th</sup> September |

13. Grant Thornton have informed the Council that they will not be able to meet the statutory deadline of 30<sup>th</sup> September 2023. The accounts and a report will be presented by Grant Thornton to this Committee on 2<sup>nd</sup> November, 2023 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.

14. 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 2022/23 Financial Statements and Supporting Disclosure Notes**

15. 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 2022/23 is similar to that used last year, the main changes are described in the following section.

### **Narrative Report**

16. 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.
17. Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.
18. At the meeting on 21<sup>st</sup> June, Cabinet was presented with the final outturn positions for both revenue and capital for the 2022/23 financial year. The final outturn position was an overspend of £3.0m, which represents 0.5% of the gross budget.

### **The Core Financial Statements**

19. These are: -
- a. Comprehensive Income and Expenditure Statement (CIES);
  - b. Movement in Reserves Statement (MiRS);
  - c. Balance Sheet; and
  - d. Cash Flow Statement

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

20. 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.
21. 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.
22. The CIES shows the Council Structure – Directorates, Net cost of services and the surplus or deficit on provision of services.
23. The CIES is shown in Appendix A with an explanation of what it shows. Some issues to note: -
- a. The increase in Corporate Resources net expenditure is due to the cost of living / Household Support Fund payments.

- b. The increase in Economy & Environment net expenditure is due to increased depreciation charges relating to road and bridges. Infrastructure asset lives were reviewed during 2022/23 and reduced asset lives have resulted in accelerated depreciation charges. These charges are reversed out into the capital adjustment account so has no impact on council tax payers.
- c. The increase in Housing Revenue Account net expenditure is due to a one-off credit for the reversal of previous year revaluation losses in 2021/22 relating to Council dwellings.
- d. There was a decrease of £6.9m in the loss on disposal of non-current assets. This was caused by a smaller number of schools converting to academy status in 2022/23 than converted in 2021/22.
- e. There was an increase of £17.6m in non-domestic rates redistribution. This was due to a surplus in 2022/23 compared to a deficit in 2021/22 largely due to lower levels of retail relief granted and a reduction of the appeals provision following a review based on lower numbers and success rates of appeals.
- f. There was a decrease of £7.7m in non-ring fenced Government grants. This was largely due to the ceasing of COVID-19 grants issued in 2021/22 by Government to assist the Council in dealing with the COVID-19 pandemic. The details are contained in Note 33 Grant income.
- g. There was an increase of £9.1m in Capital grants and contributions. This was largely due to Department for Levelling Up, Housing & Communities – Levelling Up grant and Towns Fund and Department for Transport - Transforming Cities grant. The details are contained in Note 33 Grant income.
- h. There was a decrease of £235.7m in the actuarial gains on pension assets / liabilities caused mainly by a change in financial assumptions. The details are contained in Note 39 Defined Benefit Pension Schemes.

#### Notes relating to the CIES

24. 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 2022/23 of £27.2m (see paragraph 25a).
  - b. Note 39 Defined Benefit Pension Schemes. There are two items to note: -
    - i. Doncaster Children's Services Trust (DCST)'s staff were transferred to the Council on 1st September 2022 (see paragraph 33b on Group Accounts) and as a result, South Yorkshire Pensions Authority (SYPA) transferred the former DCST pension scheme into the City of Doncaster Council pension scheme.

- ii. Members will be aware that the net position of the pension is usually a liability. This year, due to better than expected investment returns since the last valuation and improved estimates of future investment returns, the net position is a pension asset not a pension liability. International Accounting Standard (IAS) 19 states that a net liability should be recognised in full but an asset can only be recognised if conditions are met and that when an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of: the surplus in the defined benefit plan; and the asset ceiling. The asset ceiling is calculated by the actuary. As the Council meets the conditions determined by IAS 19, the pension asset is recognised up to the asset ceiling.

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

25. 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 2022/23 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 decreased by £26.6m (due to planned use of earmarked reserves) and HRA reserves decreased by £0.6m, resulting in the overall deficit shown on the Expenditure and Funding Analysis of £27.2m.
- b. Statutory adjustments (shown in Note 10 and mainly capital related) convert the Council's movement in reserves performance from the £27.2m decrease to a £75.6m deficit (General Fund £54.6m and the HRA £21.0m) 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

26. 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 decreased by £14.5m or 7.0% from £207.7m to £193.2m (these are shown on page 17 of the accounts), largely due to the use of earmarked reserves.

| <b>Usable Reserves<br/>(see Movement in Reserves<br/>Statement)</b> | <b>31st<br/>March<br/>2022</b> | <b>31st<br/>March<br/>2023</b> | <b>Movement<br/>in year</b> |
|---|--------------------------------|--------------------------------|-----------------------------|
|   | <b>£m</b>                      | <b>£m</b>                      | <b>£m</b>                   |
| General Fund (including Earmarked reserves)                         | 131.7                          | 105.1                          | (26.6)                      |
| Housing Revenue Account   | 6.7                            | 6.1                            | (0.6)                       |
| Capital Receipts Reserve  | 18.7                           | 26.3                           | 7.6                         |
| Major Repairs Reserve   | 28.0                           | 28.0                           | 0.0                         |
| Capital Grants Unapplied  | 22.6                           | 27.7                           | 5.1                         |
| <b>Total Usable Reserves</b>  | <b>207.7</b>                   | <b>193.2</b>                   | <b>(14.5)</b>               |

- b. Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have increased by £437.8m to £995.1m 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 33a below).

| <b>Unusable Reserves<br/>(Note 24)</b>        | <b>31st<br/>March<br/>2022</b> | <b>31st<br/>March<br/>2023</b> | <b>Movement<br/>in year</b> |
|---|--------------------------------|--------------------------------|-----------------------------|
|   | <b>£m</b>                      | <b>£m</b>                      | <b>£m</b>                   |
| Revaluation Reserve                           | 379.3                          | 467.3                          | 88.0                        |
| Capital Adjustment Account                    | 533.0                          | 502.9                          | (30.1)                      |
| Financial Instruments<br>Adjustment Account   | (0.4)                          | (0.3)                          | 0.1                         |
| Pension Reserve                               | (331.5)                        | 36.2                           | 367.7                       |
| Deferred Capital Receipts<br>Reserve          | 4.8                            | 4.8                            | 0.0                         |
| Collection Fund Adjustment                    | (11.1)                         | 7.7                            | 18.8                        |
| Accumulated Absences Account                  | (2.4)                          | (2.5)                          | (0.1)                       |
| Financial Instruments<br>Revaluation Reserve  | (0.8)                          | (1.2)                          | (0.4)                       |
| Dedicated Schools Grant<br>Adjustment Account | (13.6)                         | (19.8)                         | (6.2)                       |
| <b>Total Unusable Reserves</b>                | <b>557.3</b>                   | <b>995.1</b>                   | <b>437.8</b>                |

## Balance Sheet

27. The Balance Sheet shows the value of assets and liabilities at the reporting date, 31<sup>st</sup> March 2023. 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.
28. 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.
29. 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?
30. 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 £423.3m to £1.188bn since the previous financial statements (see 'Balance Sheet' on page 18 of the accounts). This is mainly due to a number of factors: -
- i. A decrease in the liability related to the defined benefit pension scheme resulting in a pension asset (the pension asset / 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**

31. 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.
32. 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. £18m per month.

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

33. The style and format of the accounts used for 2022/23 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 generated a surplus of £40.9m in 2022/2023 compared to a surplus of £20.7m in 2021/22. This is partially due to a recovery from the COVID-19 pandemic in 2022/23 but mainly due to the granting of less Retail Relief in 2022/23 compared to 2021/22 due to a reduced scheme (less relief granted means more business rates payable). The Council's share of NNDR is 49% therefore the Council's share of the surplus was £20.1m.
    - ii. The accumulated surplus attributable to the Council is £9.1m (there was an opening deficit balance of £22.3m relating to previous years). Most of this has to be redistributed to the Council during 2023/24 and was addressed in the budget.
  - b. Group Accounts
    - i. A reminder that since 2019/20 the Doncaster Children's Services Trust (DCST) were included in Group Accounts following their conversion to an Arms Length Management Organisation (ALMO) fully controlled by the Council. The DCST accounts were deemed to be material.

- ii. In March 2022, the Council took the decision to give notice to DCST to end the contract for the delivery of specified children’s social care services. The contract ended on 31<sup>st</sup> August 2022 and at that point DCST ceased trading. DCST’s staff were transferred to the Council on 1<sup>st</sup> September 2022 and since that date all children’s social care has been provided by the Council or by 3rd parties commissioned by the Council. From 1<sup>st</sup> September contracts with providers and other suppliers were novated to the Council. Therefore, DCST is no longer included in the Group Accounts.

**Informing the audit risk assessment**

- 34. 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 City of Doncaster Council 2022/23’ 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.
- 35. 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**

- 36. Not applicable.

**REASONS FOR RECOMMENDED OPTION**





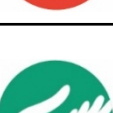


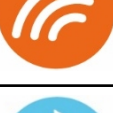
- 37. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2022/23. The Council has a statutory obligation to submit its unaudited 2022/23 Statement of Accounts to the External Auditor by 31<sup>st</sup> May. Failure to do so could result in an audit qualification and consequential reputational damage.

**IMPACT ON THE COUNCIL’S KEY OUTCOMES**

- 38.

|                         |                         |                                       |  |                                   |
|-------------------------|-------------------------|---------------------------------------|--|-----------------------------------|
| <b>Great 8 Priority</b> | <b>Positive Overall</b> | <b>Mix of Positive &amp; Negative</b> | <b>Trade-offs to consider – Negative overall</b> | <b>Neutral or No implications</b> |
|-------------------------|-------------------------|---------------------------------------|--|-----------------------------------|



|  |  |  |  |  |
|--|--|--|--|--|
|  <b>Tackling Climate Change</b>   |  |  |  |  |
|  <b>Developing the skills to thrive in life and in work</b>   |  |  |  |  |
|  <b>Making Doncaster the best place to do business and create good jobs</b>   |  |  |  |  |
|  <b>Building opportunities for healthier, happier and longer lives for all</b>  |  |  |  |  |
|  <b>Creating safer, stronger, greener and cleaner communities where everyone belongs</b>  |  |  |  |  |
|  <b>Nurturing a child and family-friendly borough</b>   |  |  |  |  |
|  <b>Building Transport and digital connections fit for the future</b>  |  |  |  |  |
|  <b>Promoting the borough and its cultural, sporting, and heritage opportunities</b>  |  |  |  |  |
| <b>Fair &amp; Inclusive</b>  |  |  |  |  |
| <p>Comments:</p> <p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p> <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> |  |  |  |  |

**39. Legal Implications [Officer Initials: SRF | Date: 05/07/23]**

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.

**40. Financial Implications [Officer Initials: RLI | Date: 04/07/23]**

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

**41. Human Resources Implications [Officer Initials: DK | Date: 06/07/23]**

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

**42. Technology Implications [Officer Initials: ET | Date: 05/07/23]**

There are no technology implications in relation to this report.

**RISKS AND ASSUMPTIONS**

43. 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.  |

**CONSULTATION**

44. Not applicable.

**BACKGROUND PAPERS**

45. Following background papers: -

- Unaudited Statement of Accounts 2022/23 published on the Council website: - <https://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
- Accounts and Audit Regulations 2015

- Accounts and Audit (Amendment) Regulations 2022
- The Code of Practice on Local Authority Accounting 2022/23 ('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  |
| IAS      | International Accounting Standards   |
| 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  |

## **REPORT AUTHOR & CONTRIBUTORS**

**Robert Isaac, Financial Planning & Control Manager**

☎ 01302 737983

✉ robert.isaac@doncaster.gov.uk

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

This page is intentionally left blank

# Comprehensive Income and Expenditure Statement (CI&ES)

|  | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
|--|----------------------------|-----------------------|--------------------------|
| Adults, Health & Wellbeing                                 | 154,881                    | (84,977)              | 69,904                   |
| Children, Young People & Families                          | 248,199                    | (139,042)             | 109,157                  |
| Corporate Resources  | 115,859                    | (74,795)              | 41,064                   |
| Council Wide Budgets                                       | 18,817                     | (1,290)               | 17,527                   |
| Economy & Environment                                      | 124,294                    | (27,933)              | 96,361                   |
| Public Health  | 37,091                     | (26,479)              | 10,612                   |
| Housing Revenue Account                                    | 64,908                     | (81,539)              | (16,631)                 |
| <b>Net Cost of Services</b>                                | <b>764,049</b>             | <b>(436,055)</b>      | <b>327,994</b>           |
| Other operating expenditure                                |                            |                       | 40,663                   |
| Financing and investment income and expenditure            |                            |                       | 26,035                   |
| Taxation and non-specific grant income                     |                            |                       | (319,056)                |
| <b>(Surplus) / Deficit on Provision of Services</b>        |                            |                       | <b>75,636</b>            |
| (Surplus) / Deficit on revaluation of non current assets   |                            |                       | (98,127)                 |
| Actuarial (gains) / losses on pension assets / liabilities |                            |                       | (401,256)                |
| (Gains) / Losses on revaluation of financial instruments   |                            |                       | 426                      |
| <b>Other Comprehensive Income and Expenditure</b>          |                            |                       | <b>(498,957)</b>         |
| <b>Total Comprehensive Income and Expenditure</b>          |                            |                       | <b>(423,321)</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<br>£'000   | HRA<br>£'000          |
|--|-------------------------|-----------------------|
| <b>Balance at 31<sup>st</sup> March 2022 brought forward</b>             | <b>(131,668)</b>        | <b>(6,690)</b>        |
| <b><u>Movement in reserves during 2022/23</u></b>                        |                         |                       |
| Total Comprehensive Income and Expenditure                               | 54,577                  | 21,059                |
| Adjustments between accounting basis and funding basis under regulations | (27,970)                | (20,429)              |
| <b>(Increase) / Decrease in 2022/23</b>                                  | <b><u>26,607</u></b>    | <b><u>630</u></b>     |
| <b>Balance at 31<sup>st</sup> March 2023 carried forward</b>             | <b><u>(105,061)</u></b> | <b><u>(6,060)</u></b> |

(Surplus) or deficit for the year. Note the joint position for GF and HRA of £75,636 (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.

|   |                  |           |                  |
|---|------------------|-----------|------------------|
| Property, Plant & Equipment                         | 1,554,673        | 1,497,216 |                  |
| Heritage Assets                                     | 8,939            | 9,050     |                  |
| Investment Property                                 | 1,777            | 1,696     |                  |
| Intangible Assets                                   | 1,558            | 2,478     |                  |
| Long Term Investments                               | 2,812            | 3,238     |                  |
| Long Term Debtors                                   | 6,666            | 6,894     |                  |
| Asset related to defined benefit pension scheme     | 36,232           | 0         |                  |
| <b>Long Term Assets</b>                             | <b>1,612,657</b> |           | <b>1,520,572</b> |
| Short Term Investments                              | 10               | 25,010    |                  |
| Assets Held for Sale                                | 19,393           | 21,829    |                  |
| Inventories   | 1,068            | 1,253     |                  |
| Short Term Debtors                                  | 92,747           | 88,765    |                  |
| Cash & Cash Equivalents                             | 37,659           | 67,558    |                  |
| <b>Current Assets</b>                               | <b>150,877</b>   |           | <b>204,415</b>   |
| Cash & Cash Equivalents                             | 0                | (27)      |                  |
| Short Term Borrowing                                | (48,302)         | (63,790)  |                  |
| Short Term Creditors                                | (77,649)         | (83,078)  |                  |
| Provisions  | (1,742)          | (1,593)   |                  |
| Revenue Grants Receipts in Advance                  | (7,638)          | (31,749)  |                  |
| Capital Grants Receipts in Advance                  | (3,775)          | (1,860)   |                  |
| <b>Current Liabilities</b>                          | <b>(139,106)</b> |           | <b>(182,097)</b> |
| Provisions  | (7,535)          | (16,282)  |                  |
| Long Term Borrowing                                 | (383,801)        | (398,902) |                  |
| Other Long Term Liabilities                         | (39,711)         | (40,400)  |                  |
| Donated Assets Account                              | 0                | 0         |                  |
| Revenue Grants Receipts in Advance                  | 0                | 0         |                  |
| Capital Grants Receipts in Advance                  | (5,133)          | (6,063)   |                  |
| Liability related to defined benefit pension scheme | 0                | (316,316) |                  |
| <b>Long Term Liabilities</b>                        | <b>(436,180)</b> |           | <b>(777,963)</b> |
| <b>Net Assets</b>                                   | <b>1,188,248</b> |           | <b>764,927</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

This has traditionally been the largest liability but this year is an asset. 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 £20.2m 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 2023 of £1,188,248 has increased by £423,321 which is the surplus in the CI&ES for 2022/23

# Informing the audit risk assessment for City of Doncaster Council 2022-23





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.

# Table of Contents

| Section  | Page |
|--|------|
| Purpose  | 4    |
| General Enquiries of Management                        | 6    |
| Fraud  | 8    |
| Fraud Risk Assessment                                  | 9    |
| Laws and Regulations                                   | 14   |
| Impact of Laws and Regulations                         | 15   |
| Related Parties  | 17   |
| Going Concern  | 19   |
| Accounting Estimates                                   | 21   |
| Accounting Estimates - General Enquiries of Management | 22   |
| Appendix A – Accounting Estimates                      | 25   |

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of Doncaster Council's external auditors and City of Doncaster 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 City of Doncaster 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   |
|--|---|
| <p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>  | <p>In March 2022, the Council took the decision to give notice to DCST to end the contract for the delivery of specified children's social care services. The contract ended on 31<sup>st</sup> August, 2022 and at that point DCST ceased trading. DCST's staff were transferred to the Council on 1<sup>st</sup> September, 2022 and since that date all children's social care has been provided by the Council or by 3rd parties commissioned by the Council. From 1<sup>st</sup> September, 2022 contracts with providers and other suppliers were novated to the Council. As a result of the transfer of staff, South Yorkshire Pensions Authority (SYPA) transferred the former DCST pension scheme into the City of Doncaster Council pension scheme. From 2022/23, DCST is no longer consolidated in the Group Accounts.</p> |
| <p>2. Have you considered the appropriateness of the accounting policies adopted by City of Doncaster Council?<br/>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p> | <p>Accounting policies are reviewed on an annual basis, the only change in 2022/23 was the useful economic lives of infrastructure assets being changed from a standard 40 year life. Different lives are now applied to the asset types within infrastructure, such as roads, signs and street lighting, which were assessed by the Head of Highways Infrastructure. This approach was agreed with Grant Thornton following the 2021/22 audit.</p>   |
| <p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>  | <p>Yes all financial instruments are shown in the note in the Statement Of Accounts (SOA). There are no derivatives.</p>  |
| <p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>  | <p>The Council paid out c£19m in energy bill payments in 2022/23 funded by Government grants. These payments were made on an agency basis so are not included in the Council's accounts.</p>  |

## 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   |
| 8. Other than in house solicitors, can you provide details of those solicitors utilised by City of Doncaster Council during the year. Please indicate where they are working on open litigation or contingencies from prior years? | BrowneJacobson<br>Forbes<br>Geldards<br>Kennedy's<br>Womble Bond Dickinson<br>Trowers<br>Shoosmiths<br>DLA<br>Through Insurance Team:-<br>Weightmans<br>Kennedys<br>Dawson & Burgess<br>DAC Beachcroft |

# 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 City of Doncaster 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 City of Doncaster Council's management.

# Fraud risk assessment

| Question  | Management response   |
|---|---|
| <p>1. Has City of Doncaster 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>Fraud risks are identified in the counter fraud report 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>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 counter fraud report and risk assessment</p> <p>These are assessed as part of quarterly finance and performance reporting including oversight by the Governance Group</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>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of Doncaster Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>   | <p>Not aware of any significant instances.</p>  |



## Fraud risk assessment

| Question  | Management response  |
|---|--|
| 4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?   | 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.     |
| 5. Have you identified any specific fraud risks? If so, please provide details<br><br>Do you have any concerns there are areas that are at risk of fraud?<br><br>Are there particular locations within City of Doncaster Council where fraud is more likely to occur? | There is a detailed fraud risk register maintained by Internal Audit<br><br>These are identified in the Fraud Risk Register<br><br>These are identified in the Fraud Risk Register   |
| 6. What processes does City of Doncaster Council have in place to identify and respond to risks of fraud?   | Internal audit plan and progress reports and annual reports all cover both proactive and reactive work covering fraud<br>Some proactive fraud work covers data matching, continual analytics, fraud awareness training, specific anti-fraud and corruption reviews |

# Fraud risk assessment

| Question   | Management response  |
|--|--|
| <p>7. How do you assess the overall control environment for City of Doncaster 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 was again for 22/23 year</p> <p>Positive opinion given in previous Head of Internal Audit Annual reports the Annual Governance Statement and again for 22/23 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>Set out in counter fraud report</p> <p>Assessed as low risk</p>   |

## Fraud risk assessment

| Question  | Management response  |
|---|--|
| <p>9. How does City of Doncaster 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.<br/>Staff are expected to report their concerns to their manager or if inappropriate , elsewhere as set out in whistleblowing policy / Antifraud and corruption policy<br/>Such concerns have been low level for several years and have remained so throughout 22/23</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.<br/>Some counter fraud checks detailed in the counter fraud report, e.g. data matching Payroll to Creditors payments.</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 22/23 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 22/23. 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 City of Doncaster 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 City of Doncaster 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>Page 6<br/>Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 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, provisions and earmarked reserves notes in the Statement of Accounts.</p>   |

## Impact of laws and regulations

| Question   | Management response  |
|--|--|
| 5. What arrangements does City of Doncaster 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

City of Doncaster 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 City of Doncaster 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.

ISA (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 City of Doncaster Council's 2021/22 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 City of Doncaster Council</li> <li>City of Doncaster 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 City of Doncaster 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.<br/>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 City of Doncaster Council will no longer continue?   | Budgets are monitored on a regular basis with quarterly Finance and Performance reports taken to Cabinet and reports taken to Executive Leadership Team in periods 2,4,7 and 10. |
| 2. Are management aware of any factors which may mean for City of Doncaster 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 City of Doncaster Council, does City of Doncaster 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 City of Doncaster 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 City of Doncaster 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? | Material classes of transaction - Property, plant and equipment and pension.<br>Material conditions – Pandemic, natural disaster  |
| 2. How does the council's risk management process identify and address risks relating to accounting estimates?   | 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. |
| 3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?  | Evidence and assumptions used to form the basis of estimates is reviewed to ensure it is still relevant and suitable for use.   |
| 4. How does management review the outcomes of previous accounting estimates?   | 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.<br>Pension assumptions reviewed annually.<br>Provisions reviewed annually                |
| 5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?   | The useful economic lives of infrastructure assets being changed from a standard 40 year life. Different lives are now applied to the asset types within infrastructure, such as roads, signs and street lighting, which were assessed by the Head of Highways Infrastructure. This approach was agreed with Grant Thornton following the 2021/22 audit.      |

## Accounting Estimates - General Enquiries of Management

| Question   | Management response   |
|--|---|
| 6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?  | <p>Use actuary for pension information.</p> <p>Qualified officers used for asset valuations.</p> <p>District Valuer used for dwelling valuations.</p> <p>Link used to supply fair value for financial instruments.</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>Valuers are issued with instruction letter and contract with requirements is in place with the District Valuer.</p> <p>Pension – the Council participates in the annual bulk exercise to obtain the IAS19 disclosures.</p> <p>Quality Assurance is carried out.</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>Valuations – variances over a certain % are reviewed and challenged, District Valuer beacon sheets reviewed</p> <p>Pensions – finance officers review assumptions to ensure they are in line with expectations</p> <p>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</p> <p>Audit Committee chair – briefed before meeting</p> <p>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?   | The Council keeps up to date with changes in regulations, reviews its methods of making estimates, and reviews the use of experts. Previous audits have not found issues with use of estimates and the Council's use of estimates is consistent with other local authorities. |
| 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:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates | Has there been a change in accounting method in year? |
|---|--|--|---|--|---|
| Valuation of other land & buildings       | Depreciated Replacement Cost (DRC), Existing Use Value (EUV), Fair Value, Historic Cost. Valued as at 31 <sup>st</sup> March     | Building Cost Information Service (BCIS) rates, local information such as sale prices, rental income | Valuations reviewed by Royal Institution of Chartered Surveyors (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 Public Works Loan Board (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 – UEL) | 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:<br>- Assessment of degree of uncertainty<br>- 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  |
| Expenditure accruals   | Automatic system accruals, manual – guidance provided   | Budget holder monitoring, significant variances, review of new year transactions  | N/A  | Potential uncertainty around value<br>Most appropriate estimate used  | No  |
| Provisions estimate (specifically business rates & insurance fund) | Appeals provision model based on previous appeals success %.<br><br>Insurance – based on previous claims data | Insurance Team  | N/A  | Methods used and associated % used is changed each year.  | No  |
| Private Finance Initiative (PFI) liabilities                       | Waste – based on Rotherham due to being lead authority<br><br>Schools – PFI model                             | Based on model used   | The original models were created by experts (big 4 accountancy firms).   | 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:<br>- Assessment of degree of uncertainty<br>- 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   |